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DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
THE HIGHLANDS ON LAKE KEOWEE

DRAWN BY AND MAIL TO:
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Exhibit "A" Articles of Incorporation of The Highlands on Lake Keowee Owners Association,
Inc.

Exhibit "B" Bylaws of The Highlands on Lake Keowee Owners Association, Inc.

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE HIGHLANDS ON LAKE KEOWEE ("Declaration") is made as of the 2nd day of October, 2003, by CRESCENT COMMUNITIES S.C., LLC, a Delaware limited liability company ("Declarant").

STATEMENT OF PURPOSE

Declarant is the developer and owner of certain real property located in Pickens County, South Carolina, which is hereafter described as the Property. Declarant desires to create on the Property a residential community of single-family homes to be named The Highlands on Lake Keowee.

Declarant desires to insure the attractiveness of the Subdivision, to prevent any future nuisances, and to enhance the value of all properties within the Subdivision. Furthermore, Declarant desires to provide for the construction, maintenance and upkeep of any Common Areas and related easements within the Subdivision, all for the common use and benefit of all Owners (or with respect to Common Areas dedicated to the use and benefit of certain Owners, only those Owners benefiting from such Common Area).

Declarant desires to provide for a system whereby all Owners (or with respect to Common Areas dedicated to the use and benefit of certain Owners, only the Owners benefiting from such Common Area) will pay for the maintenance and upkeep of any Common Areas, in accordance with an established budget set by the Board.

Declarant desires to subject the Property to the covenants, conditions, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of the Property and each Owner.

Declarant desires to create a South Carolina non-profit corporation to be known as The Highlands on Lake Keowee Owners Association, Inc. to which will be delegated and assigned the powers of owning, maintaining and administering the Common Areas, administering and enforcing the covenants and restrictions contained herein, and collecting and disbursing the Assessments and charges hereinafter created, in order to efficiently preserve, protect and enhance the value of the Subdivision, to ensure, for the benefit of each Owner, the specific rights, privileges and easements in the Common Areas, and to provide for the maintenance and upkeep of the Common Areas, as provided in this Declaration and the Bylaws.

NOW, THEREFORE, Declarant, by this Declaration, hereby declares that all of the Property shall be held, transferred, sold, conveyed and occupied subject to the covenants, conditions, restrictions, easements, charges and liens set forth in this Declaration, which shall run with the Property and be binding on all parties owning any right, title or interest in the Property or any part thereof, their respective heirs, successors and assigns, and shall inure to the benefit of each Owner.

ARTICLE I
DEFINITIONS

All capitalized terms shall have the meanings set forth in ARTICLE I.

Section 1.1. "Additional Property" shall mean and refer to (i) any additional real estate adjacent or contiguous to the Property shown on the Map recorded in Map Books ~~480, 481~~ at page(s) ~~17-20, 1-4~~ in the Office of the Register of Deeds for Pickens County, South Carolina, or (ii) any property located within four thousand (4,000) feet of any boundary of the Property shown on the Map, all or a portion of which may be made subject to the terms of this Declaration in accordance with the provisions of Section 2.2.

Section 1.2. "Annual Assessment" shall mean and refer to the amount to be levied annually by the Association against each Lot, as set forth in Section 6.2.

Section 1.3. "Articles of Incorporation" shall mean and refer to the Articles of Incorporation for the Association attached as Exhibit A.

Section 1.4. "Assessments" shall mean and refer to the Annual Assessments, Supplemental Annual Assessments, Special Assessments, Special Individual Assessments, Boatslip Assessments, Supplemental Boatslip Assessments, Special Boatslip Assessments, Septic System Assessments and Supplemental Septic System Assessments applicable to a Lot.

Section 1.5. "Association" shall mean and refer to THE HIGHLANDS ON LAKE KEOWEE OWNERS ASSOCIATION, INC., a South Carolina non-profit corporation, its successors and assigns.

Section 1.6. "Board" shall mean and refer to the Board of Directors of the Association, which shall be elected and shall serve pursuant to the Bylaws.

Section 1.7. "Boatslip Assessments" shall mean and refer to the amount to be levied annually by the Association against each Boatslip as more particularly set forth in ARTICLE VII.

Section 1.8. "Boatslip Lease" shall mean and refer to the boatslip lease form between Declarant and each of the Boatslip Lot Owners as more particularly set forth in Section 3.6.

Section 1.9. "Boatslip Lots" shall mean and refer to Lots 4, 8-10, 12, 24-29, 43, 59-63, and 70-71 in the Subdivision that have, as an appurtenance to the Lot, the obligation to lease and the right to use one of the assigned Community Boatslips, as more particularly set forth in ARTICLE VII.

Section 1.10. "Boatslip Lot Owner" shall mean and refer to the Owner of any Boatslip Lot, as more particularly set forth in Section 3.6, Section 3.7, and in ARTICLE VII.

Section 1.11. "Bylaws" shall mean and refer to the Bylaws for the Association, substantially in the form attached as Exhibit B, as amended, from time to time.

Section 1.12. "Common Area" or "Common Areas" shall mean and refer collectively to the Entrance Monument, Street Lights, Landscape Easement Area, Public Roads (prior to their acceptance for maintenance by the Pickens County Public Works Department or other governmental entity), and any other property designated on the Map as "Common Area," "Common Open Area," "Common Open Space," "COS," or other similar designation. The Association shall own Common Areas (or be granted an easement) for the common use and benefit of all Owners. The listing and description of the components of the Common Area is illustrative of Declarant's present plans only and is not a guaranty by Declarant or the Association that all or any part of such components will be constructed or installed by Declarant or the Association at any future time. Declarant reserves the right, but not the obligation, to provide additional Common Areas within the Subdivision, and shall have the right to designate which Owners shall be permitted to use any Common Areas or future Common Areas as set forth in Section 2.2.

Section 1.13. "Community Boatlips" shall mean and refer to the nineteen (19) Boatlips, pier, access area, and all associated Improvements, which Declarant shall construct for lease to the Boatlip Lot Owners, each of whom is required to lease one of the Community Boatlips.

Section 1.14. "CPI" shall mean and refer to the Consumer Price Index, All Urban Consumers, United States, All Items (1982-84 = 100) issued by the U.S. Bureau of Labor Statistics for the most recent 12-month period for which the CPI is available. If the CPI is discontinued, the Board shall use the index most similar to the CPI that is published by the United States Government indicating changes in the cost of living.

Section 1.15. "Declarant" shall mean and refer to Crescent Communities S.C., LLC, and such of its successors and assigns to whom the rights of Declarant are transferred by written instrument recorded in the Office of the Register of Deeds for Pickens County, South Carolina.

Section 1.16. "Duke Lease" shall mean and refer the lease agreement between Duke Energy Corporation and Declarant pertaining to the lease of the area of the lake bed of Lake Keowee underlying the Community Boatlips.

Section 1.17. "Entrance Monument" shall mean and refer to the easement areas reserved and granted by Declarant in Section 9.9, over a portion of the Common Area and portions of Lot 7, Lot 8 and Lot 73, as shown on the Map, and any monuments and entrance signs located on such easement areas, together with lighting, an irrigation system, landscaping and other Improvements which may be constructed on such easement areas, to be used as entrances to the Subdivision.

Section 1.18. "Environmental Control Committee" or "ECC" shall mean and refer to the committee that oversees the development and enforcement of the Guidelines and performs certain other functions described in ARTICLE XI.

Section 1.19. “**FERC**” shall mean and refer to the Federal Energy Regulatory Commission.

Section 1.20. “**Guidelines**” shall mean and refer to the Environmental and Lake Buffer Guidelines published by the ECC, as set forth in Section 11.3.

Section 1.21. “**Improvement**” or “**Improvements**” shall mean and refer to any and all man-made changes or additions to any portion of the Property.

Section 1.22. “**Lake Buffer Area**” shall mean and refer to the area that is fifty (50) feet from the 800' MSL contour or ten (10) feet from the 804' MSL contour, whichever is greater.

Section 1.23. “**Landscape Easement Area**” shall mean and refer to the areas designated on the Map which are reserved by Declarant, all of which shall be maintained by the Association, as more particularly set forth in Section 9.9.

Section 1.24. “**Lot**” or “**Lots**” shall mean and refer to the separately numbered parcels depicted on the Map.

Section 1.25. “**Map**” or “**Maps**” shall mean and refer to (i) the map of the Subdivision recorded in Map Book ~~466 (487)~~ Page(s) ~~17-20, 1-2~~, in the Office of the Register of Deeds for Pickens County, South Carolina, (ii) any maps of any portions of the Additional Property which are subjected to this Declaration, and (iii) any revisions of such map or maps recorded in the Office of the Register of Deeds for Pickens County, South Carolina.

Section 1.26. “**Maximum Annual Assessment**” shall mean and refer to the maximum Annual Assessment that may be charged in a calendar year, as set forth in Section 6.4.

Section 1.27. “**Maximum Boatslip Assessment**” shall mean and refer to the maximum Boatslip Assessment that may be charged in a calendar year, as set forth in Section 7.4.

Section 1.28. “**Maximum Septic System Assessment**” shall mean and refer to the maximum Septic System Assessment that may be charged in a calendar year, as set forth in Section 8.4.

Section 1.29. “**Member**” shall mean and refer to every person or entity that holds a membership in the Association.

Section 1.30. “**Mortgage**” shall mean and refer to any mortgage constituting a first lien on a Lot.

Section 1.31. “**Mortgagee**” shall mean and refer to the owner and holder of a Mortgage on a Lot.

Section 1.32. “**Owner**” shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot within the Subdivision, including the Declarant if it owns any Lot, but excluding any Mortgagee.

Section 1.33. **"Private Drive"** shall mean and refer to those certain roads constructed within the Private Drive Easement which will provide access, ingress, egress and regress to each of the Private Drive Lots upon completion, which shall be the responsibility of and maintained by the Private Drive Lot Owners as set forth in Section 9.25.

Section 1.34. **"Private Drive Easement"** shall mean and refer to the non-exclusive, perpetual easement forty (40) feet in width and identified on the Map as "40' Access & Utility Easement Lots 18, 19, 20," which have been established over a portion of Lots 18 and 19, for the benefit of all of the Private Drive Lot Owners, their heirs, successors and assigns for access, ingress, egress and regress to and from the Private Drive Lots. The Private Drive Easement is also reserved unto the Declarant and the Association, their respective successors and assigns for access, ingress, egress and regress to the Private Drive Lots, for the installation and maintenance of the Private Drive and for the installation and maintenance of any utilities and drainage facilities.

Section 1.35. **"Private Drive Lots"** shall collectively mean and refer to Lots 18, 19, and 20.

Section 1.36. **"Parking Area"** shall mean and refer to the parking lot which may be constructed over a portion of the Common Area or over the Parking Area Easement for the common use, benefit and enjoyment of the Boatslip Lot Owners, their families, guests and invitees.

Section 1.37. **"Parking Area Easement"** shall mean and refer to the thirty (30) foot by one hundred (100) foot easement reserved by Declarant over Lot 44, as more particularly shown on the Map.

Section 1.38. **"Property"** shall mean and refer to the property shown on the Map, including the Lots, Private Drive, Public Roads and Common Areas, together with any leasehold interest or easement which the Association has or may hereafter acquire in any property adjacent to the Subdivision (including, but not limited to, any leases of any submerged land lying within the bed of Lake Keowee).

Section 1.39. **"Public Roads"** shall mean and refer to all roads and cul-de-sacs in the Subdivision and shown on the Map as "Public Road R/W," all to be maintained by the Association as more particularly set forth in Section 4.6 until dedicated to and accepted by the Pickens County Public Works Department or other governmental entity.

Section 1.40. **"Reserve Fund"** shall mean and refer the portion of the Annual Assessment to be used for the purposes set forth in Section 4.6.

Section 1.41. **"Septic System Assessments"** shall mean and refer to the amount to be levied annually by the Association against each Lot for the purpose set forth in Section 8.2.

Section 1.42. **"Special Individual Assessment"** shall mean and refer to the amount levied by the Association for the purposes set forth in Section 6.6.

Section 1.43. "Special Assessment" shall mean and refer to the amount levied by the Association for the purposes set forth in Section 6.5.

Section 1.44. "Special Boatslip Assessment" shall mean and refer to the amount levied by the Association for the purposes set forth in Section 7.5.

Section 1.45. "Street Lights" shall mean and refer to those certain street lights that may be constructed upon, within and over the rights-of-way of the Public Roads.

Section 1.46. "Supplemental Annual Assessment" shall mean and refer to an amount levied by the Board in addition to the Annual Assessment, as set forth in Section 6.4.3.

Section 1.47. "Supplemental Boatslip Assessment" shall mean and refer to an amount levied by the Board in addition to the Boatslip Assessment, as set forth in Section 7.4.3.

Section 1.48. "Supplemental Septic System Assessment" shall mean and refer to an amount levied by the Board in addition to the Septic System Assessment, as set forth in Section 8.4.3.

Section 1.49. "Subdivision" shall mean and refer to The Highlands on Lake Keowee Subdivision, as shown on the Map.

Section 1.50. "Waterfront Lots" shall mean and refer to Lots 1-8, 10-11, 13-23, 30-42, 44-58, 64-70, and 72-75 as shown on the Map. Although Lots 4, 8, 10, and 70 are Boatslip Lots, each of them shall also be considered a Waterfront Lot for all purposes set forth in the Declaration, with the exception of Section 9.22 and Section 9.23.

Section 1.51. "Water System" shall mean and refer to the central water system constructed by Declarant in order to provide water necessary to serve the Subdivision.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION AND WITHIN THE JURISDICTION OF THE ASSOCIATION

Section 2.1. Property. The real property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration, is located in Pickens County, South Carolina, as more particularly described and shown on the Map.

Section 2.2. Additions to the Property.

- 2.2.1 Declarant may cause any portion of the Additional Property to be made subject to the terms and scheme of this Declaration by filing one or more Supplemental Declarations in the Office of the Register of Deeds for Pickens County, South Carolina. Each Supplemental Declaration shall contain a description of the Additional Property (or any portion to be made subject hereto) and a statement by the Declarant of its intent to extend the operation and effect of this Declaration to the Additional Property.

- 2.2.2 Any Supplemental Declaration may contain complementary additions to the covenants, conditions and restrictions contained herein as may be necessary in the judgment of the Declarant to reflect the different character of the Additional Property. No Supplemental Declaration shall revoke or modify the covenants, conditions and restrictions contained herein with respect to the Property, nor revoke or modify the covenants, conditions and restrictions established by previously filed Supplemental Declarations, without meeting the requirements for amendment set forth in Section 14.3. Notwithstanding the foregoing, Declarant or the Association shall have the right, without meeting the requirements for amendment set forth in Section 14.3, to amend this Declaration to reconfigure the Community Boatlips or Common Areas to reflect the actual final configuration of such areas and the "as-built" construction of such amenities.

ARTICLE III

PROPERTY RIGHTS

Section 3.1. Ownership of Common Areas. On or before ten (10) years from the date this Declaration is recorded, Declarant shall convey fee simple title by limited warranty deed to the Common Areas to the Association, to be owned and maintained by the Association. Declarant reserves the right to construct (i) the Entrance Monument(s) to be located at the entrance(s) to the Subdivision; (ii) appropriate landscaping in the Landscape Easement Area; and (iii) the Public Roads, as reflected on the Map, for the use and benefit of the Owners who are entitled to use such Common Areas as provided in this Declaration. Notwithstanding the recordation of any Map or any other action by Declarant or the Association, all Common Areas shall remain private property and shall not be considered as dedicated to the use and benefit of the public (with the exception of the Public Roads, which will eventually be dedicated to and accepted for public maintenance by the Pickens County Public Works Department or other governmental entity).

Section 3.2. Owners' Rights to Use and Enjoy Common Areas. Each Owner shall have the non-exclusive easement and right to use and enjoy the Common Areas, and such right shall be appurtenant to and conveyed with title to such Owner's Lot, subject to the following:

- 3.2.1 the right of the Association to promulgate and enforce reasonable rules and regulations governing the use of the Common Areas;
- 3.2.2 the right of the Association to suspend the voting rights of an Owner in the Association and the right of the Association to suspend the right to use certain or all of the Common Areas by an Owner for any period during which any Assessment against his Lot remains unpaid, for a period not to exceed sixty (60) days for any violation or infraction of its published rules and regulations;
- 3.2.3 the right of the Declarant or the Association to grant utility, drainage and other easements across the Common Areas;

- 3.2.4 the right of the Declarant or the Association to restrict the use of certain Common Areas to certain designated Owners as described in this Declaration; and
- 3.2.5 the provisions of ARTICLE IX.

Section 3.3. Delegation of Use. Any Owner may delegate, in accordance with the Bylaws, the Owner's right of enjoyment to the Common Areas and facilities located thereon to the members of the Owner's family and his guests, tenants, or invitees.

Section 3.4. Rights in the Private Drive. The Private Drive shall be constructed by Declarant at its sole cost and expense for the benefit of the Private Drive Lot Owners. Each Private Drive Lot Owner, Declarant and the Association, their successors and assigns, shall have and are hereby granted the perpetual, non-exclusive right to use the Private Drive within the Private Drive Easement, for the purpose of pedestrian and vehicular access, ingress, egress and regress to and from each Private Drive Lot, for installation and maintenance of the Private Drive, drainage facilities and other utilities to serve the Private Drive Lots. Declarant shall have the exclusive right to construct the Private Drive within the Private Drive Easement, in the approximate location shown on the Map, as well as any additional Private Drive which may be added to the Subdivision in the future pursuant to the provisions of Section 2.2. The Private Drive and the Private Drive Easement shall be maintained and repaired by the Private Drive Lot Owners as more particularly set forth in Section 9.25. No structures, plantings or other materials shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of the Private Drive, or the utilities or drainage facilities located therein.

Section 3.5. Community Boatslips. Subject to and contingent upon receipt of the approval of FERC, Duke Energy Corporation and any other regulatory body having jurisdiction, Declarant shall have the exclusive right to construct all of the Community Boatslips, in the approximate locations shown on the Map or as otherwise shown in any Supplemental Declaration or other document which may be recorded pursuant to the provisions of this Declaration. Declarant shall not construct more Community Boatslips than are approved by Duke Energy Corporation pursuant to Declarant's Boatslip permit request for the Subdivision. The Community Boatslips, to the extent available, will be offered to Owners of Boatslip Lots on a first come, first served basis and thereafter, on such basis as Declarant shall determine in Declarant's sole discretion.

Section 3.6. Lease of Community Boatslips. Following the construction of the Community Boatslips, each of the Community Boatslips may be leased by Declarant to the Owners of the Boatslip Lots and transferred among Owners as follows:

- 3.6.1 Pursuant to the Boatslip Lease, Declarant shall require each purchaser of a Boatslip Lot to lease one of the Boatslips. Each Boatslip Lease shall be appurtenant to the ownership of the applicable Boatslip Lot and shall only be assigned as provided below. The Boatslip Lease shall include the right to use the assigned Community Boatslip and the pier and access area in common with the other Boatslip Lot Owners.

- 3.6.2 Once entered into between Declarant and the Boatslip Lot Owner, the relevant Boatslip Lease shall not be separated from the ownership of the Boatslip Lot to which it is appurtenant but rather, shall run with the title to such Boatslip Lot. Any conveyance of a Boatslip Lot by a Boatslip Lot Owner shall automatically assign to the grantee all rights and duties of the Boatslip Lot Owner under the Boatslip Lease and the grantee shall be deemed to have assumed all obligations under the Boatslip Lease. The Boatslip Lot Owner and the grantee of the Boatslip Lot shall immediately execute and record an instrument in the Office of the Register of Deeds of Pickens County, South Carolina, sufficient to provide record notice of such assignment (a recorded copy of which instrument shall be provided to Declarant, as lessor, and the Association following recordation). Any Mortgage or other encumbrance of a Boatslip Lot shall also encumber the Boatslip Lease appurtenant thereto, even if not expressly included therein. Provided, however, no Mortgagee or other person claiming by, through or under any instrument creating any such encumbrance shall acquire any greater rights in the relevant Boatslip than the Boatslip Lot Owner may have under the Boatslip Lease at the time of such encumbrance; and provided further, such Mortgage or other instrument of encumbrance, and the indebtedness secured thereby, shall at all times be and remain subordinate and subject to all of the terms and conditions of the Boatslip Lease and to all of the rights of Declarant (as lessor) thereunder. Any successor to a Boatslip Lot Owner's interest in a Boatslip Lease, whether such interest is acquired by sale, assignment, foreclosure, deed in lieu of foreclosure, power of sale, execution or otherwise, shall take such interest subject to all of the terms, covenants, conditions, duties, and obligations of such Boatslip Lot Owner under the Boatslip Lease, shall be deemed to have attorned to Declarant (as lessor) and shall execute an attornment agreement upon the request of Declarant (as lessor).

Section 3.7. Use of Community Boatslips. Declarant (or the Association) shall have the right to use any of the Community Boatslips not leased to another Owner and shall have the obligation to pay Boatslip Assessments, Supplemental Boatslip Assessments and Special Boatslip Assessments on any Community Boatslips actually used by Declarant (or the Association) and not leased to another Owner. Declarant (or the Association) shall not be required to pay Boatslip Assessments, Supplemental Boatslip Assessments and Special Boatslip Assessments for any Community Boatslips not actually used by Declarant (or the Association). At Declarant's option, Declarant shall be entitled to assign all rights and duties of Declarant under any Boatslip Lease and/or the Duke Lease to any person or entity, including, without limitation, the Association, whereupon Declarant shall have no further rights, duties, obligations or liabilities thereunder.

- 3.7.1 In the event that any of the Community Boatslips is not leased as an appurtenance to a Boatslip Lot, the unleased Boatslip(s) may be retained by Declarant and the Association for the common use and enjoyment of only the Owners of Boatslip Lots, their families, guests and invitees, for the purpose of temporarily docking boats, and may not be leased or otherwise transferred by Declarant to, or used by, any other party or the public.

- 3.7.2 The use of the Community Boatslips is and shall be subject to each of the following:
- 3.7.2.1 rules and regulations for use promulgated by Declarant, the Association, and/or the ECC;
 - 3.7.2.2 all laws, statutes, ordinances and regulations of all federal, state and local governmental bodies having jurisdiction thereon;
 - 3.7.2.3 rules and regulations for use established by FERC and/or Duke Energy Corporation, its successors and assigns; and
 - 3.7.2.4 the terms and provisions of the Duke Lease.
- 3.7.3 The Board shall adopt rules and regulations governing the use of the Community Boatslips and the personal conduct thereon of the Boatslip Lot Owners and their families, tenants, guests and invitees. If the Boatslip Lot Owners desire to amend such rules and regulations, then a meeting of the Members owning Boatslip Lots may be called and held, in accordance with the terms and provisions of the Bylaws, for the purpose of voting to amend such rules and regulations. If such a meeting is duly called and held, the Boatslip Lot Owners may direct the Board to amend the rules and regulations governing the use of the Community Boatslips, including additions to and deletions of portions of such rules and regulations, as are (a) approved by a vote of a majority of the Boatslip Lot Owners in accordance with the terms and provisions of the Bylaws, (b) permitted under the Duke Lease, and (c) consented to by Declarant, so long as Declarant is the Owner of any Lot.
- 3.7.4 Only the Boatslip Lot Owners, their families, guests and invitees may use the pier and access area that is part of the Community Boatslips. Only the Owner of the Boatslip Lot to which such Community Boatslip is appurtenant, their families, tenants, guests and invitees may use the assigned Community Boatslip.

Section 3.8. Parking Area. Declarant shall construct, and the Association shall maintain, repair and, if destroyed, replace as a common expense of the Association, any paved Parking Area constructed by Declarant and located on the Common Areas. The Parking Area shall be constructed and maintained in order to provide parking for the Boatslip Lot Owners and their families, guests and invitees, in connection with their use of the Community Boatslips.

ARTICLE IV

THE ASSOCIATION

Section 4.1. Membership. Every Owner of a Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot, and shall be governed by the Bylaws.

Section 4.2. Classes of Lots and Voting Rights. The voting rights of the Members shall be appurtenant to the ownership of Lots. There shall be two (2) classes of Lots with respect to voting rights:

- 4.2.1 Class A Lots. All Lots shall be Class A Lots, except Class B Lots, as defined below. Each Class A Lot shall entitle the Owner(s) of the Lot to one (1) vote for each Class A Lot owned. When more than one person owns an interest (other than a leasehold, security interest or Mortgage) in any Lot, all such persons shall be Members and their appurtenant voting rights shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any Class A Lot.
- 4.2.2 Class B Lots. Class B Lots shall be all Lots owned by Declarant that have not been conveyed to purchasers who are not affiliated with Declarant. Declarant shall be entitled to four (4) votes for each Class B Lot owned by it.

Section 4.3. Declarant Control Period. The Class B Membership shall cease and be converted to Class A Membership on the first to occur of the following events:

- 4.3.1 when the number of votes in the Class A Membership exceeds the total number of votes outstanding in the Class B Membership; or
- 4.3.2 upon the expiration of ten (10) years after the recordation of this Declaration; or
- 4.3.3 upon the election of Declarant, in its sole discretion, to terminate its Class B Membership and to convert the Class B Lots to Class A Lots. Any such election, to be effective, must be in writing and recorded in the Office of the Register of Deeds for Pickens County, South Carolina.

Section 4.4. Availability of Documents. The Association shall maintain current copies of the Declaration, the Bylaws and other rules concerning the Subdivision as well as its own books, records, and financial statements which will be available for inspection by all Owners, Mortgagees and insurers and guarantors of Mortgages that are secured by Lots. All such documents shall be available upon reasonable notice and during normal business hours.

Section 4.5. Management Contracts. The Association is authorized to engage the services of any person, firm or corporation to act as managing agent of the Association at a compensation level to be established by the Board and to perform any or all of the powers and duties of the Association. Provided, however, that the term of any such agreement with a managing agent shall not exceed one (1) year and shall only be renewed by agreement of the parties for successive one (1) year terms. Any such contract shall be terminable by the Association, with or without cause, upon ninety (90) days prior written notice to the manager, without payment of a termination fee.

Section 4.6. Maintenance of the Common Area. Prior to their acceptance for public maintenance, the Association shall maintain the Public Roads, provided that Declarant, in its sole discretion, has the right to reimburse the Association for maintenance costs until the

Pickens County Public Works Department or other governmental entity accepts the Public Roads for maintenance. Such maintenance shall include repair and reconstruction, when necessary. Maintenance of the Public Roads shall conform to the standard of maintenance (if one is ascertainable) that would be required by the Pickens County Public Works Department or other governmental entity before it would accept such Public Roads for maintenance.

The Common Areas shall be maintained as more particularly described below:

- 4.6.1 Maintenance of the Entrance Monument(s) shall include maintenance, repair and reconstruction, when necessary, of the monuments, signage, irrigation, planters and lighting located within the Easement Areas, and providing and paying for landscaping and utility charges for irrigation and lighting of the monuments and signage located thereon (if any).
- 4.6.2 All Common Areas (and all Improvements located thereon) shall be kept clean and free from debris and maintained in an orderly condition, together with the landscaping thereon (if any) in accordance with the highest standards for private parks, including any repair and replacement of any landscaping, utilities, or Improvements located thereon.
- 4.6.3 The Association shall not be responsible for the maintenance of any Lot or any portion of any Lot or the Improvements within the boundaries thereof, with the exception of the Entrance Monument(s) if located on any Lot.

Section 4.7. Maintenance of Private Drive. Maintenance and repair of the Private Drive shall be the sole responsibility of the Private Drive Lot Owners (enforceable by any Private Drive Lot Owner). Such maintenance shall include cleaning, maintaining, repairing, reconstruction and replacing (if destroyed), when necessary, as more particularly set forth in Section 9.25.

Section 4.8. Reserve Fund. The Association shall establish and maintain an adequate reserve fund for the following purposes:

- 4.8.1 the periodic maintenance, repair, reconstruction and replacement of the Common Areas and any Improvements located on such Common Areas (including, but not limited to the Public Roads prior to acceptance for public maintenance) which the Association is obligated to maintain;
- 4.8.2 to fund unanticipated expenses of the Association; and/or
- 4.8.3 to acquire equipment or services deemed necessary or desirable by the Board, from time to time, in its discretion.

The Reserve Fund shall be collected and maintained out of the Annual Assessment as set forth in Section 6.2. The amount of the Reserve Fund shall be determined, from time to time, by the Board.

ARTICLE V

GENERAL ASSESSMENT PROVISIONS

Section 5.1. Certificate Regarding Assessments. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the Assessments on a specified Lot have been paid. A properly executed certificate as to the status of Assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 5.2. Effect of Nonpayment of Assessments; Remedies of the Association. Any Assessment (or installment thereof) not paid by its due date, shall bear interest from such due date at the rate of eighteen percent (18%) per annum or the highest rate then permitted by law, whichever is less. In addition to such interest charge, the delinquent Owner shall also pay such late charge as may have been established by the Board to defray the costs arising because of late payment. The Association may bring an action at law against the delinquent Owner or foreclose the lien against the Lot and the right to use the Common Areas, and interest, late payment charges, costs and reasonable attorneys' fees related to such action or foreclosure shall be added to the amount of such Assessment. No Owner may waive or otherwise escape liability for the Assessments by not using the Common Areas, or by abandoning his Lot.

Section 5.3. Subordination of the Lien to Mortgages. The lien of the Assessments provided for in ARTICLE VI, ARTICLE VII, and ARTICLE VIII shall be subordinate to the lien of any first Mortgage on a Lot. Sale or transfer of any Lot shall not affect the Assessment lien. The sale or transfer of any Lot pursuant to Mortgage foreclosure, or any proceeding in lieu thereof, however, shall extinguish the lien of such Assessments as to payments that became due prior to such sale or transfer. Provided, however, that the Board may, in its sole discretion, determine that such unpaid Assessments should be collectable pro rata from all Owners, including the foreclosure sale purchaser. Such pro rata portions are payable by all Owners, notwithstanding the fact that such pro rata portions may cause the applicable Assessment (as applicable), to be in excess of the applicable Maximum Assessment amount permitted hereunder. No sale or transfer shall relieve the purchaser of such Lot from liability for any Assessments thereafter becoming due or from the lien thereof, but the lien provided for herein shall continue to be subordinate to the lien of any Mortgage as above provided.

ARTICLE VI

COVENANT FOR ANNUAL AND SPECIAL ASSESSMENTS

Section 6.1. Creation of the Lien and Personal Obligation for Assessments. Declarant, for each Lot owned within the Property, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay Assessments to the Association, as hereinafter provided. Any such Assessment, together with interest, costs, and reasonable attorneys' fees, shall be a charge and a continuing lien upon the Lot against which each such Assessment is made. Each such Assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such Lot at the time when the Assessment is due or levied.

The personal obligation for delinquent Assessments shall not pass to an Owner's successors in title unless expressly assumed.

Section 6.2. Purpose of Annual Assessment. The Annual Assessment shall be used as follows:

- 6.2.1 to repair, maintain, reconstruct (when necessary), keep clean and free from debris, the Common Areas, as more particularly set forth in Section 4.6;
- 6.2.2 to maintain and repair the Public Roads, as more particularly set forth in Section 4.6;
- 6.2.3 to pay all costs associated with the lease of the Street Lights, including but not limited to, monthly lease payments and utility costs;
- 6.2.4 to pay the premiums on all insurance carried by the Association pursuant hereto or pursuant to the Bylaws;
- 6.2.5 to pay all legal, accounting and other professional fees incurred by the Association in carrying out its duties as set forth herein or in the Bylaws; and
- 6.2.6 to maintain the Reserve Fund, as set forth in Section 4.6.

Section 6.3. Payment of Annual Assessment; Due Dates. The Annual Assessment shall commence as to each Lot on January 1, 2004. The initial Annual Assessment for the calendar year beginning January 1, 2004 shall be Three Hundred Fifty Dollars (\$350.00) per Lot, which amount shall be due and payable in full no later than January 31, 2004, and prorated on a calendar year basis. The Annual Assessment for each and every year beginning January 1, 2005 shall be in an amount as set by the Board, in accordance with Section 6.4, and shall be due and payable in one (1) annual installment, due and payable no later than January 31st of each such year. The Board shall set the amount of the Annual Assessment as to each Lot for any calendar year at least thirty (30) days prior to January 1st of such calendar year, and the Association shall send written notice of the amount of the Annual Assessment, as well as the amount of the installment due, to each Owner on or before January 1st of such calendar year. The failure of the Association to send, or of an Owner to receive, such notice shall not relieve any Owner of the obligation to pay the Annual Assessment. Notwithstanding the foregoing, the Board may alter the dates of the fiscal year for setting the Annual Assessment and may increase or decrease the frequency of collection of Annual Assessment installments in any reasonable manner.

Section 6.4. Maximum Annual Assessment; Supplemental Annual Assessment.

- 6.4.1 For each year following the initial Annual Assessment, the Board has the authority to increase the Annual Assessment each year by a maximum amount equal to the previous year's Annual Assessment times the greater of (i) ten percent (10%) or (ii) the annual percentage increase in the CPI. If the Annual Assessment is not increased by the maximum amount permitted under the terms of this provision, the difference between any actual increase which is made and the maximum increase permitted for that year shall be computed and

the Annual Assessment may be increased by that amount in a future year, in addition to the maximum increase permitted under the terms of the preceding sentence for such future year, by a vote of the Board, and without a vote of the Members.

- 6.4.2 After the initial Annual Assessment, the Maximum Annual Assessment may be increased above the maximum amount set forth in Section 6.4.1 by a vote of no less than two-thirds (2/3) of the eligible Members who are voting in person or by proxy at the annual meeting or at a special meeting duly called for this purpose, in accordance with the Bylaws.
- 6.4.3 The Board may set the Annual Assessment at an amount not in excess of the Maximum Annual Assessment. If the Board sets less than the Maximum Annual Assessment for any calendar year and thereafter, during such calendar year, determines that such lesser Annual Assessment cannot fund important and essential functions of the Association, the Board may, without a vote of the Members, levy a Supplemental Annual Assessment in accordance with the Bylaws. In no event shall the sum of the Annual Assessment and Supplemental Annual Assessment for any year exceed the applicable Maximum Annual Assessment for such year other than as set forth in Section 6.4.2.

Section 6.5. Special Assessment. In addition to the Annual Assessment authorized above, the Board may levy in any calendar year a Special Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of (i) the construction of any Common Area Improvements which are not originally constructed by Declarant; (ii) the reconstruction, repair or replacement of the Common Areas, including all Improvements located thereon, and including fixtures and personal property related thereto; or (iii) any other extraordinary, unanticipated cost which cannot otherwise be funded through the established Assessments for that current year. Declarant must consent to any Special Assessment levied during the Declarant Control Period. Following the Declarant Control Period, the Members must consent to the Special Assessment by a vote of two-thirds (2/3) of the eligible Members voting in person or by proxy at a special meeting duly called for this purpose.

Section 6.6. Special Individual Assessment. In addition to the Annual Assessments, Supplemental Annual Assessments, and Special Assessments authorized above, the Board shall have the power to levy a Special Individual Assessment applicable to any particular Lot Owner (i) for the purpose of paying for the cost of any construction, reconstruction, repair or replacement of any damaged component of the Common Areas and/or any Improvements located thereon, caused by any act or omission of such Owner(s), members of such Owner's family, or such Owner's agents, guests, tenants, employees, or invitees and not the result of ordinary wear and tear; or (ii) for payment of liquidated damages, reimbursement amounts, fines, penalties or other charges imposed against any particular Owner relative to such Owner's failure to comply with the terms and provisions of this Declaration, the Bylaws, the Guidelines or any rules or regulations promulgated by the Association or the Declarant pursuant to this Declaration or the Bylaws. Provided, however, that Declarant shall not be obligated to pay any Special Individual Assessment, except with Declarant's prior written approval. The due date of any Special

Individual Assessment levied pursuant to this Section 6.6 shall be fixed in the Board's resolution authorizing such Special Individual Assessment. Upon the establishment of a Special Individual Assessment, the Board shall send written notice of the amount and due date of such Special Individual Assessment to the affected Owner(s) at least thirty (30) days prior to the date such Special Individual Assessment is due.

Section 6.7. Assessment Rate.

- 6.7.1 Subject to the exception set forth in Section 6.7.2, the Annual Assessments, Supplemental Annual Assessments and Special Annual Assessments must be fixed at a uniform rate for all Lots; and
- 6.7.2 Annual Assessments, Supplemental Annual Assessments and Special Assessments for each Lot owned by Declarant and unoccupied as a residence shall be one-third (1/3) of the Annual Assessments, Supplemental Annual Assessments and Special Assessments for each other Lot in the Subdivision not owned by Declarant.

ARTICLE VII

COVENANT FOR BOATSLIP, SUPPLEMENTAL BOATSLIP
AND SPECIAL BOATSLIP ASSESSMENTS

Section 7.1. Creation of the Lien and Personal Obligation for Boatslip, Supplemental Boatslip and Special Boatslip Assessments. Declarant, for each Boatslip Lot owned within the Property, hereby covenants, and each Owner of any Boatslip Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, or by entering into a Boatslip Lease (or an assignment thereof) for a Boatslip as an appurtenance to such Owner's Boatslip Lot, as more particularly set forth in Section 3.6, is deemed to covenant and agree to pay to the Association, Boatslip Assessments, Supplemental Boatslip Assessments and Special Boatslip Assessments, for maintenance and repair costs of the Community Boatslips. Any Assessment, together with interest, costs, and reasonable attorneys' fees, shall be a charge and a continuing lien upon the Boatslip Lot against which each such Assessment is made and upon the right to use the Boatslip appurtenant to such Boatslip Lot, along with the non-exclusive right to use the pier and access area which comprise the Community Boatslips. Each such Assessment or charge, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such Boatslip Lot effective at the time when the Assessment falls due. The personal obligation for delinquent Assessments or charges shall not pass to an Owner's successors in title unless expressly assumed, provided such Assessments, together with interest, costs, and reasonable attorneys' fees, shall constitute a continuing lien upon the Boatslip Lot against which such Assessments are made.

Section 7.2. Purpose of Boatslip Assessments. The Boatslip Assessments shall be used as follows:

- 7.2.1 to clean, maintain, repair and reconstruct when necessary, the Community Boatslips, including all lighting and other fixtures, wires, railings and other

facilities located thereon (if any), all as more particularly set forth in this Declaration;

- 7.2.2 to provide and pay for electricity and water service to the Community Boatslips (if any);
- 7.2.3 to pay all ad valorem taxes levied against the Community Boatslips and any other property owned by the Association in connection therewith;
- 7.2.4 to pay all lease payments, if applicable, to Duke Energy Corporation under the Duke Lease;
- 7.2.5 to pay insurance premium on all coverage carried by the Association in connection with the Community Boatslips;
- 7.2.6 to pay all legal, accounting and other professional fees incurred by the Association in carrying out its duties as set forth herein or in the Bylaws in connection with the Community Boatslips; and
- 7.2.7 to maintain appropriate reserves in connection with the Community Boatslips.

Section 7.3. Payment of Boatslip Assessments; Due Dates. No Boatslip Assessments shall be due prior to the Community Boatslips being completed. The initial Boatslip Assessments applicable to all Boatslip Lots (for the calendar year in which the first lease of a completed Boatslip is executed) shall be Four Hundred Dollars (\$400.00) per Boatslip Lot. Boatslip Assessments for each and every year thereafter shall be payable no later than January 31st of such year. The Boatslip Assessments for each and every year thereafter shall be set by the Board, in accordance with Section 7.4, and shall be due and payable no later than January 31st of each such year. The Board shall set the amount of the Boatslip Assessment as to each Boatslip Lot for any year at least thirty (30) days prior to January 1st of such year, and the Association shall send written notice of the amount of the Boatslip Assessment to each Boatslip Lot Owner on or before January 1st of such year. Failure of the Association to send the notice described in this Section 7.3 shall not relieve the Boatslip Lot Owners of their liability for Boatslip Assessments. Notwithstanding the forgoing, the Board may alter the dates of the fiscal year for setting the Boatslip Assessments, and may increase or decrease the frequency of the collection of the Boatslip Assessments (or installments thereof) in any reasonable manner.

Section 7.4. Maximum Boatslip Assessment.

- 7.4.1 For years after the initial Boatslip Assessments, the Board has the authority to increase the Boatslip Assessment each year by a maximum amount equal to the previous year's Boatslip Assessment times the greater of (i) ten percent (10%); or (ii) the annual percentage increase in the CPI. If the Boatslip Assessments are not increased by the maximum amount permitted under the terms of this provision, the difference between any actual increase which is made and the maximum increase permitted for that year shall be computed, and the Boatslip Assessment may be increased by that amount in a future year, in addition to the maximum increase permitted under the terms of the preceding sentence for

such future year, by a vote of the Board, without a vote of the Members who are Owners of Boatslip Lots.

- 7.4.2 After the initial Boatslip Assessment, the Boatslip Assessments may be increased by any amount in excess of the Maximum Boatslip Assessment if such increase is approved by Declarant (so long as Declarant owns any part of the Property) and by a vote of two-thirds (2/3) of the Members who are Boatslip Lot Owners.
- 7.4.3 The Board may set the Boatslip Assessments in an amount not in excess of the Maximum Boatslip Assessment. If the Board sets less than the Maximum Boatslip Assessment for any calendar year and thereafter, during such year, determines that important and essential functions of the Association as to the Community Boatslips cannot be funded by such lesser Boatslip Assessment, the Board may levy a Supplemental Boatslip Assessment without a vote of the Boatslip Lot Owners. In no event shall the sum of the Boatslip Assessment and Supplemental Boatslip Assessment for any year exceed the applicable Maximum Boatslip Assessment for such year, other than as set forth in Section 7.4.2.

Section 7.5. Special Assessments for Boatslip Improvements. In addition to the Boatslip Assessments authorized above, the Association may levy, in any calendar year, a Special Boatslip Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any reconstruction, repair or replacement of the Community Boatslips, and any capital improvements located thereon, including lighting, water lines and other fixtures, poles, wires, railings and other facilities located thereon and personal property related thereto. Provided, however, (i) any such Special Boatslip Assessment must be approved by Declarant (so long as Declarant owns any part of the Property) and by a vote of two-thirds (2/3) of the votes appurtenant to the Boatslip Lots, and (ii) any such Special Boatslip Assessment may be levied only against the Boatslip Lot Owners.

Section 7.6. Assessment Rate.

- 7.6.1 Except as set forth in Section 7.6.2, Boatslip Assessments, Supplemental Boatslip Assessments and Special Boatslip Assessments must be fixed at a uniform rate for all Boatslip Lots.
- 7.6.2 Boatslip Assessments, Supplemental Boatslip Assessments and Special Boatslip Assessments for each Boatslip Lot owned by Declarant shall be one-third (1/3) of the Boatslip Assessments, Supplemental Boatslip Assessments and Special Boatslip Assessments for each other Boatslip Lot in the Subdivision not owned by Declarant.

ARTICLE VIII

COVENANT FOR SEPTIC SYSTEM ASSESSMENTS

Section 8.1. Creation of the Lien and Personal Obligation for Septic System Assessments. Declarant, for each Lot owned within the Property, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agrees to pay to the Association, Septic System Assessments for the inspection of each Lot Owner's Septic System. Any such Septic System Assessment, together with interest, costs, and reasonable attorneys' fees, shall be a charge and a continuing lien upon the Lot against which each such Assessment is made. Each such Assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner effective at the time when the Assessment falls due. The personal obligation for delinquent Assessments shall not pass to an Owner's successors in title unless expressly assumed by them, provided such Assessments, together with interest, costs, and reasonable attorneys' fees, shall be a continuing lien upon the Lot against which such Assessments are made.

Section 8.2. Purpose of Septic System Assessments. The Septic System Assessments shall be used to inspect each Lot's Septic System to ensure that the Septic System is in compliance with any requirements imposed by the Association, the ECC or any governmental authority.

Section 8.3. Payment of Septic System Assessments; Due Date. The Septic System Assessments shall be payable, annually, in advance, and shall commence as to each Lot, and shall be due and payable when Site Improvement Plans and Specifications (as defined in the Guidelines) are submitted to the ECC as set forth in the Guidelines. The initial Septic System Assessments applicable to all Lots shall be Two Hundred Seventy-Five Dollars (\$275.00) per Lot for the first year. Thereafter, the Septic System Assessments shall be One Hundred Seventy-Five Dollars (\$175.00) per year. Septic System Assessments for each and every year thereafter shall be payable no later than January 31st of such year. The Septic System Assessments for each and every year thereafter shall be in an amount as set by the Board, in accordance with Section 8.4 and shall be due and payable no later than January 31st of each such year. The Board shall set the amount of the Septic System Assessment as to each Lot for any year at least thirty (30) days prior to January 1st of such year, and the Association shall send written notice of the amount of the Septic System Assessment to each Lot Owner on or before January 1st of such year. Failure of the Association to send the notice described in this Section 8.3 shall not relieve the Owners of their liability for Septic System Assessments. Notwithstanding the forgoing, the Board may alter the dates of the fiscal year for setting the Septic System Assessments, and may increase or decrease the frequency of the collection of the Septic System Assessments (or installments thereof) in any reasonable manner.

Section 8.4. Maximum Septic System Assessment.

- 8.4.1 For years following the first year of Septic System Assessments and thereafter, the Board, by a vote in accordance with the Bylaws, without a vote of the Members, may increase the Septic System Assessment each year by a

maximum amount equal to the previous year's Septic System Assessment times the greater of (i) ten percent (10%) or (ii) the annual percentage increase in the CPI. If the Septic System Assessments are not increased by the maximum amount permitted under the terms of this provision, the difference between any actual increase which is made and the maximum increase permitted for that year shall be computed and the Septic System Assessments may be increased by that amount in a future year, in addition to the maximum increase permitted under the terms of the preceding sentence for such future year, by a vote of the Board, without a vote of the Members.

- 8.4.2 From and after the initial Septic System Assessments, the Maximum Septic System Assessment may be increased above the maximum amount set forth in Section 8.4.1 by a vote of a majority of the votes appurtenant to the Lots which are then subject to this Declaration, plus the written consent of Declarant (so long as Declarant owns any part of the Property).
- 8.4.3 The Board may set the Septic System Assessment at an amount not in excess of the Maximum Septic System Assessment. If the Board levies less than the Maximum Septic System Assessment for any calendar year and thereafter, during such calendar year, determine that the important and essential functions of the Association cannot be funded by such lesser amount, the Board may, by vote in accordance with the Bylaws, levy a Supplemental Septic System Assessment. In no event shall the sum of the Septic System Assessment and Supplemental Septic System Assessment for any year exceed the applicable Maximum Septic System Assessment for such year other than as set forth herein.

Section 8.5. Assessment Rate. Septic System Assessments and Supplemental Septic System Assessments must be fixed at a uniform rate for all Lots.

ARTICLE IX

RESTRICTIONS

Section 9.1. Land Use, Building Type and Residential Restriction. All Lots in the Subdivision shall be used only for private residential and recreational purposes. No structure shall be erected, altered, placed or permitted to remain on any Lot other than for use as a single family residential dwelling, unless otherwise provided herein, and only one single-family residential dwelling not exceeding 2½ stories in height above ground shall be erected or permitted to remain upon any Lot. No log cabin (or structure resembling a log cabin, or having the architectural characteristics of a log cabin), mobile home, modular home or shell home may be erected or permitted to remain on any Lot. A private garage (not exceeding three (3) car capacity), outbuildings, fixed piers and floating boat dock facilities incidental to the residential use of the Lot are permitted, if approved by the ECC, upon the condition that they are not rented, leased nor otherwise used for remuneration, subject to the other covenants and restrictions contained herein. No detached garage or outbuildings shall at any time be used as a residence. Any ownership or leasing arrangement for a Lot having the characteristics of a vacation time-

sharing ownership plan, a vacation time-sharing lease plan or any other form of interval, sequential or shared ownership is expressly prohibited. Furthermore, no boat (including a houseboat), whether existing on a Lot or docked at a fixed pier or floating boat dock that is appurtenant to any Property in the Subdivision, may be used as a residence at any time.

Section 9.2. Dwelling Size. Any one (1) story dwelling erected upon any Lot shall contain not less than one thousand eight hundred (1,800) square feet. Any multi-story dwelling shall contain not less than thousand (2,000) square feet and the first floor shall contain not less than one thousand, four hundred (1,400) square feet. The square footage requirements refer to enclosed heated floor area and are exclusive of the area in unfinished basements, unheated porches of any type, attached or detached garages, carports, any type of porte cochere, and unheated storage areas, decks or patios.

Section 9.3. Building Construction and Quality. All buildings and outbuildings erected upon any Lot shall be constructed of new material of good grade, quality and appearance and shall be constructed in a proper, workmanlike manner. No single-family residential dwelling with a sales price of less than One Hundred Seventy-Five Thousand Dollars (\$175,000.00) (in terms of 2003 dollar value), exclusive of the cost of the Lot, shall be permitted on any Lot, unless approved in advance in writing by Declarant or the ECC. No building shall be erected unless it is completely underpinned with a solid brick, brick or stone-covered block or stucco foundation. No exterior surface of any building shall be asbestos shingle siding, vinyl siding, imitation brick or stoneroll siding, or exposed concrete or cement blocks. The exterior surface of any garage, outbuilding or appurtenant structure or building erected on or located on any Lot shall be architecturally compatible with, and of material and construction comparable in cost and design to, the exterior surface of the dwelling located on the Lot. All buildings shall have roofs (except for dormers, porches and bay windows) of not less than six (6) vertical by twelve (12) horizontal pitch, and not less than twelve (12) inch overhang, covered with slate, cedar shakes, tile, composition (fiberglass), or architectural (sculpted) shingles. Tin or rolled roofing material is not permitted.

Section 9.4. Temporary Structures; Structure Materials. No residence or building of a temporary nature shall be erected or allowed to remain on any Lot, and no metal, fiberglass, plastic, vinyl or canvas tent, barn, carport, garage, utility building, storage building or other metal, fiberglass, plastic, vinyl or canvas structure shall be placed on any Lot or attached to any residence. Provided, however, that Declarant reserves the right to erect or move temporary buildings or trailers onto the Lots owned by Declarant, to be used for storage or for construction or sales offices.

Section 9.5. Building Setback Lines. No building on any Lot (including any stoops, porches, or decks) shall be erected or permitted to remain within the front (street right-of-way), side (abutting right-of-way for a corner Lot) or rear building setback lines as noted on the Map or within the Lake Buffer Area. Piers and dock facilities are exempt from the rear setback restrictions, provided they comply with the provisions set forth in Section 9.22. The foregoing notwithstanding, gazebos or similar minor aesthetic Improvements may encroach within the rear setback, including the Lake Buffer Area, provided that they: (i) are single story; (ii) contain less than one hundred fifty (150) square feet; and (iii) are not enclosed by walls or other surfaces unless such surfaces meet the openness test established for perimeter fencing in Section 9.11.

If any zoning or subdivision ordinance, floodway regulations or other ordinance, law or regulation applicable to a Lot prescribes greater setbacks, then all buildings erected during the pendency of that zoning or subdivision ordinance, floodway regulations or other ordinance, law or regulation shall be governed by the greater setbacks. No masonry mailboxes or other structures or Improvements may be constructed or placed within the right-of-way of any of the Public Roads (so as to prevent such Public Roads from being accepted for maintenance by the Pickens County Public Works Department or other applicable governmental entity). Declarant hereby reserves the right and easement, benefiting Declarant, the Association and the ECC and burdening the Property, to go upon any Lot or other portion of the Property in order to remove any mailboxes or other structures or Improvements constructed within the right-of-way of any Public Road which will prevent such Public Road from being accepted for maintenance by the Pickens County Public Works Department or other applicable governmental entity. If Declarant, the Association or the ECC exercises its easement rights pursuant to the terms of this Section 9.5, the Owner of the nonconforming Lot shall reimburse Declarant, the Association or the ECC (as applicable) within five (5) business days following the submission of an invoice for any costs or expenses incurred by Declarant, the Association or the ECC. The Association shall have the authority, in its sole discretion, to levy a Special Individual Assessment against an Owner who fails to abide by the terms of this Section 9.5, the amount of which shall include any expenses to be reimbursed Declarant in the event that Declarant cures any such violation, and shall be subject to the Association's Assessment collection remedies as specified in ARTICLE V of this Declaration. The exercise or nonexercise of the easement rights contained in this Section 9.5 shall be subject to the discretion of the Declarant, the Association or the ECC; provided, however, Declarant, the Association or the ECC shall not have the obligation to exercise such rights.

Section 9.6. Minor Setback Violations. In the event of the unintentional violation of any of the building setback restrictions, in the amount of ten percent (10%) or less of the applicable setback restriction, Declarant reserves the right, but is not obligated, to waive in writing such violation of the setback restrictions upon agreement of the Owner of the Lot upon which the violation occurs and the Owner of any Lot adjoining the violated setback, provided that such change is not in violation of any zoning or subdivision ordinance or other applicable law or regulation or, if in violation, only if a variance or other similar approval has been received from the appropriate governmental authority.

Section 9.7. Combination or Subdivision of Lots. Except as otherwise set forth herein, no Lot shall be subdivided by sale or otherwise so as to reduce the Lot area shown on the Map. However, a Lot Owner may combine one Lot with contiguous Lot(s) so long as the parcel(s) which result from such combination do not violate any applicable zoning ordinance, subdivision ordinance or other applicable law or regulation. In the event that two or more Lots are completely combined so as to create one parcel, the resulting parcel shall be considered as one Lot for the purposes of this ARTICLE IX, but shall continue to be considered as two or more Lots for all other purposes (including voting and Assessments). Furthermore, the Owner of any Lot which combines with all or a portion of a contiguous Lot shall be solely responsible for any costs which may result from such combination, including the costs of relocating any existing easements. Notwithstanding the foregoing, Declarant reserves the right to change the boundaries or dimensions of any Lots still owned by Declarant as may be needed to meet septic system

requirements or for any other reason and any Lot or Lots which result from such change by Declarant shall not be subject to any additional Assessment.

Section 9.8. Utility Easements. Declarant reserves easements for the installation and maintenance of utilities (electricity, septic system, water, gas, telephone, cable television, etc.) and drainage facilities over the front and rear ten (10) feet of each Lot (with the exception of the Waterfront Lots, which will not have a ten (10) foot easement over the rear of each such Waterfront Lot (i.e., waterside)) and seven and one-half (7.5) feet in width along each side line of each Lot. Additional drainage easements and utility easements are reserved as more particularly shown and delineated on the Map and in other recorded easement documents. Within such easements, no structure, planting or other materials shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities or which may interfere with drainage and the flow of water within the easement areas. The Owner of each Lot shall maintain that portion of the Lot lying within the easement areas as defined herein and shall maintain any Improvements located thereon, except those Improvements installed and maintained by a public authority or utility company. All transformers and meters must be located at the rear of the dwellings. Declarant reserves the right to create and impose additional easements over any unsold Lot or Lots for road drainage, utility and entry signage installation purposes by the recording of appropriate instruments, and such easements shall not be construed to invalidate any of these covenants.

Section 9.9. Entrance Monument Easement; Landscaping Easement. Declarant hereby grants, establishes, creates and reserves for the benefit of Declarant and the Association, and their successors and assigns, non-exclusive perpetual easements for the purpose of landscaping and maintaining the entryways and erecting and maintaining the Entrance Monuments for the Subdivision as "Entrance Monument Easement" on the Map. Declarant or the Association shall have the right to enter, landscape and maintain the Entrance Monuments as entryways to the Subdivision. Further, Declarant or the Association may erect and maintain one or more stone monuments, with an entrance sign bearing the name of the Subdivision and Declarant and may erect and maintain lighting for the Entrance Monuments, planters and other Improvements typically used for entryways. Declarant further hereby grants, establishes, creates and reserves for the benefit of Declarant and the Association, and their successors and assigns, non-exclusive perpetual easements for the purpose of landscaping and maintaining the property adjacent to the main entry road for the Subdivision designated as "Landscaping Easement" on the Map.

Section 9.10. Stormwater Drainage Easement. Declarant reserves over the Private Drive Easement and the Common Areas an easement for drainage of stormwater runoff from the Lots, Private Drive, and Public Roads within the Subdivision.

Section 9.11. Fences and Walls. No wooden fence or brick or stone wall may be erected nearer the front lot line of a Lot than the front face of the dwelling located on such Lot. In the case of a corner Lot, no sideyard fence shall be located nearer than the side of the house facing the side street line. No wooden fences or brick or stone walls greater than six (6) feet in height are permitted. Chain link or other metal fencing is not permitted, except that 2" x 4" metal mesh may be used with split rail fencing to contain animals or children within rear or side yards. Perimeter fencing shall not have more than fifty percent (50%) of any of its surface

closed as viewed from a point on a line of sight perpendicular to the line of the fence. A wall constructed of brick or stone and used in lieu of a fence is exempt from the openness test. Provided, however, that the restrictions described in this Section 9.11 shall not apply to any Improvements originally installed by Declarant on any Common Area.

Section 9.12. Signs. No signs of any kind shall be displayed to the public view on any Common Area, other than the Entrance Monuments, as set forth in Section 9.9. No signs of any kind may be displayed to the public view on any Lot, with the following exceptions which may not exceed five (5) square feet in size: (a) one sign (on the Lot only) advertising the Property for sale or rent; (b) one sign on the Lot only used by a builder to advertise the Lot during the construction and sales period; and (c) temporary political signs. These restrictions shall never apply to permanent Entrance Monuments or to temporary entry signs or advertising by Declarant, or for sale signs installed by Declarant or its agents prior to the sellout of the Subdivision.

Section 9.13. Antennas; Satellite Dishes or Discs. No radio or television transmission or reception towers, antenna, satellite dishes or discs shall be erected or maintained on any Lot, except that one (1) dish or disc not exceeding one (1) meter in diameter or diagonal measurement for receiving direct broadcast satellite service ("DBS") or multi-point distribution services ("MDS") may be erected and maintained on each Lot. No roof-mounted antenna, dishes or discs shall be permitted on any Lot if adequate broadcast reception can be obtained without mounting such equipment on the roof of the house; provided, however, that if such roof-mounted equipment is required, no antenna or related structures may be mounted on masts exceeding twelve (12) feet in height above the highest roof line ridge of the house. Any dish, disc, or antenna (with associated mast) shall be reasonably camouflaged and screened from view from Lake Keowee and the Public Roads, and shall not be located in the area between the street right-of-way line and the minimum building setback lines applicable to the Lot. In cases where an antenna wire does not require the use of a mast, landscaping or some other means to reduce its visual impact must camouflage such wire.

Section 9.14. Lot Maintenance; Trash Disposal. Each Owner shall keep his Lot in a clean and orderly condition and shall keep the Improvements thereon in a suitable state of painting and repair, promptly repairing any damage caused by fire or other casualty. No clothes line may be erected or maintained on any Lot. No Lot shall be used in whole or in part for storage of trash of any character whatsoever and no trash, rubbish, stored materials or similar unsightly items shall be allowed to remain on any Lot outside of an enclosed structure, except when temporarily placed in closed, sanitary containers pending removal by trash collection authorities or companies.

Section 9.15. Off-Road Parking; Off-Water Boat Storage. Each Lot Owner shall provide a concrete or asphalt driveway prior to the occupancy of any dwelling constructed on the Lot that provides space for parking two (2) automobiles off the Public Roads. No truck or commercial vehicle in excess of one-ton load capacity, or any vehicle under repair, wrecked or junked motor vehicle shall be parked upon or permitted to remain on any Lot, Common Area, or other portion of the Property. No trailer, mobile home, recreational vehicle, camper or boat shall be used as a residence, either temporarily or permanently. No trailer, mobile home, recreational vehicle, camper or boat shall be parked upon or be permitted to remain on any Lot for a period

exceeding twenty-four (24) hours, unless it is parked off the Public Roads and not within the front or side yard of the Lot. All automobiles, trucks, trailers, campers, motor homes and recreational vehicles must have a current license plate affixed and all such vehicles must be parked in a carport, enclosed garage, or on a concrete or asphalt driveway.

Section 9.16. Sewage Disposal. Every dwelling erected on any Lot shall be served by an approved septic system for the disposal of sewage, or connected to a private or public sewage disposal system. All septic systems or other private sewage disposal systems shall be approved by, and constructed and maintained in accordance with, all the regulations and requirements of all governmental authorities and regulatory agencies having jurisdiction. Declarant does not make any representations regarding the future availability of municipal sewer service.

Section 9.17. Public Water System; No Wells. Declarant shall construct the Water System. All water mains, pipes and other equipment necessary for the operation and maintenance of the Water System shall be located within the utility easements described in Section 9.8, the Public Road rights-of-way, or the Private Drive Easement. Upon its completion, the Water System and all mains, pipes, equipment and other personal property which is part thereof, shall become the property of Six Mile Rural Water District, a public utility company duly licensed and operating under the authority granted by the South Carolina Public Service Commission. The Water System shall be the sole source of potable water for the Subdivision, and no well may be dug or constructed on any Lot for the purpose of providing a domestic water supply.

Section 9.18. Nuisances. No noxious or offensive trade or activity shall be carried on or upon any Lot or Common Area, nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood. No substance, thing or material shall be kept upon any Lot or Common Area that will emit foul or obnoxious odors, or that will cause any noise that will or might disturb the peace and quiet of the occupants of surrounding property. No animals, livestock, horses, or poultry of any kind shall be raised, bred, or kept on any Lot or Common Area with the exception of dogs, cats, or other household pets, which may be kept or maintained provided they are not kept, bred, or maintained for commercial purposes. No more than three (3) household pets shall be kept or maintained per Lot, except for newborn offspring of such household pets that are under nine (9) months in age.

Section 9.19. Diligent Construction. All construction, landscaping or other work which has been commenced on any Lot must be continued with reasonable diligence to completion and no partially completed houses or other Improvements shall be permitted to exist on any Lot or Common Area, except during such reasonable time period as is necessary for completion. The exterior of all houses and other structures must be completed within one (1) year from the date of commencement of construction, except where such completion is impossible due to strikes, fires, national emergency or natural calamities. No construction materials of any kind may be stored on any Lot within forty-five (45) feet of any Public Roads curbs. The responsible Owner or builder shall repair any damage to any Public Roads, curb or sidewalk or any part of any Common Area or any utility system caused by their negligence. If such responsible party fails to repair such damage, Declarant or the Association may make or provide for such repairs, and the responsible Owner shall immediately reimburse the repairing

party for its reasonable out-of-pocket expenses in making such repairs. The Owner of each Lot and any builders shall at all times keep contiguous public and private areas free from any dirt, mud, garbage, trash or other debris which is occasioned by construction of Improvements on the Lots, Public Roads, and any Common Areas. Declarant or the Association may provide for the cleaning of public and private areas due to the activities of the responsible party and may assess the responsible party a reasonable charge not to exceed the actual cost for such cleaning. Declarant and each Owner or builder shall, consistent with standard construction practices, keep all portions of the Lots, Public Roads, and Common Areas free of unsightly construction debris and shall at all times during construction either provide dumpsites for the containment of garbage, trash or other debris which is caused by construction of Improvements on a Lot or Common Areas, or take other measures consistent with standard construction practices necessary to keep the Lot, Public Roads, and all Common Areas free of such garbage, trash, or other debris. Each Owner and its Owner's builder shall be responsible for erosion control protection during any grading, site preparation or earth-disturbing operation, as described and defined in the Guidelines.

Section 9.20. Removal of Trees and Other Vegetation. All trees, shrubs and ground cover within the Lake Buffer Area are considered to be "protected" vegetation in that cutting and clearing generally is not permitted therein without the prior written consent of Declarant or the ECC. The practical exceptions to this rule are that dead or diseased trees and poisonous plants may be removed, underbrush may be selectively cleared, understory may be thinned to provide better views, individual trees may be limbed up, and ground covers may be planted. "Mature trees" inside the Lake Buffer Area may not be cut down or otherwise removed without the specific written approval of the Declarant or the ECC. For purposes of this Declaration, "mature trees" shall mean all evergreen or deciduous trees with a caliper of four (4) inches or greater.

Furthermore, in the event that trees, shrubs or ground cover are completely removed (as opposed to thinned) in connection with the improvement of any Lot, such cleared portions of the Lot shall be covered with grass or shall be landscaped with plants, shrubs, trees, mulch, wood chips, pine needles and/or similar landscaping Improvements. However, grass cannot be planted inside the Lake Buffer Area.

Declarant hereby reserves the right and easement benefiting Declarant, the Association, and/or the ECC to go upon any Lot or other portion of the property to replant or order the replanting of any trees, shrubs or other vegetation removed within the Subdivision in violation of the terms of this Section 9.20. If Declarant, the Association, and/or the ECC exercises its easement rights pursuant to the terms of this Section 9.20, the Owner of the nonconforming Lot shall reimburse Declarant, the Association, and/or the ECC (as applicable) within five (5) business days following the submission of an invoice for any costs or expenses incurred. The exercise or nonexercise of the easement rights contained in this Section 9.20 shall be subject to the discretion of the Declarant, the Association, and/or the ECC, provided that Declarant, the Association, and/or the ECC shall not have the obligation to exercise such rights.

Declarant, the Association and/or the ECC shall have the authority, in their sole discretion, to levy a Special Individual Assessment against an Owner who cuts, damages, or removes any trees, shrubs or other vegetation on any part of the Common Areas, their Lot or any other Lot in violation of the above provisions or the Guidelines. The Tree Valuation Schedule

relating to damaged or destroyed trees set forth in the Guidelines, as well as all related expenses to be reimbursed, shall be considered a Special Individual Assessment against the respective Owner's Lot, entitling Declarant, the Association and/or the ECC to the Assessment collection remedies specified in ARTICLE V.

Section 9.21. Marine Toilets. No water craft equipped with a marine toilet having a fixed or portable holding tank, or a through hull or overboard discharge toilet, shall be permitted at any Waterfront Lot Owner's dock or pier or at the Community Boatslips.

Section 9.22. Docks and Piers. Duke Energy Corporation controls access to, use of, and water levels in Lake Keowee. Any Owner, Declarant and the Association must receive permission from Duke Energy Corporation (or a successor manager of Lake Keowee under authority from FERC) prior to placing or constructing any pier, structure or other Improvement within or upon, or conducting any activity altering the topography of, the hydroelectric project surrounding and encompassing the waters of Lake Keowee. Declarant makes no oral, express or implied representation or commitment as to the likelihood of any Owner obtaining such permission, nor as to the continued existence, purity, depth or levels of water in Lake Keowee, and Declarant shall have no liability with respect to these matters. Construction of any such Improvements is also subject to the recorded restrictions and easements affecting the Lot.

Subject to the foregoing and to the other provisions of this Declaration and the Guidelines, a Waterfront Lot Owner may construct one (1) pier, provided that such Lot is not located in an area where the narrowness of a cove precludes construction of a dock or pier as determined by Duke Energy Corporation and/or any governmental entity having jurisdiction at the time such Improvements are to be constructed. Any waterfront Improvement shall have a low profile and open design to minimize obstruction of neighbors' views. Enclosed docks or boathouses will not be allowed either on the water or within the Lake Buffer Area. Roof-covered docks are allowed provided that such docks are one level, do not exceed more than twenty-five (25) feet in height and are not enclosed. Two-level or multi-level docks are generally not permitted; provided, however, the ECC will review requests to install two-level docks on a case-by-case basis, based on the slope, grade or topography of certain Lots.

The placement, construction, or use of the piers, boatslips, and of any other pier, dock, boatslip structures or other Improvements within or upon, or the conducting of any activity altering the topography of, the hydroelectric project surrounding and encompassing the waters of Lake Keowee, is and shall be subject to each of the following:

- 9.22.1 easements, restrictions, rules, regulations and guidelines for construction and use promulgated by the Association and/or the ECC;
- 9.22.2 all laws, statutes, ordinances and regulations of all Federal, State and local governmental bodies having jurisdiction thereof, including without limitation, FERC; and
- 9.22.3 rules and regulations, privileges and easements affecting the Property and the waters and submerged land of Lake Keowee established by Duke Energy Corporation, its successors and assigns. Duke Energy Corporation is the

manager of Lake Keowee under authority granted by FERC, and its current management plan runs through August 31, 2016. As manager of Lake Keowee, Duke Energy Corporation controls access to, the use of, and the water level in Lake Keowee. All Owners, the Association, the Declarant and any builders must receive permission from Duke Energy Corporation (or a successor manager of Lake Keowee, under authority from FERC) prior to any alterations therein, including the construction and continued use and maintenance of any dock, pier, or boatslip.

No Waterfront Lot Owner shall construct a pier of any kind, boat mooring or any other structure outside the pier zone designated on the Map applicable to such Lot.

Section 9.23. Boat Ramps. No boat ramps of any kind shall be permitted on any Lot, and no boat shall be placed in (or removed from) the waters of Lake Keowee from any Lot, provided however, small watercraft such as canoes, dinghies, and jet skis may be launched from any Lot if launched without a ramp. All other watercraft shall be launched from a public boat ramp outside the Subdivision.

Section 9.24. Rights of Duke Energy Corporation. Duke Energy Corporation has certain privileges and easements affecting the Subdivision which include the right, privilege and easement of backing, ponding, raising, flooding or diverting the waters of Lake Keowee and its tributaries upon and over the Subdivision, as more specifically described in the deed from Duke Energy Corporation to Declarant.

Section 9.25. Maintenance of the Private Drive. The Private Drive shall be maintained and periodically repaired, as needed, by the Private Drive Lot Owners. The Private Drive Lot Owners shall meet, from time to time, to agree upon service work to be performed on the Private Drive. Any Private Drive Lot Owner may call a meeting by mailing written notice to every other Private Drive Lot Owner's residence at least thirty (30) days prior to the meeting at which the notice indicates that a vote will be taken regarding maintenance and repair of the Private Drive. Failure to notify every Private Drive Lot Owner of the meeting in the manner prescribed above shall invalidate any vote taken at such meeting unless all Private Drive Lot Owners attended the meeting in person or by proxy. A validly called meeting may be conducted by telephone or other convenient method. There shall be one (1) vote appurtenant to each Private Drive Lot owned and any repair or maintenance of the Private Drive which is approved by a majority of the votes cast, in person or by proxy, at a validly called meeting of the Private Drive Lot Owners shall be considered "Approved Maintenance." The cost of all Approved Maintenance shall be divided equally among the Private Drive Lot Owners. Each Private Drive Lot Owner shall be obligated for its respective share of the cost of all Approved Maintenance, the payment of which is enforceable by any other Private Drive Lot Owner. A lien is hereby established on the Private Drive Lots for the purpose of enforcing the obligations of any Private Drive Lot Owner who fails to pay his or her share of the cost of the Approved Maintenance of the Private Drive. If a Private Drive Lot Owner fails to pay his or her share of the costs of the Approved Maintenance, the defaulting Private Drive Lot Owner shall pay interest accruing thereon at the lower of: (i) eighteen percent (18%) per annum or; (ii) the maximum rate allowed by law. In addition, if any Private Drive Lot Owner employs an attorney to collect the obligation to pay for Approved Maintenance from a defaulting Private Drive Lot Owner or enforce the lien

hereunder against a defaulting Private Drive Lot Owner, such Private Drive Lot Owner shall be reimbursed by the defaulting Private Drive Lot Owner for all reasonable attorneys' fees and court costs incurred with respect thereto. Except as otherwise expressly set forth herein, only the Private Drive Lot Owners, their families, tenants, guests or invitees may use the Private Drive for access, ingress, egress and regress to and from the Private Drive Lots.

Section 9.26. Non-waiver. No delay or failure on the part of an aggrieved party to invoke an available remedy in respect to a violation of any provision contained herein or referred to herein shall be held to be a waiver by that party of any right available to the party upon the recurrence or continuance of said violation or the occurrence of a different violation.

ARTICLE X

INSURANCE

Section 10.1. Types of Insurance Required. The Board shall obtain and maintain at all times the following types of insurance:

- 10.1.1 Fire and Casualty. All Improvements and all fixtures included in any Common Areas and all personal property and supplies belonging to the Association, shall be insured in an amount equal to 100% of the current replacement cost up to the amount specified in the insurance policy (exclusive of land, foundation, excavation and other normally excluded items) as determined annually by the Board with the assistance of the insurance company providing coverage. The Board shall, at least annually, review the insurance coverage required herein and determine 100% of the current replacement cost of such Improvements and fixtures and personal property and supplies. Such coverage shall provide protection against loss or damage by fire, windstorm, vandalism and malicious damage and all perils covered by a standard "all risk" insurance policy. All such policies shall provide that the Board and the insurance company shall approve adjustment of loss. In addition to the provisions and endorsements set forth in Section 10.4, the fire and casualty insurance described herein shall contain the following provisions:
- 10.1.1.1 a waiver of subrogation by the insurer as to any claims against the Association, any officer, Director, agent or employee of the Association, the Owners and their employees, agents, tenants and invitees; and
- 10.1.1.2 a provision that the coverage will not be prejudiced by act or neglect of one or more Owners when said act or neglect is not within the control of the Association or by any failure of the Association to comply with any warranty or condition regarding any portion of the Property over which the Association has no control.

- 10.1.2 Public Liability. The Board shall also be required to obtain and maintain to the extent obtainable, public liability insurance in such limits as the Board may, from time to time, determine to be customary for projects similar in construction, location and use to any Common Areas, and customary for the activities and obligations of property owners' associations for projects similar to the Subdivision, covering each member of the Board, the managing agent, if any, and each Owner with respect to his liability arising out of the ownership, maintenance, or repair of the Common Areas and out of the activities of the Association; provided, however, that in no event shall the amounts of such public liability insurance ever be less than \$1,000,000 per occurrence against liability for bodily injury, including death resulting therefrom, and damage to property, including loss of use thereof, occurring upon, in or about, or arising from or relating to, the Property or any portion thereof. Such insurance shall include endorsements covering cross-liability claims of one insured against another, including the liability of the Association and/or the Owners as a group to a single Owner. The Board shall review such limits annually. Until the first meeting of the Board following the initial meeting of the Owners, such public liability insurance shall be in amounts of not less than \$1,000,000 per occurrence for claims for bodily injury and property damage.
- 10.1.3 Fidelity Coverage. The Board shall also be required to obtain fidelity coverage against dishonest acts on the part of all persons, whether officers, Directors, trustees, employees, agents or independent contractors, responsible for handling funds belonging to or administered by the Association, in an amount determined by the Board in its discretion. An appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers.
- 10.1.4 Such other insurance coverages, including flood insurance and worker's compensation, as the Board shall determine, from time to time, to be necessary or desirable.

Section 10.2. Premium Expense. Premiums upon insurance policies purchased by the Board shall be paid by the Board and charged as a common expense to be collected from the Owners pursuant to ARTICLE VI.

Section 10.3. Special Endorsements. The Board shall make diligent effort to secure insurance policies that will provide for the following:

- 10.3.1 recognition of any insurance trust agreement entered into by the Association;
- 10.3.2 coverage that may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least forty-five (45) days prior written notice to the named insured, any insurance trustee and all Mortgagees; and

- 10.3.3 coverage that cannot be canceled, invalidated or suspended on account of the conduct of any officer or employee of the Board without prior demand in writing that the Board cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured by the Association, any Owner or any Mortgagee.

Section 10.4. General Guidelines. All insurance policies purchased by the Board shall be with a company or companies licensed to do business in the State of South Carolina and holding a rating of "A-VII" or better by the current issue of A.M. Best's Insurance Reports. All insurance policies shall be written for the benefit of the Association and shall be issued in the name of, and provide that all proceeds thereof shall be payable to, the Association. Notwithstanding any of the foregoing provisions and requirements relating to insurance, there may be named as an insured, on behalf of the Association, the Association's authorized representative, who shall have exclusive authority to negotiate losses under any policy providing such insurance. The property and public liability insurance policies shall not contain (and the insurance shall not be placed with companies whose charters or bylaws contain) provisions whereby: (1) contributions or assessments may be made against the Association, the Owners or the Mortgagees; (2) loss payments are contingent upon action by the carriers, Directors, policy holders or Members; or (3) there are limiting clauses (other than insurance conditions) which could prevent Owners or Mortgagees from collecting the proceeds.

Section 10.5. Owner's Personal Property. The Association or Declarant shall not be liable in any manner for the safekeeping or conditions of any boat or other personal property belonging to or used by any Owner or his family, tenants, guests or invitees, located on or used at the Common Areas or the Community Boatslips. Further, the Association or Declarant shall not be responsible or liable for any damage or loss to or of any boat, its tackle, gear, equipment or other property located thereon, or any other personal property of any Owner, his family, tenants, guests or invitees located on or used at the Common Areas or the Community Boatslips. Each Owner shall be solely responsible for all such boats and other personal property and for any damage thereto or loss thereof, and shall be responsible for the purchase, at such Owner's sole cost and expense, of any liability insurance or other insurance for damage to or loss of such property.

ARTICLE XI

ENVIRONMENTAL AND LAKE BUFFER GUIDELINES

Section 11.1. General. Notwithstanding anything contained in this Declaration to the contrary, no construction activity of any type, including, without limitation, grading or site preparation on any Lot, erection of Improvements or exterior additions or alterations to any Improvement situated upon the Property, or any landscaping or cutting of trees on any Lot, shall be commenced, erected or maintained, until all the following conditions have been satisfied: (a) an application for approval has been submitted to the ECC; (b) the ECC has given written approval for the plans and specifications for the Improvements, the location of such Improvements, and the commencement of construction, all in accordance with the terms and requirements in the Guidelines; and (c) the fees set forth in or contemplated by this ARTICLE XI have been paid in full by the Owner. The provisions of this ARTICLE XI shall not apply to the

construction of any Improvements commenced, erected or maintained by Declarant on any Lot or upon any of the Common Areas. Declarant and/or the Association may delegate to the ECC any powers or authority reserved or granted to it under this ARTICLE XI.

Section 11.2. Composition of ECC. So long as Declarant owns any Lot or other portion of the Property, Declarant shall appoint the members of the ECC. When Declarant no longer owns any Lot or other portion of the Property or at such earlier date as Declarant releases its right to appoint the members of the ECC, the Board shall thereafter appoint the members of the ECC. The three (3) members of the ECC shall be appointed annually. The members of the ECC do not need to be Lot Owners. In the event of the death or resignation of any member of the ECC, the party or body then having the authority to appoint members to the ECC shall have full authority to designate and appoint a successor. Members of the ECC may be removed and replaced at any time, with or without cause, and without prior notice, by the party or body then having the authority to appoint such members. The ECC shall have the right, power and authority to employ and/or use the services of any architects, engineers or other professionals as it deems necessary or advisable, in its sole discretion, to carry out its duties and obligations as described in this ARTICLE XI.

Section 11.3. Environmental and Lake Buffer Guidelines.

- 11.3.1 The ECC shall, from time to time, publish, promulgate and amend the Guidelines. The Guidelines shall be explanatory and illustrative of the general intent of the development of the Property and are intended as a guide to assist the ECC in reviewing plans and specifications for Improvements. The Guidelines shall also set out, among other things, the procedures for submission, review and approval of plans and specifications (for the construction of Improvements) to the ECC and the fees to be imposed by the ECC, as more specifically described in Section 11.6. In any event, the Guidelines shall not be binding upon the ECC, may be revised and amended at any time by the ECC, in its sole discretion, and shall not constitute, in every event, the basis for approval or disapproval of plans, specifications and other materials (for the construction of Improvements) submitted to the ECC for approval.
- 11.3.2 The ECC is also hereby authorized to publish and promulgate, from time to time, and revise and amend at any time in its sole discretion, construction rules, as part of the Guidelines, to be followed by all Owners and builders performing work or constructing or installing Improvements on the Property.
- 11.3.3 The ECC may issue and amend the Guidelines, from time to time, and may publish and promulgate different Guidelines for different phases, sections or portions of the Property.

Section 11.4. Enforcement.

- 11.4.1 The environmental control provisions of this Declaration and any Supplemental Declarations are intended by Declarant to minimize the adverse

impact on the environment of Lake Keowee. All Owners, by purchasing property subject to this Declaration, acknowledge that a violation of any such provisions could result in irreparable harm and damage to other Lot Owners in the Subdivision and to Declarant, and to the values of their respective properties in the Subdivision, a monetary measure of which harm and damage would be difficult to establish. Accordingly, the Association shall have the specific right (but not the obligation) to enforce and/or to prevent any violation of the provisions contained in this ARTICLE XI by a proceeding at law or in equity against the person or persons violating or attempting to violate any such provisions. Declarant hereby specifically reserves and grants to the ECC, the Board and any agent or member thereof, the right of entry and inspection upon any portion of the Property for the purpose of determining whether any construction of any Improvement violates any approval by the ECC, the Guidelines, this Declaration or any Supplemental Declaration, as amended.

- 11.4.2 As to nonconforming or unapproved Improvements, the Association may require any Owner to restore such Owner's Improvements to the condition existing prior to the construction thereof (including, without limitation, the demolition and removal of any nonconforming unapproved Improvements) if such Improvements were commenced or constructed in violation of this ARTICLE XI. In addition, the Association may, but has no obligation to, cause such restoration, demolition and removal to be performed and to levy the cost as a Special Individual Assessment against the Lot or portion of the Property upon which such Improvements were commenced or constructed. In the event that it becomes necessary to resort to litigation to determine the propriety of any constructed Improvement to remove any unapproved Improvement or otherwise to remedy a violation of the Guidelines, the Association shall be entitled to recover court costs, reasonable attorneys' fees and expenses incurred by the Association and/or the ECC in connection therewith, which costs, fees and expenses may be levied as a Special Individual Assessment against the Lot upon which such Improvement was commenced or constructed.

Section 11.5. Failure of the ECC to Act. If the ECC fails to approve or disapprove any plans and specifications and other submittals which conform (and which relate to Improvements which will conform) with the requirements of the Guidelines and this Declaration or to reject them as being inadequate or unacceptable within thirty (30) business days after receipt thereof, and provided such submittal was a full and complete submittal, in accordance with the Guidelines, of all items that were to have been submitted to the ECC, the Lot Owner shall give written notice to the ECC asking it to act on the submittal. If the ECC shall again fail to approve or disapprove of such plans, specifications and other submittals within ten (10) days after receipt of the Lot Owner's written request the ECC shall be deemed to have approved such conforming plans and specifications and other submittals; provided that the ECC has no right or power, either by action or failure to act, to waive or grant any variances relating to any mandatory requirements specified in this Declaration or any Supplemental Declaration. If plans and specifications or other submittals are not sufficiently complete or are otherwise inadequate,

the ECC may reject them as being inadequate or may approve or disapprove part, conditionally or unconditionally, and reject or approve the balance.

Section 11.6. Fees and Construction Escrow Deposit Required by the ECC. The ECC, in its sole discretion, may require that each Owner submitting plans and specifications for Improvements to the ECC pay certain fees to the ECC or to Declarant as a condition to commencement of construction of such Improvements. Such fees, as set forth in the Guidelines, shall be established by, and may be increased, from time to time, by the ECC. The ECC, in its sole discretion, may require that each Lot Owner submitting plans and specifications for construction to pay a construction escrow deposit to the Association to be held for the purposes set forth in the Guidelines.

Section 11.7. No Construction Without Payment of Fees. Plans and specifications for Improvements to be constructed on a Lot or other portion of the Property shall not be deemed to have been properly submitted unless and until any and all fees required by the ECC to be paid in connection with such Improvements, as provided in Section 11.6, shall have been paid to the ECC or Declarant, as required by the Guidelines.

Section 11.8. Notices and Submittals. Notices and submittals to the ECC shall be in accordance with the notice provisions set forth, from time to time, in the Guidelines.

Section 11.9. Limitation of Liability. No member of the ECC shall be liable for claims, causes of action or damages (except where occasioned by willful misconduct of such member) arising out of services performed pursuant to this ARTICLE XI. Neither the ECC, the members thereof, the Association, Declarant, nor any officers, directors, members, employees, agents or affiliates of any of them, shall be liable for damages or otherwise to anyone submitting plans and specifications and other submittals for approval or to any Owner by reason of mistake of judgment, negligence or nonfeasance arising out of or in connection with the approval or disapproval of, or the failure to approve or disapprove of, any plans and specifications. The approval of plans and specifications by the ECC shall not be deemed or construed as a representation or warranty of the ECC, Declarant, or any officer, director, member, employee, agent or affiliate of any of them, (i) that Improvements constructed in accordance with such plans and specifications will comply with applicable zoning ordinances, building codes, or other governmental or quasi-governmental laws, ordinances, rules and regulations; (ii) as to the structural soundness, quality, durability, suitability, fitness or proper functioning of Improvements constructed in accordance with such plans and specifications; and/or (iii) any responsibility or liability therefor is expressly hereby disclaimed. Every person who submits plans and specifications, and every Owner, agrees that such Owner will not bring any action or suit against Declarant, the Association, the ECC, the Board, or the officers, directors, members, employees, agents or affiliates of any of them, to recover any such damages and hereby releases, demises, and quitclaims all claims, demands and causes of action arising out of or in connection with any judgment, negligence or nonfeasance and hereby waives the provisions of any law which provides that a general release does not extend to claims, demands and causes of action not known at the time the release is given. Declarant shall be the sole party responsible for the performance of Declarant's obligations under this Declaration, and no other person, firm or entity, including, without limitation, any entity affiliated with Declarant, shall have any obligation or liability for Declarant's obligations under this Declaration.

Section 11.10. Miscellaneous. Members of the ECC, in the sole discretion of the party or body appointing such members (i.e., either Declarant or the Board, as the case may be) may be compensated for their services. The Association shall reimburse members of the ECC for reasonable out-of-pocket expenses associated with their activities hereunder. All costs, expenses and attorneys' fees of the ECC, including those incurred in connection with the exercise of their enforcement or other powers as provided herein, shall be borne by the Association; provided, however, nothing herein shall be deemed to negate the Association's right to an award of court costs, attorneys' fees and expenses in accordance with Section 11.4.

ARTICLE XII

RIGHTS OF MORTGAGEES

Section 12.1. Approval of Mortgagees. Unless at least seventy-five percent (75%) of the Mortgagees holding Mortgages on Lots located within the Subdivision then subject to the full application of this Declaration have given their prior written approval, the Association shall not:

- 12.1.1 except as otherwise specifically provided herein, by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer any real estate or Improvements thereon which are owned, directly or indirectly, by the Association; provided, however, the granting of easements for utilities or other purposes and the transfer of Boatslips pursuant to the terms of the Declaration shall not be deemed a transfer within the meaning of this provision;
- 12.1.2 except as otherwise specifically provided herein, change the method of determining the obligations, Assessments, dues or other charges which may be levied against an Owner;
- 12.1.3 fail to maintain fire and extended coverage insurance on insurable Improvements in any Common Areas in the Subdivision (with the exception of Public Roads) on a current replacement cost basis in an amount not less than 100% of the insurable value as set forth in ARTICLE X; or
- 12.1.4 use the proceeds of any hazard insurance policy covering losses to any part of any Common Area for a purpose other than the repair, replacement or reconstruction of the damaged Common Areas.

Section 12.2. Additional Rights. Provided that a Mortgagee has given written notice to the Association as hereafter provided, a Mortgagee shall have the following rights:

- 12.2.1 to be furnished at least one copy of the annual financial statement and report of the Association within ninety (90) days following the end of each fiscal year;
- 12.2.2 to be given notice by the Association of any meeting of the Association's membership, and to designate a representative to attend all such meetings;

- 12.2.3 to be given prompt written notice of default under the Declaration, the Bylaws or any rules and regulations promulgated by the Association by any Owner owning a Lot encumbered by a Mortgage held by the Mortgagee, such notice to be sent to the principal office of such Mortgagee or the place which it designates in writing;
- 12.2.4 to be given prompt written notice of any casualty loss to the Common Areas, or loss by eminent domain, condemnation or other taking of (i) the Common Areas or (ii) any Lot encumbered by a Mortgage held by the Mortgagee;
- 12.2.5 to be given prompt written notice of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and
- 12.2.6 to be given prompt written notice of any action which requires the consent of any or all of the Mortgagees as specified herein.

Whenever any Mortgagee desires the provisions of this Section 12.2 to be applicable to it, it shall serve or cause to be served written notice of such fact upon the Association by certified mail, return receipt requested, addressed to the Association and sent to its address stated herein, identifying the Lot or Lots upon which any such Mortgagee holds any Mortgage or identifying any Lot owned by it, together with sufficient pertinent facts to identify any Mortgage which may be held by it and which notice shall designate the place to which notices are to be given by the Association to such Mortgagee. In the event a Mortgagee fails to give written notice as provided in the immediately preceding sentence, the Mortgage shall not be entitled to the benefits of this Section 12.2.

Section 12.3. Books and Records. Any Mortgagee will have the right to examine the books and records of the Association during any reasonable business hours.

Section 12.4. Payment of Taxes and Insurance Premiums. The Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge or lien against the Common Areas and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage upon the lapse of a policy for property owned by the Association and the persons, firms or corporations making such payments shall be owed prompt reimbursement from the Association.

ARTICLE XIII

CONDEMNATION

Section 13.1. Partial Taking: Without Direct Effect on Lots. If part of the Property shall be taken or condemned by any authority having the power of eminent domain, such that no Lot is taken, all compensation and damages for and on account of the taking of the Common Areas, exclusive of compensation for consequential damages to certain affected Lots, shall be paid to the Board in trust for all Owners and their Mortgagees according to the loss or damages to their respective interests in such Common Areas. The Association, acting through the Board, shall have the right to act on behalf of the Owners with respect to the negotiation and litigation of

the issues with respect to the taking and compensation affecting the Common Areas, without limitation on the right of the Owners to represent their own interests. Each Owner, by his acceptance of a deed to a Lot, hereby appoints the Association as his attorney-in-fact to negotiate, litigate or settle on his behalf all claims arising from the condemnation of the Common Areas. Such proceeds shall be used to restore the Common Areas with the excess, if any, to be retained by the Association and applied to future operating expenses by the Board, in its sole discretion. Nothing herein shall prevent Owners whose Lots are specifically affected by the taking or condemnation from joining in the condemnation proceedings and petitioning on their own behalf for consequential damage relating to loss of value of the affected Lots or Improvements, fixtures or personal property thereon, exclusive of damages relating to the Common Areas. In the event that the condemnation award does not allocate consequential damages to specific Owners, but by its terms includes an award for reduction in value of Lots without such allocation, the award shall be divided between affected Owners and the Association, as their interests may appear, by the Board, in its sole discretion.

Section 13.2. Partial or Total Taking: Directly Affecting Lots. If part or all of the Property shall be taken or condemned by any authority having the power of eminent domain, such that any Lot or a part thereof (including specific easements assigned to any Lot) is taken, the Association shall have the right to act on behalf of the Owners with respect to Common Area as provided in Section 13.1 and the proceeds shall be payable as outlined therein. The Owners directly affected by such taking shall represent and negotiate for themselves with respect to the damages affecting their respective Lots. All compensation and damages for and on account of the taking of anyone or more of the Lots or Improvements, fixtures or personal property thereon, shall be paid to the Owners of the affected Lots and their Mortgagees, as their interests may appear. If all of the Property shall be taken such that the Association no longer has reason to exist and shall thereafter be dissolved and/or liquidated, all compensation and damages for and on account of the taking of the Common Areas shall be distributed with the other assets of the Association in accordance with the Articles of Incorporation.

Section 13.3. Notice to Mortgagees. A notice of any eminent domain or condemnation proceeding shall be sent to all Mortgagees who have served written notice upon the Association in accordance with Section 12.2.

ARTICLE XIV

GENERAL PROVISIONS

Section 14.1. Enforcement. Declarant, being the developer of other subdivisions in the area of the Subdivision, wishes to maintain a high standard in the appearance and quality of the Subdivision. Though damages would be difficult to measure, the failure of the Owners or the Association to abide by the terms, covenants and restrictions contained in this Declaration would result in irreparable damage to Declarant and its reputation. Accordingly, Declarant, during the term of this Declaration as set forth in Section 14.4, as well as the Association or any Owner or Owners, shall have the right, but not the obligation, to enforce all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration by proceeding at law or in equity against any person or persons violating or attempting to violate any such restriction, condition, covenant, reservation, lien or charge, either

to restrain violation thereof or to recover damages therefor. Declarant, the Association and each Owner shall have all appropriate remedies at law or in equity to enforce the provisions of this Declaration and the Bylaws and any duly authorized rules and regulations governing the Subdivision against the Association.

In addition, the Association and the Owners hereby covenant and agree that they shall exercise their power of enforcement hereunder in order to maintain a first class subdivision in appearance and quality, and that they shall, upon the request of Declarant, enforce any restriction, condition, covenant or reservation contained in this Declaration deemed by Declarant, in its sole discretion, to have been violated, using all remedies available to them at law or in equity. Failure by Declarant, the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. Declarant hereby reserves the right and easement, but not the obligation, to go upon any portion of the Common Areas at any time in order to repair and maintain such Common Areas where needed, in Declarant's sole discretion, to bring such Common Areas within the standards required by Declarant. If Declarant goes upon the Common Areas to perform maintenance and/or repairs for such purpose, the Association hereby agrees to reimburse Declarant in full for the cost of such maintenance and/or repairs, upon receipt of a statement for such costs from Declarant, for maintenance and/or repair of the Common Areas.

Section 14.2. Severability. Invalidation of any of these covenants or restrictions by judgment or court order shall not affect any other provisions of this Declaration, which shall remain in full force and effect.

Section 14.3. Amendment.

14.3.1 Amendment by Owners. The covenants, conditions, and restrictions of this Declaration may be amended at any time and from time to time by an instrument signed by Owners holding two-thirds (2/3) of votes appurtenant to the Lots which are then subject to this Declaration; provided, however, that such amendment must be consented to by Declarant so long as Declarant is the Owner of any Lot in the Subdivision or of any Additional Property. Any such amendment shall not become effective until the instrument evidencing such change has been filed of record. Notwithstanding the foregoing, the consent of a majority of the Owners of Lots, plus the written consent of Declarant, shall be required to reduce the land in the Subdivision, to withdraw any portion of the Property from the requirements of this Declaration, or to restrict or revoke Declarant's right of enforcement as provided for in Section 14.1.

14.3.2 Amendment by Declarant. Declarant may, at Declarant's option, amend this Declaration without obtaining the consent or approval of any other person or entity if such amendment is necessary to cause this Declaration to comply with the requirements of FHA, VA, the Federal National Mortgage Association or other similar agency. Declarant, without obtaining the approval of any other person or entity, may also make (a) amendments or modifications hereto which are correctional in nature and do not involve a change which materially adversely affects the rights, duties or obligations specified herein; and/or (b)

any addition or amendment that Declarant is authorized to make under other Sections of this Declaration, including, without limitation, Section 2.2 and Section 3.2.4.

Section 14.4. Term. The covenants and restrictions of this Declaration are to run with the land and shall be binding upon all parties and all persons claiming under them for a period of twenty (20) years from the date this Declaration is recorded; after which time said covenants and restrictions shall be automatically extended for successive periods of ten (10) years unless an instrument signed by a majority of the then Owners of the Lots, plus Declarant, has been recorded, agreeing to terminate said covenants and restrictions in whole or in part. Provided, however, that the residential use restrictions set forth in Section 9.1 shall run with the land and shall be binding upon all parties and all persons claiming under them in perpetuity.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed by its duly authorized officer as of the day and year first above written.

WITNESSES:

CRESCENT COMMUNITIES S.C., LLC, a Delaware limited liability company

Susan A. Reece
First Witness

By: Scott Munday
Vice - President

Patricia T. Emerson
Second Witness

STATE OF SOUTH CAROLINA

COUNTY OF OCONEE

Personally appeared before me, Susan A. Reece (First Witness) and made oath that he/she saw the within named Crescent Communities S.C., LLC by Scott Munday its Vice-President sign and deliver the within written instrument; and that he/she with Patricia T. Emerson (Second Witness) witnessed the execution thereof.

Sworn to before me this 2nd day of October, 2003

Susan A. Reece
(Signature of First Witness)

Patricia T. Emerson
Notary Public for South Carolina

My Commission Expires 02/10/10

(NOTARY STAMP OR SEAL)

000026703 11/06/2003 04:00:14PM
Filed At Register of Deeds
Pickens County SC
Fees Paid \$69.00

**EXHIBIT A
TO
DECLARATION
FOR
THE HIGHLANDS ON LAKE KEOWEE**

Articles of Incorporation of The Highlands on Lake Keowee Owners Association Inc.

ARTICLES OF INCORPORATION
OF
HIGHLANDS ON LAKE KEOWEE OWNERS ASSOCIATION, INC., A NONPROFIT CORPORATION

STATE OF SOUTH CAROLINA
SECRETARY OF STATE
NONPROFIT CORPORATION
ARTICLES OF INCORPORATION

TYPE OR PRINT CLEARLY IN BLACK INK

Pursuant to Section 33-31-202 of the South Carolina Code of Laws, as amended, the undersigned corporation submits the following information:

1. The name of the nonprofit corporation is Highlands on Lake Keowee Owners Association, Inc.
2. The initial registered office of the nonprofit corporation is 1201 Main Street, Suite 1450
Street Address
- | | | | |
|-----------------|-----------------|-----------|--------------|
| <u>Columbia</u> | <u>Richland</u> | <u>SC</u> | <u>29202</u> |
| City | County | State | Zip Code |

The name of the registered agent of the nonprofit corporation at that office is

David B. Summer, Jr.
Print Name

I hereby consent to the appointment as registered agent of the corporation.

Agent's Signature

3. Check "a", "b", or "c" whichever is applicable. Check only one box:
- a. The nonprofit corporation is a public benefit corporation.
- b. The nonprofit corporation is a religious corporation.
- c. The nonprofit corporation is a mutual benefit corporation.
4. Check "a" or "b", whichever is applicable:
- a. This corporation will have members.
- b. This corporation will not have members.
5. The address of the principal office of the nonprofit corporation is
- | | |
|---|--------------|
| <u>400 South Tryon Street, Suite 1300, Charlotte, Mecklenburg, North Carolina</u> | <u>28202</u> |
| Street Address | Zip Code |
6. If this nonprofit corporation is either a public benefit or religious corporation (when box "a" or "b" of paragraph 3 is checked), complete either "a" or "b", whichever is applicable, to describe how the remaining assets of the corporation will be distributed upon dissolution of the corporation.
- a. Upon dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of section 501 (c)(3) of the Internal Revenue Code, or the corresponding section of any future Federal tax code, or shall be distributed to the Federal government, or to a state or local government, for a public purpose. Any such asset not so disposed of shall be disposed of by the Court of Common Pleas of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

HIGHLANDS ON LAKE KEOWEE OWNERS ASSOCIATION, INC.
Name of Corporation

b. Upon dissolution of the corporation, consistent with the law, the remaining assets of the corporation shall be distributed to

7. If the corporation is a mutual benefit corporation (when box "c" of paragraph 3 is checked), complete either "a" or "b", whichever is applicable, to describe how the (remaining) assets of the corporation will be distributed upon dissolution of the corporation.

a. Upon dissolution of the mutual benefit corporation, the (remaining) assets shall be distributed to its members, or if it has no members, to those persons to whom the corporation holds itself out as benefiting or serving.

b. Upon dissolution of the mutual benefit corporation, the (remaining) assets, consistent with the law, shall be distributed to

8. The optional provisions which the nonprofit corporation elects to include in the articles of incorporation are as follows (See 33-31-202(c) of the 1976 South Carolina Code of Laws, as amended, the applicable comments thereto, and the instructions to this form)

9. The name and address of each incorporator is as follows (only one is required)

David B. Summer, Jr., Esq., 1201 Main Street, Suite 1450, Columbia, South Carolina 29202

Name Address Zip Code

Name Address Zip Code

Name Address Zip Code

10. Each original Director of the nonprofit corporation must sign the articles but only if the Directors are named in these articles:

Name (Only if named in articles) Signature of Director

Name (Only if named in articles) Signature of Director

Name (Only if named in articles) Signature of Director

11. Each incorporator must sign the articles.

Signature of incorporator

Signature of incorporator

Signature of incorporator

**EXHIBIT B
TO
DECLARATION
FOR
THE HIGHLANDS ON LAKE KEOWEE**

Bylaws of The Highlands on Lake Keowee Owners Association, Inc.

BYLAWS
OF
THE HIGHLANDS ON LAKE KEOWEE OWNERS ASSOCIATION, INC.

ARTICLE I

NAME, LOCATION, AND PURPOSE

Section 1.1. Name. The name of the non-profit corporation is THE HIGHLANDS ON LAKE KEOWEE OWNERS ASSOCIATION, INC. (the "Association").

Section 1.2. Location. The principal office of the Association shall initially be located in Mecklenburg County, North Carolina at 400 South Tryon Street, Suite 1300, Charlotte, North Carolina 28201-1003. The registered office of the Association may be, but need not be, identical with the principal office.

Section 1.3. Purpose. The purpose for which the Association is organized is to further social activities of Owners of Lots in The Highlands on Lake Keowee Subdivision located in Pickens County, South Carolina, to provide services to the Owners, manage and maintain the Common Areas and administer and enforce all covenants and restrictions dealing with the Property located in the Subdivision, and any other purposes allowed by law.

ARTICLE II

DEFINITIONS

All capitalized terms when used in these Bylaws, or any amendment hereto (unless the context shall otherwise require or unless otherwise specified herein or therein) shall have the meanings set forth in that certain Declaration of Covenants, Conditions and Restrictions for The Highlands on Lake Keowee executed by Crescent Communities S.C., LLC, and duly recorded in the Office of the Register of Deeds of Pickens County, South Carolina (as supplemented and amended, from time to time, the "Declaration").

ARTICLE III

MEETINGS OF MEMBERS

Section 3.1. Annual Meetings. The first annual meeting of the Members shall be held sometime during the months of March, April or May, 2004, as determined by a vote of the Board of Directors, and each subsequent regular annual meeting of the Members shall be held on or about the anniversary date of the first annual meeting thereafter, at a reasonable time to be determined by the Board. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held on the first day following which is not a legal holiday.

Section 3.2. Special Meeting. Special meetings of the Members may be called at any time by the President of the Association, by the Board of Directors, or upon the written request of the Members who are entitled to vote at least ten percent (10%) of all of the votes appurtenant to the Lots.

Section 3.3. Meetings of Groups of Certain Lot Owners. From time to time, meetings of the Members owning Boatslip Lots ("Member Group") may be called at any time (a) by the President of the Association, (b) by the Board of Directors, or (c) upon the written request of the Members who are entitled to vote at least ten percent (10%) of all of the votes appurtenant to the relevant Member Group, for the purpose of discussing and voting on matters affecting the Member Group. Such meetings may be held at the annual meeting of the Members or at a special meeting of the Member Group.

Section 3.4. Place of Meetings. All meetings of the Members and all meetings of any of the Member Group shall be held at such place within Mecklenburg County, North Carolina or Pickens County, South Carolina, as shall be determined by the Board of Directors, from time to time.

Section 3.5. Notice of Meeting. Written notice of each meeting of the Members and each meeting of the Member Group shall be given by, or at the direction of, the Secretary of the Association or other person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, not less than ten (10) days nor more than sixty (60) days before the date of such meeting to each Member entitled to vote there at, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for notice purposes. The notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose of the meeting.

Section 3.6. Classes of Lots and Voting Rights. The voting rights of the Members shall be appurtenant to the ownership of Lots. There shall be two (2) classes of Lots with respect to voting rights:

- 3.6.1 Class A Lots. All Lots shall be Class A Lots, except Class B Lots as defined below. Each Class A Lot shall entitle its Owner(s) to one (1) vote. When more than one person owns an interest (other than a leasehold or security interest) in any Class A Lot, all such persons shall be Members and the appurtenant voting rights shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any Class A Lot.
- 3.6.2 Class B Lots. Class B Lots shall be all Lots owned by Declarant that have not been conveyed to purchasers who are not affiliated with the Declarant. Each Class B Lot owned by Declarant shall be entitled to four (4) votes.

Section 3.7. Declarant Control Period. The Class B Membership shall cease and be converted to Class A Membership on the first to occur of the following events:

- 3.7.1 when the total number of votes in the Class A Membership exceeds the total number of votes in the Class B Membership;
- 3.7.2 upon the expiration of ten (10) years after the recordation of the Declaration; or

3.7.3 upon the election of Declarant, in its sole discretion, to terminate its Class B Membership and to convert the Class B Lots to Class A Lots. Any such election, to be effective, must be in writing and recorded in the Office of the Register of Deeds for Pickens County, South Carolina.

The earliest to occur of Section 3.7.1, Section 3.7.2 or Section 3.7.3 shall be referred to as the "Turnover Date." After the Turnover Date and for so long as Declarant owns any part of the Property, Declarant shall be a Class A member.

Section 3.8. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, twenty percent (20%) of the votes appurtenant to the Lots (or to the Lots of any Member Group) shall constitute a quorum for any action, except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, subsequent meetings may be called, subject to the same notice requirement, until the required quorum is present. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 3.9. Proxies. At all meetings of Members or any Member Group, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary of the Association. Every proxy shall be revocable and shall automatically cease upon conveyance of the applicable Member's Lot.

Section 3.10. Action by Members. Except as provided otherwise in the Articles of Incorporation, the Declaration or these Bylaws, any act or decision approved by a majority vote of all votes entitled to be cast by all classes of Members, present or represented by legitimate proxy at a legally constituted meeting at which a quorum is present, shall be regarded as the act of the Members. Notwithstanding any term or provision herein, the affirmative vote of no less than two-thirds (2/3) of all votes entitled to be cast by all classes of Members shall be required in order for the Association to (a) file a complaint, on account of an act or omission of Declarant, with any governmental agency which has regulatory or judicial authority over the Subdivision or any part thereof, or (b) assert a claim against or sue Declarant.

Section 3.11. Action by Members of a Member Group. Except as otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws, any act or decision approved by a majority vote of all votes entitled to be cast by the Members of any Member Group, present or represented by legitimate proxy at a legally constituted meeting at which a quorum of the Members of the Member Group is present, shall be regarded as the act of such Member Group.

Section 3.12. Waiver of Notice. Any Member may, at any time, waive notice of any meeting of the Members, (or any meeting of any Member Group) in writing and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Member at any such meeting shall constitute a waiver of notice by such Member of the time and place thereof, except where such Member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all of the Members are present at

any meeting of the Members (or a Member Group), no notice shall be required and any business may be transacted at such meeting.

Section 3.13. Informal Action by Members. Any action which may be taken at a meeting of the Members (or a Member Group), may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the persons who would be entitled to vote upon such action at a meeting and filed with the Secretary of the Association to be kept in the Association's minute book.

Section 3.14. Class Voting Prohibited. Class voting is expressly prohibited under these Bylaws.

ARTICLE IV

BOARD OF DIRECTORS

Section 4.1. Number. Prior to the Turnover Date, a Board of three (3) Directors shall be appointed by Declarant. The Directors appointed by Declarant do not need to be Members of the Association. The Board shall manage the business and affairs of the Association. At the first annual meeting of the Members following the Turnover Date, a Board of three (3) Directors shall be elected in accordance with Section 4.4 and Section 4.5.

Section 4.2. Initial Directors.

4.2.1 The initial Board of Directors shall be appointed by Declarant. The initial Board of Directors shall serve at the election of the Declarant from the date upon which the Declaration is recorded in the Office of the Register of Deeds of Pickens County, South Carolina, until such time as their successors are duly appointed in accordance with Section 4.1, or duly elected and qualified as described in Section 4.4 and Section 4.5.

4.2.2 The names of the persons who shall serve on the initial Board of Directors are as follows:

<u>Name</u>	<u>Address</u>
J. Scott Munday	400 South Tryon Street, Suite 1300 Charlotte, North Carolina 28201
Stephen W. Coleman	400 South Tryon Street, Suite 1300 Charlotte, North Carolina 28201
Leslie A. Lancaster	400 South Tryon Street, Suite 1300 Charlotte, North Carolina 28201

Section 4.3. Nomination. Subject to Section 4.1, nominations for the first election of the Board of Directors after the Turnover Date shall be made from the floor at a meeting of the Members. After such first election of Directors, a Nominating Committee shall make nominations for election to the Board of Directors, but nominations may also be made from the

floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to the annual meeting following the first election of Directors and each annual meeting of the Members thereafter, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

Section 4.4. Election. After the Turnover Date, the Board of Directors shall be elected at the annual meeting of the Members by written ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Articles of Incorporation, these Bylaws and the Declaration. Subject to the terms of this ARTICLE IV, the persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 4.5. Term of Office. Each Director shall hold office for the term for which such Director was elected, or until his death, resignation, retirement, removal disqualification or until his successor is elected and qualified. Subject to Section 4.1, at the first election of Directors following the Turnover Date, the Members shall elect three (3) Directors. The Member who receives the most votes shall serve for a three (3) year term. The Member who gets the next highest number of votes shall serve for a two (2) year term. The Member receiving the next highest number of votes shall serve for a one (1) year term. Votes shall be tallied at the meeting at which they are cast and, in the event of a tie vote, a run-off election shall be conducted at the same meeting. After the initial election of Directors, each Director shall thereafter serve for a three (3) year term. Any Director may be elected for an unlimited number of successive terms.

Section 4.6. Removal. Subject to Section 4.1, any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation or removal of a Director, such Director's successor shall be selected by the remaining members of the Board and shall save for the unexpired term of his predecessor. The Members may elect a Director at any time to fill any vacancy not filled by the remaining members of the Board.

Section 4.7. Compensation. No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE V

MEETINGS OF DIRECTORS

Section 5.1. Regular Meetings. Meetings of the Board of Directors shall be held on a regular basis as often as the Board sees fit, but no less often than annually, on such days and at such place and hour as may be fixed from time to time by resolution of the Board. If the meeting

falls upon a legal holiday, then that meeting shall be held at the same time on the next day that is not a legal holiday.

Section 5.2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two (2) Directors, after not less than three (3) days notice to each Director.

Section 5.3. Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 5.4. Informal Action by Directors. Action taken by a majority of the Directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all of the Directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

Section 5.5. Chairman. A Chairman of the Board of Directors shall be elected by the Directors and shall preside over all Board meetings until the President of the Association is elected. Thereafter, the President shall serve as Chairman. In the event there is a vacancy in the office of the Presidency, a Chairman shall be elected by the Board of Directors and serve until a new President is elected.

Section 5.6. Liability of the Board. The members of the Board of Directors shall not be liable to the Members for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Members shall indemnify, defend and hold harmless each of the Directors against all contractual liability to others arising out of contracts made by the Board on behalf of the Association, unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration or these Bylaws. It is intended that the Directors shall have no personal liability with respect to any contract made by them on behalf of the Association, except to the extent that they are also Members.

ARTICLE VI

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 6.1. Powers. The Board of Directors, for the benefit of the Members, shall have the following specific powers and rights (without limitation, however, with respect to any other powers and rights which the Board may possess under South Carolina law or under the Declaration):

- 6.1.1 To adopt and publish rules and regulations governing the use of the Common Areas and facilities and the personal conduct of the Members and their families, guests and invitees thereon, and to establish penalties for the infraction or violation thereof;
- 6.1.2 To suspend any Member's voting rights and right to use the Common Areas during any period in which such Member shall be in default in

the payment of any Assessment levied by the Association. Such rights may also be suspended (after notice and hearing) for a period not to exceed sixty (60) days for infraction or violation of published rules and regulations;

- 6.1.3 To exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the Members by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;
- 6.1.4 To declare the office of a Director to be vacant in the event such Director is absent from three (3) consecutive regular meetings of the Board of Directors;
- 6.1.5 To employ a manager, an independent contractor, or such other employee(s) as the Board deems necessary, and prescribe their duties;
- 6.1.6 To grant all necessary easements and rights-of-way upon, over, under and across the Common Areas when it deems such action to be necessary and appropriate, including, but not limited to, easements for the installation and maintenance of electrical, telephone, cablevision, water, sanitary sewer and other utilities or drainage facilities, provided, however, until such time as Declarant no longer owns any portion of the Property, the Board may not grant such an easement or right-of-way without the prior written approval of Declarant;
- 6.1.7 To appoint and remove all officers, agents and employees of the Association, prescribe their duties, set their compensation and require of them such security or fidelity bonds as it may deem expedient;
- 6.1.8 To enter into agreements or contracts with utility companies with respect to utility installation, consumption and service matters relating to the Common Areas and/or the Association;
- 6.1.9 To enter into agreements or contracts with builders regarding the construction of Improvements on Lots located in the Subdivision;
- 6.1.10 To retain the services of legal, accounting and other professional firms;
- 6.1.11 To employ or retain the services of architects, engineers, landscape designers, or other qualified persons to serve on or advise the ECC;
- 6.1.12 To maintain contingency reserves for the purposes set forth in the Declaration;

- 6.1.13 To enforce the provisions of the Declaration and any Additional or Supplemental Declaration and any rules or regulations made hereunder or thereunder;
- 6.1.14 To levy Assessments as more particularly set forth in the Declaration; and
- 6.1.15 To take any and all other actions, and to enter into any and all other agreements, as may be necessary for the fulfillment of its obligations under the Declaration or these Bylaws.

Section 6.2. Duties. The Board, for the benefit of the Members, shall have the following specific duties (without limitation of other duties the Board may have):

- 6.2.1 To maintain current copies of the Declaration, these Bylaws and other rules concerning the Subdivision, as well as Association books, records and financial statements, available for inspection upon reasonable notice and during normal business hours by all Owners, Mortgagees and insurers and guarantors of Mortgages that are secured by Lots;
- 6.2.2 To supervise all officers, agents and employees of the Association to ensure that their duties are properly performed;
- 6.2.3 As more fully provided in the Declaration:
 - 6.2.3.1 To set the amount of the Assessments;
 - 6.2.3.2 To send written notice of each Assessment to every Owner subject thereto before its due date; and
 - 6.2.3.3 To foreclose the lien against any Lot for which Assessments are not paid or to bring an action at law against the Owner personally obligated to pay the same;
- 6.2.4 To issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any Assessment has been paid, which certificate shall be conclusive evidence of such payment;
- 6.2.5 To procure and maintain adequate liability insurance covering the Association and the Directors and officers thereof and adequate hazard insurance on the property owned by the Association, all in accordance with the Declaration;
- 6.2.6 To cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate, in accordance with the Declaration;

- 6.2.7 To maintain or cause to be maintained the Common Areas (including the upkeep and maintenance of associated improvements) in accordance with the Declaration;
- 6.2.8 Until accepted for maintenance by the Pickens County Public Works Department or other governmental authority, to own and maintain or cause to be maintained the Public Roads (including any swales and medians) to the standard of maintenance which would be required by the Pickens County Public Works Department or other governmental authority, as the case may be, before it would accept the Public Roads for maintenance;
- 6.2.9 To maintain or cause to be maintained any sidewalks in the Subdivision to the extent not maintained by a governmental authority; and
- 6.2.10 Once Declarant's right to appoint the ECC has terminated, to appoint the ECC, all as more particularly provided in the Declaration.

ARTICLE VII

OFFICERS AND THEIR DUTIES

Section 7.1. Officers. The officers of the Association shall be a President, a Vice President, a Secretary, a Treasurer, and such other officers as the Board may, from time to time, by resolution create.

Section 7.2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 7.3. Term. The Board shall elect each officer of the Association and each shall hold office for one (1) year or until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies.

Section 7.4. Special Appointment. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as the Board may, from time to time, determine.

Section 7.5. Resignation and Removal. The Board may remove any officer from office with or without cause. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 7.6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7.7. Multiple Offices. The same person may hold the offices of Secretary and Treasurer. No person shall simultaneously hold more than one of any of the other offices, except in the case of special offices created pursuant to Section 7.4.

Section 7.8. Compensation. No officer shall receive any compensation for acting as an officer from the Association.

Section 7.9. Duties. The duties of the officers are as follows:

- 7.9.1 President - The President shall be the chief executive officer of the Association and, subject to the control of the Board, shall supervise and control the management of the Association. The President shall perform the following duties: (a) preside at all meetings of the Board of Directors, (b) see that orders and resolutions of the Board are carried out; (c) sign all leases, mortgages, deeds and other written instruments; and (d) co-sign all checks and promissory notes.
- 7.9.2 Vice President - The Vice President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.
- 7.9.3 Secretary - The Secretary shall perform the following duties: (a) record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members, (b) keep the corporate seal of the Association and affix it on all papers requiring the corporate seal; (c) serve notice of meetings of the Board and of the Members; (d) keep appropriate current records showing the Members of the Association, together with their addresses; and (e) perform such other duties as required by the Board.
- 7.9.4 Treasurer - The Treasurer shall perform the following duties: (a) receive and deposit in appropriate bank accounts all monies of the Association; (b) disburse such funds as directed by resolution of the Board of Directors; (c) sign all checks and promissory notes of the Association; (d) keep proper books of account; and (e) prepare an annual budget and a statement of income and expenditures to be presented to the Members at their regular annual meeting.

ARTICLE VIII

COMMITTEES

Subject to Section 4.3, the Board shall appoint a Nominating Committee. In addition, the Board shall appoint other committees as it deems appropriate, from time to time, in carrying out its purposes.

ARTICLE IX

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, upon reasonable notice and during reasonable business hours, be subject to inspection by any Member. The Declaration, the Articles of Incorporation and these Bylaws shall be available for inspection by any Member at the principal office of the Association.

ARTICLE X

ASSESSMENTS

As more particularly described in the Declaration, each Member is obligated to pay Assessments to the Association. Any Assessments which are not paid when due shall be delinquent. If an Assessment is not paid by its due date, as set forth in the Declaration, the Assessment shall bear interest as provided therein. Any late charges, costs of collection and reasonable attorneys' fees related to any such delinquent Assessment may be added to the amount of such Assessment. No Member may waive or otherwise escape liability for the Assessments provided for herein by non-use or abandonment of its Lot.

ARTICLE XI

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words THE HIGHLANDS ON LAKE KEOWEE OWNERS ASSOCIATION, INC. - 2003 - S.C.

ARTICLE XII

AMENDMENTS

Section 12.1. Procedure for Amendment. Subject to the limitations hereinafter contained, the Articles of Incorporation and these Bylaws may be amended or modified at any time by a vote of no less than a majority of all votes entitled to be cast by the Members, which vote is taken at a duly held meeting of the Members at which a quorum is present, all in accordance with these Bylaws. Provided, however, if a majority of all votes entitled to be cast by the Members cannot be obtained at such a meeting, then the Articles of Incorporation and these Bylaws may be amended by obtaining the vote of a majority of all votes present at a duly held meeting of the Members at which a quorum is present and by, within ninety (90) days of such vote, obtaining written consent to such amendment by Members holding a sufficient number of votes to comprise, along with such voting Members, a majority of all votes entitled to be cast by the Members. Further provided, that any amendment or modification to the Articles of Incorporation and these Bylaws must be consented to by Declarant so long as Declarant is the Owner of any Lot or other portion of the Property, which consent Declarant may grant or withhold in its sole discretion. In addition, Declarant, as Class B Member, without obtaining the

approval of any other Member or any other Owner or Owners, may make amendments or modifications to the Articles of Incorporation and these Bylaws which either: (a) are correctional in nature and do not involve a change which materially adversely affects the rights, duties or obligations specified herein or therein; or (b) apply only to the portions of the Property then owned by Declarant. Any amendment or modification effected pursuant to this Section 12.1 shall become effective with respect to these Bylaws when an instrument is filed of record in the Office of the Register of Deeds for Pickens County, South Carolina, provided, however, such an amendment or modification in lieu of being executed by the Members voting for such amendment or modification, may contain a certification of the Secretary of the Association stating that the amendment or modification has been voted on and approved by the requisite number of votes of the Members, as provided in this Section 12.1, and when with respect to the Articles of Incorporation any amendment or modification is filed of record in the Office of the South Carolina Secretary of State.

Notwithstanding anything in this Section 12.1 to the contrary, Declarant, as the Class B Member, may at its option, amend the Articles of Incorporation and these Bylaws without obtaining the consent or approval of any other person or entity if such amendment is necessary to cause these Bylaws or the Articles of Incorporation to comply with the requirements of the FHA, VA, Federal National Mortgage Association or any other governmental agency.

Section 12.2. Resolution of Conflict. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE XIII

MISCELLANEOUS

The fiscal year of the Association shall be the calendar year and shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE XIV

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Neither Declarant, nor any Member, nor the Board, nor the Association, nor any officers, Directors, agents or employees of any of them shall be personally liable for debts contracted for or otherwise incurred by the Association or for a tort of another Member, whether or not such other Member was acting on behalf of the Association or otherwise. Neither Declarant, nor the Association, nor their Directors, officers, agents or employees shall be liable for any incidental or consequential damages for failure to inspect any premises, improvements or portions thereof or for failure to repair or maintain the same. Declarant, the Association or any other person, firm or entity making such repairs or maintenance shall not be liable for any personal injury or other incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any premises, improvements or portions thereof.

The Association shall, to the extent permitted by applicable law, indemnify and defend all members of the Board from and against any and all loss, cost, expense, damage, liability, claim, action or cause of action arising from or relating to the performance by the Board of its duties and obligations, except for any such loss, cost, expense, damage, liability, claim, action or cause of action resulting from the gross negligence or willful misconduct of the person(s) to be indemnified.

The Association shall indemnify (a) any Director or officer of the Association, (b) any former Director or officer of the Association, or (c) any person who may have served at the request of the Association as a director or officer of another corporation, whether for profit or not for profit, against expenses (including reasonable attorneys' fees) or liabilities actually and reasonably incurred by him in connection with the defense of or as a consequence of any threatened pending or completed action, suit or proceeding (whether civil or criminal) in which he is made a party or was (or is threatened to be made) a party by reason of being or having been such director or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct in the performance of a duty.

The indemnifications provided herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any statute, bylaw, agreement, vote of Members or any disinterested Directors or otherwise and shall continue as to any person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

The Association may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Association, or is or was serving at the Association's request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability.

The Association's indemnity of any person who is or was a Director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be reduced by any amounts such person may collect as indemnification (i) under any policy of insurance purchased and maintained on his behalf by the Association, or (ii) from such other corporation, partnership, joint venture, trust or other enterprise.

Nothing contained in this ARTICLE XIV, or elsewhere in these Bylaws, shall operate to indemnify any Director or officer if such indemnification is for any reason contrary to any applicable state or federal law.