

BYLAWS

OF

AVERY LAKE COMMUNITY ASSOCIATION, INC.

ARTICLE I NAME AND LOCATION

The name of the corporation is Avery Lake Community Association, Inc. The principal office of the corporation shall be located in York County, South Carolina.

ARTICLE II DEFINITIONS

Section 1. "Additional Land" means the real property described in Exhibit B attached to the Declaration.

Section 2. "Articles" means the Articles of Incorporation of the Association, including any amendments thereto.

Section 3. "Association" means the Avery Lake Community Association, Inc., a South Carolina non-profit mutual benefit corporation, its successors and assigns.

Section 4. "Board" means the Board of Directors of the Association.

Section 5. "Common Area" means all real property owned by or held in trust for the benefit of the Association for the common use and enjoyment of its Members, but does not include real property over which the Association has only an easement.

Section 6. "Condominium Unit" means each completed Residential Unit of any horizontal property regime established by Master Deed pursuant to the South Carolina Horizontal Property Act, as may be amended, or any successor or similar statutory scheme thereto.

Section 7. "County" means York County, South Carolina.

Section 8. "Declarant" means Community Housing, Inc., a South Carolina nonprofit public purpose corporation, and any successor or assign to whom Community Housing, Inc. assigns its interest as Declarant hereunder in whole or in part by instrument recorded in the official records of the County.

Section 9. "Declaration" means the Master Declaration of Covenants, Conditions and Restrictions for Avery Lake Community, recorded _____, 1996 in Record Book _____, page _____, in the office of the Clerk of Court for York County, South Carolina.

Section 10. "Lot" means any numbered lot and any other unnumbered parcel or plot of land, including the parcel of 4.748 acres comprising a part of Phase 1A as described on Exhibit C, together with any improvements thereon, as shown upon any recorded final subdivision map covering the Project or a part thereof, which is not a dedicated street or Common Area.

Section 11. "Member" means a member of the Association.

Section 12. "Mortgage" means any mortgage or deed of trust which constitutes a first lien upon a Lot or a Residential Unit given to a bank, savings and loan association or other institutional lender for the purpose of securing indebtedness incurred to purchase or improve a Lot or a Residential Unit.

Section 13. "Mortgagee" means the holder of the beneficial interest in any Mortgage.

Section 14. "Multi-Family Lot" means a Lot designated on any recorded final subdivision map covering the Project or a part thereof for multi-family residential use only, including apartments and condominiums.

Section 15. "Notice and Opportunity for Hearing" means giving at least fifteen (15) days' prior notice of a proposed action and the reasons therefor, and an opportunity to be heard by the Board, orally or in writing, not less than five (5) days before the effective date of the proposed action.

Section 16. "Owner" means the record owner, whether one or more persons or entities, of a fee simple title to any Lot or Residential Unit, and shall include Declarant as to any Lot or Residential Unit owned by Declarant and the contract vendee (buyer) under a recorded contract of sale. "Owner" shall not include any person or entity who holds an interest in a Lot merely as security for the performance of an obligation or as a tenant.

Section 17. "Person" shall mean an individual, corporation, partnership, trustee or other legal entity capable of holding title to real property.

Section 18. "Phase" means each of Phase 1, Phase 1A and all the real property covered by a Supplemental Declaration actually recorded pursuant to Section 16.02 of the Declaration or by the recording of a supplemental declaration.

Section 19. "Phase I" and "Phase IA" collectively mean the real property described in Exhibit A attached to the Declaration.

Section 20. "Phase 1A" means the real estate described on Exhibit C attached to the declaration, which comprises the adjoining parcels of 4.748 acres and 1.867 acres, respectively.

Section 21. "Project" means the planned development of mixed user provided affordable housing and certain amenities known as "Avery Lake Community" which shall be or is

developed and constructed or is in the process of being developed and constructed on part or all of the Property consisting of Phase 1 and Phase 1A and any additional Phases, made subject to the Declaration by recordation of a supplemental Declaration pursuant to Section 16.02 of this Declaration.

Section 22. "Property" means collectively Phase I, Phase 1A and the Additional Land.

Section 23. "Residential Unit" means, (i) with respect to a Single-Family Lot, the entire Single-Family Lot, (ii) with respect to a Multi-Family Lot upon which apartments or condominiums have not been constructed to completion, the entire Multi-Family Lot, and (iii) with respect to a Multi-Family Lot upon which apartments or condominiums have been constructed to completion, each single entire apartment or Condominium Unit thereon.

Section 24. "Rules and Regulations" means reasonable and nondiscriminatory rules and regulations as may be adopted from time to time by the Association, provided notice of such rules and regulations has been given to Owners in accordance with the requirements of the Declaration.

Section 25. "Single-Family Lot" means a Lot designated on any recorded final subdivision map covering the Project or a part thereof for single-family residential use only, including conventional single-family homes, townhouses, zero-lotline homes, and patio homes.

Section 26. "Voting Power" means the total number of votes of Members (in a class of Members of the Association, or of Members other than Declarant, as the case may be) whose membership at the time the determination of voting power is made has not been suspended in accordance with the provisions of the Declaration. Voting Power shall be computed by including all such Members, whether or not such Members are present in person or by proxy at a meeting.

Section 27. "Capitalized Terms". Unless otherwise specifically provided herein, the capitalized terms used in these Bylaws shall have the same meanings as are given to such terms in the Declaration.

ARTICLE III MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Each Owner, including Declarant, shall automatically be a Member of the Association. No person or entity who is not an Owner shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of a Lot or Residential Unit, as the case may be. Upon termination of ownership, an Owner's membership shall automatically terminate and be automatically transferred to the new Owner of the Lot or Residential Unit, as the case may be..

Section 2. Voting. The Association shall have two classes of voting membership:

Class A. Class A Members shall be all Owners with the exception of Declarant; provided, however, that Declarant shall become a Class A Member when its Class B membership

ceases as provided hereinbelow. Class A Members shall be entitled to one (1) vote for each separate Residential Unit, or if there is no Residential Unit located on a Lot, for each Lot of that kind, owned; provided, however, votes for Residential Units within an apartment building or which constitute rental apartments on Multi-Family Lots shall be cast as follows: on economic issues and assessments, the votes shall be cast by the Owner of the Multi-Family Lot upon which the Residential Units are located; on Board elections and issues concerning the use and enjoyment of the Common Area, the votes shall be cast by the tenants residing in the Residential Units upon such Multi-Family Lot. When more than one person holds an ownership interest in any Residential Unit or Lot, as the case may be,, all such persons shall be Members, but no more than one vote shall be cast with respect to any Residential Unit or Lot, as the case may be,. The vote for any such Residential Unit or Lot, as the case may be, shall be exercised as the Members holding an interest in such Residential Unit or Lot, as the case may be, determine among themselves. In the event of disagreement, the decision of Members holding a majority of the interest in such Residential Unit or Lot, as the case may be, shall govern. Unless otherwise notified by a co-owner as to a dispute between the co-owners regarding their vote prior to the casting of that vote, the vote of any co-owner shall be conclusively presumed to be the majority vote of the Owners of that Residential Unit or Lot, as the case may be,.

Class B. Class B Member shall be Declarant and shall be entitled to three (3) votes for each Separate Residential Unit, or if there is no Residential Unit located on a Lot, for each Lot of that kind owned; provided that Declarant's Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier: (1) the conveyance by Declarant of ninety percent (90%) of all Lots in the Project to Owners other than a successor Declarant for use as residences; (ii) ten (10) years after the first Lot is conveyed to an Owner for use as a residence.

ARTICLE IV MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within 45 days after the commencement of regular annual assessments as provided in section 9.09 of the Declaration, but in no event shall the meeting be held later than four (4) months after the conveyance by Declarant of ninety percent (90%) of all Lots in the Project to Owners other than a successor Declarant for use as a residence. Subsequent regular annual meetings of the Members shall be held not less frequently than once each calendar year, at a date, time and place selected by the Board. If the day for the annual meeting of the Members is a legal or religious holiday, a Saturday or a Sunday, the meeting shall be held at the same hour on the first working day thereafter.

Section 2. Special Meetings. Special meetings of the Members shall be promptly scheduled in response to a majority vote of a quorum of the Board, or upon receipt of a written request signed by Members representing not less than thirty percent (30%) of the total Voting Power of the Association.

Section 3. Notice of Meetings. Written notice of annual and special meetings of Members 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, first-class postage prepaid, not less than ten (10) days nor more than sixty (60) days before such meeting, to each Member entitled to vote, addressed to the Member's Address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Notice of a meeting shall specify the place, date and hour of the meeting, and, in the case of a special meeting, the general nature of the business to be undertaken. The notice of any meeting at which Directors are to be elected shall include the names of all those who are nominees at the time the notice is given to Members. Notice shall also be given to the Mortgagees on Lots at the address supplied by the Mortgagee to the Association and each Mortgagee shall have the right to designate a representative to attend any meeting. Waiver by a Member in writing of the notice required herein, signed by him, shall be equivalent to the giving of such notice.

Section 4. Quorum. The presence at the meeting of Members entitled to cast, or of proxyholders entitled to cast, ten percent of the total Voting Power of the Association shall constitute a quorum for any action, except as may otherwise be provided in the Articles, the Declaration or these Bylaws. The Members present at any duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. In the absence of a quorum, the Members entitled to vote at such meeting shall have the power to adjourn the meeting to another time without notice (other than announcement at the meeting). Any adjournment for lack of a quorum shall be to a date not less than five (5) days and not more than thirty (30) days from the original meeting date. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed herein for regular meetings.

Section 5. Proxies.

(a) At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary of the Association or other person designated at the meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Residential Unit or Lot, as the case may be, or upon receipt by the Association of written notice of the death or incapacity of the Member who executed the proxy. Any proxy shall be invalid after expiration of eleven (11) months from the date it is executed.

(b) Any form of proxy or written ballot distributed to ten (10) or more Members shall afford an opportunity on the proxy or form of written ballot to specify a choice between approval and disapproval of each matter or group of related matters intended, at the time the written ballot or proxy is distributed, to be acted upon at the meeting for which the proxy is solicited or by such written ballot, and shall provide, subject to reasonable specific conditions, that where the Member solicited specifies a choice with respect to any such matter, the vote shall be cast in accordance therewith.

(c) Every form of proxy or written ballot, which provides an opportunity to specify approval or disapproval with respect to any proposal, shall also contain an appropriate space marked "abstain," whereby a Member may indicate a desire to abstain from voting on the proposal. A proxy marked "abstain" by the Member with respect to a particular proposal shall not be voted either for or against such proposal.

(d) In any election of Directors, any form of proxy or written ballot in which the Directors to be voted upon are named therein as candidates and which is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of Directors is withheld shall not be voted either for or against the election of a Director.

(e) Failure to comply with this section shall not invalidate any corporate action taken, but may be the basis for challenging any proxy at a meeting and the superior court may compel compliance therewith at the suit of any Member.

Section 6. Location. Meetings of Members shall be held within the Project or as close thereto as possible.

Section 7. Action Taken Without a Meeting. Any action which may be taken by the vote of Members at a regular or special meeting, except the election of the Board, may be taken in the absence of a meeting by written consent.

ARTICLE V BOARD OF DIRECTORS

Section 1. Number. The affairs of the Association shall be managed and governed by a Board of three (3) Directors, who shall be Members of the Association, except that a partner, employee, subcontractor, agent, officer or director of any partnership, corporation or association that is an Owner shall be eligible to serve as a Director.

Section 2. Term of Office. The parties who are to act in the capacity of Directors until the election of their successors are James A. Kinard, Jr., Gary Hood, and Dean R. Edwards. These parties will serve as Directors until the third annual meeting of the Association, as described below. At the third annual meeting of the Association, the Members shall elect two (2) Directors for a term of two (2) years and one (1) Director for a term of three (3) years. At each annual meeting thereafter, the Members shall elect successor Directors for Directors whose terms have expired, each to serve for a term of two (2) years; provided, however, that prior to the first annual meeting of the Members, Declarant shall have the right, without a meeting of Members or an election, to appoint successor Directors for Directors who resign or otherwise leave office, each to serve the remainder of the term of the party leaving office.

Section 3. Removal. Directors may be removed from the Board, with or without cause, at any regular or special meeting of the Members called for such purpose, by a majority of the votes of the Members cast at such meeting, except no individual Director shall be removed if the number of votes cast against his removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire

authorized Board were then being elected. In the event of death, resignation or removal of a Director, the remaining Directors may appoint his successor and his successor shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual reasonable expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The Board shall have the right to take any action in the absence of a meeting which it could take at a meeting by obtaining the written consent of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Board. All such written consents shall be filed with the minutes of the proceedings of the Board and an explanation of the action taken shall be posted at a prominent place within the Project within three (3) days after the written consents of all Board members have been obtained.

ARTICLE VI NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board may be made by a nominating committee appointed by the Board prior to the annual meeting. The nominating committee shall consist of a chairman, who shall be a member of the Board, and two or more Members. The nominating committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies to be filled. Nominations may also be made from the floor at the annual meeting.

Section 2. Election. The first election of the Board shall be conducted at the third meeting of the Association and the authorized number of Directors shall be elected at that meeting. Election to the Board shall be by secret written ballot. Election of Directors shall not be cumulative voting in elections in which more than two Directors are to be elected. The persons receiving the largest number of votes shall be elected.

Section 3. Election of Director by Members Other than Declarant. Notwithstanding any contrary provision in this Article VI, from the first election of the Board, so long as a majority of the Voting Power of the Association resides in Declarant, or so long as there are two (2) outstanding classes of membership in the Association, Members other than Declarant shall be entitled to elect not less than one (1) Director. A Director who has been elected to office solely by the votes of Members other than Declarant may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the Voting Power residing in Members other than Declarant.

Section 4. Vacancies. Any vacancy on the Board caused by death, disability, resignation or increase in the number of Directors may be filled by appointment by a majority of the remaining Directors or by the sole remaining Director. Any vacancy on the Board caused by removal of a Director shall be filled by election pursuant to sections 2 and 3 of this Article.

ARTICLE VII MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board shall be held at such intervals as the Board considers necessary and desirable, but not less often than once every year until after the first annual meeting of Members, and then not less often than once every three (3) months. Regular meetings shall be held at such place and at such hour as may be fixed from time to time by resolution of the Board. Notice of the time and place of regular meetings shall be posted at a prominent place or places in the Project, and shall be communicated to all Directors not less than two (2) days prior to the meeting, provided, however, that notice of a meeting need not be given to any Director who has signed a waiver of notice or consent to holding of the meeting.

Section 2. Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the president of the Association or by any two (2) Directors other than the president. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be sent to all Directors and posted in the manner prescribed for notice of regular meetings not less than seventy-two (72) hours before the scheduled time of the meeting, provided, however, that the notice need not be given to any Director who has signed a waiver of notice or consent to holding the meeting.

Section 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 4. Open Meetings. Regular and special meetings of the Board shall be open to all Members of the Association; provided, however, that Members who are not Directors may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board.

Section 5. Executive Session. The Board may, with the approval of a majority of a quorum of its members, adjourn a meeting and reconvene in closed executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

ARTICLE VIII POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board shall have power to: (A) Adopt, publish and enforce Rules and Regulations governing the Project, the use and enjoyment of the Common Area and any facilities thereon, and the personal conduct thereon of the Members, their guests, invitees, members of their families or households, and tenants, provided the Rules and Regulations are approved by the vote or written consent of a majority of each class of Members, and provided

that (i) the Members may amend any such Rules and Regulations adopted by the Board at any regular or special meeting of the Members called for such purpose (a) if a two-class voting structure is in effect, by the vote or written consent of sixty-seven percent (67%) of the total Voting Power of each class of Members, or (b) if a two-class voting structure is not in effect, by the vote or written consent of sixty-seven percent (67%) of the total Voting Power of the Association; (ii) such Rules and Regulations shall be reasonable, shall not discriminate against Declarant, and must be consistent with the Declaration, the Articles and these Bylaws; and (iii) Rules and Regulations shall not be effective until written notice thereof has been given by mailing a copy of the Rules and Regulations, postage prepaid, at least ten (10) days before the effective date of the Rules and Regulations, to each Member addressed to the Member's address last appearing in the books of the Association.

(B) After Notice and Opportunity for Hearing by the Board, (1) suspend an Owner's rights as a Member of the Association, including his voting rights and right to use of any recreational facilities on the Common Area, for any period during which any fine against such Member or any assessment against such Member's Lot remains unpaid; (2) impose monetary penalties as provided in the Declaration for any infraction of the Rules and Regulations or any violation of or failure to comply with the provisions of the Declaration or these Bylaws, provided the Member shall have been warned in writing of a previous infraction within the preceding one (1) year; and (3) suspend an Owner's rights as a Member of the Association for a period not to exceed thirty (30) days for any infraction of the Rules and Regulations;

(C) Enforce and carry out provisions of the Declaration, these Bylaws and the Articles, and exercise all rights of the Association and the Board set forth in the Declaration, these Bylaws and the Articles;

(D) Pay any taxes or assessments which are or could become a lien on the Common Area or any portion thereof;

(E) Contract for casualty, liability and other insurance;

(F) Incur and pay expenses on behalf of the Association and contract for goods and services for the Common Area or any other real or personal property for which the Association is responsible and any other real or personal property for which the Association may be responsible or as to which the Association may have duties and obligations; provided, however, that: (i) no contract with a third person wherein the third person will furnish goods or services for the Common Area or any other real or personal property for which the Association is responsible or the Association shall exceed a term of one year (except for a management contract or a contract with a public utility regulated by the Public Utilities Commission, in which case the contract shall be limited to the shortest term allowable by such public utility at the regulated rate, or prepaid casualty or liability insurance policies which shall not exceed three (3) years' duration, provided the policy permits short rate cancellation by the insured); (ii) expenditures in the aggregate exceeding five percent (5%) of the budgeted gross expenses of the Association for any fiscal year of the Association shall not be incurred for capital improvements to the Common Area in any fiscal year; and (iii) any management agreement for the Project shall be terminable for cause upon thirty (30) days' written notice and without cause upon ninety (90) days' written

notice, without payment of a termination fee. The restrictions contained in (i) and (ii) hereinabove shall not apply if the contract or expenditures are approved by the vote or written consent of a majority of the Voting Power of each class of Members so long as there are two classes of Members, and by a majority of the Voting Power residing in Members other than Declarant when there is one class of Members.

(G) Delegate to committees, officers, employees and other agents of the Association reasonable powers to carry out the powers and duties of the Board; provided, however, that the Board shall not delegate the power to impose discipline against Members or to levy fines against Members;

(H) Prepare and distribute budgets and financial statements of the Association;

(I) Enter any Lot, at reasonable hours, after forty-eight (48) hours' notice and with as little inconvenience to the Owners as possible, in connection with any work or thing required or permitted to be performed or done by the Association by these Bylaws, the Declaration or the Rules and Regulations. In the event of emergency threatening injury to persons or property, or reasonable cause to believe there is such an emergency, the right of entry shall be immediate and may be exercised without notice, whether or not the Owner is present. The Association shall repair any damage caused by such entry;

(J) Employ a manager and such other employees as it deems necessary to carry out the powers and duties of the Association;

(K) Sell, transfer and convey the property of the Association, except that: (i) if a two-class voting structure is in effect, approval by vote or written consent of a majority of the Voting Power of each class of Members shall be required, or, if a two-class voting structure is not in effect, the approval by vote or written consent of a majority of the total Voting Power of the Association residing in Members other than Declarant shall be required when the sale, transfer or conveyance of any property exceeds in value five percent (5%) of the budgeted gross expenses of the Association for the fiscal year, or when the aggregate of all property sold in any fiscal year of the Association exceeds in value five percent (5%) of the budgeted gross expenses of the Association for the fiscal year; and (ii) any sale, transfer or conveyance of real property shall require the approvals of Members and Mortgagees as set forth in the Declaration;

(L) Exercise all the powers set forth in the South Carolina Nonprofit Corporation Act of 1994, as amended from time to time, except those reserved to the Members by the provisions of these Bylaws, the Articles or the Declaration; and

(M) Compromise, settle, release and otherwise adjust claims, demands, causes of action and liabilities on behalf of the Association and Owners, as the case may be, provided any such claim, demand, cause of action or liability arises out of or relates to a condition or defect common to all or a majority of the Lots or improvements constructed thereon, or to the development, design, construction, condition, repair or maintenance of or damage or injury to or defect in the Common Area or part thereof, and make and receive all payment or other consideration

necessary therefor or in connection therewith. For such purposes, the Board shall be, and hereby is, irrevocably appointed attorney-in-fact to act on behalf of all Owners upon such terms and conditions and for such consideration as may be approved by a majority of the Board.

Section 2. Non-Liability. A Director of the Board shall not be liable to the Members if he performs the duties of a Director, including the duties as a member of any committee of the Board upon which the Director may serve, in good faith, in a manner such Director believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. In performing the duties of a Director, a Director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared and presented by:

(A) One or more officers or employees of the Association whom the Director believes to be reliable and competent in the matters presented;

(B) Counsel, independent accountants or other persons as to matters which the Director believes to be within such person's professional or expert competence; or

(C) A committee of the Board on which the Director does not serve, as to matters within its designated authority, which committee the Director believes to merit confidence; so long as, in any such case, the Director acts in good faith, after reasonable inquiry, when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

Section 3. Indemnification. Any person who at any time serves or has served as a director of the Association shall have a right to be indemnified by the Association to the fullest extent permitted by law against (a) expenses, including reasonable attorneys' fees, actually and necessarily incurred by him or her in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, whether formal or informal, and whether or not brought by or on behalf of the Association, arising out of his or her status as such director, or his or her status as an officer, employee or agent of the Association, or his or her service, at the request of the Association, as a director, officer, partner, trustee, employee or agent of any other corporation, partnership, joint venture, trust or other enterprise or as a trustee or administrator under an employee benefit plan, or his or her activities in any of the foregoing capacities, and (b) any liability incurred by him or her, including without limitation, satisfaction of any judgment, money decree, fine (including any excise tax assessed with respect to an employee benefit plan), penalty or settlement, for which he or she may have become liable in connection with any such action, suit or proceeding.

The Board of Directors of the Association shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by this Bylaw, including without limitation, to the extent necessary, (a) making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him or her and (b) giving notice to and obtaining approval by the Members of the Association.

Expenses incurred by a director in defending an action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding upon receipt by the Association of (a) a written affirmation of the director of his or her good faith belief that he or she has met the standard of conduct prescribed by law for indemnification of the director by the Association, (b) a written undertaking by or on behalf of the director to pay such amount unless it shall ultimately be determined that he or she is entitled to be indemnified by the Association against such expenses, and (c) a determination is made that the facts then known to those determining whether to indemnify the director would not preclude indemnification.

Any person who at any time after the adoption of this Bylaw serves or has served as a director of the Association shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein, and any modification or repeal of these provisions for indemnification shall be prospective only and shall not affect any rights or obligations existing at the time of such modification or repeal. Such right shall inure to the benefit of the legal representatives of any such person, shall not be exclusive of any other rights to which such person may be entitled apart from the provisions of this Bylaw, and shall not be limited by any provisions for indemnification under the applicable laws of the State of South Carolina.

Section 4. Duties. The Board shall:

(A) Cause to be kept a complete record of all its acts and corporate affairs and to present to the Members, and any Mortgagee making written request therefor, the following:

(1) A pro forma operating statement (budget) for each fiscal year, which statement shall be distributed not less than fifteen (15) days and not more than sixty (60) days before the beginning of the fiscal year;

(2) A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of closing of the first sale of a Lot in the Project and an operating statement for the period from said date of such first closing to said accounting date, which balance sheet and statement shall be distributed within sixty (60) days after the accounting date. The operating statement shall include a schedule of assessments received and receivable identified by Lot number and Owner's name;

(3) An annual report, which annual report shall be distributed within one hundred twenty (120) days after the closing of the fiscal year, consisting of the following:

(a) A balance sheet as of end of the fiscal year;

(b) An operating (income) statement for the fiscal year;

(c) A statement of changes in financial position for the fiscal year; and

(d) The annual report shall be prepared by an independent public accountant for any fiscal year in which the gross income of the Association exceeds \$75,000 and, if not prepared by an independent accountant, the annual report shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association.

(B) Supervise the officers, agents and employees of the Association in the proper performance of their duties;

(C) As more fully provided in the Declaration and subject to any limitations contained therein:

(1) Fix the amount of the annual assessment against each Lot at least fifteen (15) days in advance of each annual assessment period and, if necessary, revise such annual assessment;

(2) Send written notice of each assessment to every Owner in advance of each annual assessment period, provided that failure to comply with the provisions of this subparagraph shall not invalidate any assessment, lien or obligation to pay such assessment; and

(3) Take appropriate action against any Owner who is delinquent in the payment of any assessment to the Association, which action may include, but is not limited to, commencement of an action against the Owner for payment thereof and/or foreclosure of the lien against the Lot of such Owner.

(D) Issue, or cause an appropriate officer to issue, upon demand by any person having a legitimate interest, a certificate setting forth whether or not any assessment has been paid, for which certificate a reasonable charge may be made by the Board;

(E) Procure and maintain liability, fire and extended coverage casualty insurance, as required by the Declaration, worker's compensation insurance, and such additional insurance and endorsements as the Board may deem desirable;

(F) Cause the Common Area and any other real and personal property for which the Association may be responsible or as to which the Association may have duties and obligations to be kept in a good state of maintenance and repair;

(G) Pay proper expenses of the Association; and

(H) Establish and maintain reserve funds for Common Area replacements and maintenance in accordance with the initial budget of the Association or such budgets as may subsequently be adopted from time to time by the Board. Funds deposited in reserve for a particular purpose shall be held for that purpose and shall not be expended for any other purpose without (i) if a two-class voting structure is in effect, the vote or written consent of a majority of

the Voting Power of each class of Members, or (ii) if a two-class voting structure is not in effect, the vote or written consent of a majority of the Voting Power of the Association, except that if the Board determines that funds held in reserve for a particular purpose exceed an amount reasonably required as a prudent reserve for that purpose, then, without the vote or written consent of Members, the excess may be allocated to any other reserve fund established by the Board and expended for the purpose for which such other reserve fund has been established.

ARTICLE IX OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a president and a vice-president, who shall at all times be members of the Board, a secretary, and a treasurer, and such other officers as the Board may, from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

Section 3. Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless such person sooner resigns, or is removed, or is otherwise disqualified to serve.

Section 4. Special Appointments. The Board may appoint 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 determine from time to time.

Section 5. Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. 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 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. Multiple Offices. No person shall simultaneously hold more than one of any of the offices, except in the case of special offices created pursuant to section 4 of this Article IX; provided, however, that notwithstanding the foregoing, the offices of secretary and treasurer may be held by the same person.

Section 8. Duties. The duties of the officers shall be those usually vested in their respective offices, including the following:

(A) President: The President shall preside at all meetings of the Board and shall see that orders and resolutions of the Board are carried out;

(B) 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;

(C) Secretary: The Secretary, or an Assistant Secretary elected and authorized by the Board, shall keep minutes of all meetings of the Board and of the Members and shall have custody and charge of the Association's corporate seal, minute books, membership transfer books, and such other books, papers and documents as the Board may prescribe; and

(D) Treasurer: The Treasurer, or an Assistant Treasurer elected and authorized by the Board, shall be responsible for Association funds and securities and shall keep or supervise the keeping by persons designated by resolution of the Board of books of account of Association receipts and disbursements.

Section 9. Checks and Drafts. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable by the Association shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board.

Section 10. Execution of Contracts and Other Documents. The Board by resolution may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. Unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Association by any contract or agreement or to pledge its credit to render it liable for any purpose or for any amount.

ARTICLE X BOOKS AND RECORDS

The membership register, books of account and minutes of meetings of the Members, Board and committees of the Board shall be made available for inspection and copying by any Member, any Member's duly appointed representative and any Mortgagee during normal business hours for a legitimate purpose, at such place or places within the Project as the Board may prescribe. The Board shall establish reasonable rules with respect to notice to be given to the custodian of the records by the Member or Mortgagee desiring to make the inspection; hours and days of the week when such an inspection may be made; and payment of the cost of reproducing documents requested by a Member or Mortgagee. The Declaration, the Articles and these Bylaws shall be available for inspection by any Member at the principal office of the Association, where copies may be obtained at reasonable cost. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association, including the right to make extracts and copies of documents.

ARTICLE XI ASSESSMENTS

As more fully provided in the Declaration, each member, including Declarant, is obligated to pay to the Association annual and special assessments which are secured by a lien upon the Lot against which the assessment is made. Any assessments which are not paid within ten (10) days of the due date shall be delinquent. The Board may require that any delinquent assessment bear a late charge to cover administrative expenses incurred as a result of the late payment of the assessment. Late charges on delinquent assessments shall not exceed the rates set forth in the Declaration. The Association may bring an action at law against the Owner personally obligated to pay a delinquent assessment, or foreclose the lien against his Lot and, after Notice and Opportunity for Hearing, the Association may suspend a delinquent Owner's membership in the Association while the assessment remains unpaid. In any action to enforce payment of an assessment, the Association shall be entitled to recover interest, costs and reasonable attorneys' fees. No Owner may exempt himself from payment or assessments by waiver of the use or enjoyment of all or any portion of the Common Area or abandonment of his Lot.

ARTICLE XII CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the name of the Association.

ARTICLE XIII AMENDMENTS AND INTERPRETATION OF DOCUMENTS

Section 1. Amendment. Any amendment of these Bylaws shall require (i) if a two-class voting structure is in effect, the vote or written consent of sixty-seven percent (67%) of the Voting Power of each class of Members as such classes of membership are set forth in the Declaration and these Bylaws; or (ii) if a two-class voting structure is not in effect, the vote or written consent of sixty-seven percent (67%) of the Voting Power of the Association; provided, however, that no such amendment shall change any provision hereof where such provision is contained in or governed by the Articles or the Declaration, unless the applicable provisions of the Articles and/or Declaration are likewise amended as therein required, and provided further that the percentage of the Voting Power of the Association and of Members other than Declarant necessary to amend a specific provision of these Bylaws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that provision. Any amendment which establishes, governs, provides for or regulates any one of the following: (i) voting; (ii) assessments, assessment liens or subordination of such liens; (iii) reserves for maintenance, repair and replacement of the Common Area; (iv) insurance or fidelity bonds; (v) right to use of the Common Area; (vi) responsibility for maintenance and repair of the Project; (vii) expansion or contraction of the Project or the addition, annexation or withdrawal of property to or from the Project; (viii) the boundaries of any Lot; (ix) interests in the Common Area; (x) leasing of ownership interests; (xi) imposition of any right of first refusal or similar restriction on

CERTIFICATION

The undersigned, does hereby certify:

That I am the duly elected and acting Secretary of the Avery Lake Community Association, Inc., a South Carolina non-profit corporation, and,

That the foregoing bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of said corporation, held on the ____ day _____, 1993.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this ____ day _____, 1996.

Secretary

the right of an Owner to sell, transfer, or otherwise convey his Lot; (xii) any provisions which are for the express benefit of Mortgagees; or (xiii) any other material amendment shall require written consent of sixty-seven percent (67%) of the Mortgagees (based on one vote for each Mortgage owned), and (a) if a two-class voting structure is in effect, the vote or written consent of sixty-seven percent (67%) of the Voting Power of each class of Members, or (b) if a two-class voting structure is not in effect, the vote or written consent of sixty-seven percent (67%) of the total Voting Power of the Association. Notwithstanding any of the above provisions, the Department of Housing and Urban Development and the Veterans Administration each has the right to veto all amendments while there is a two-class voting structure in effect.

Section 2. Interpretation. In the case of any conflict between the Articles and these Bylaws, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. In the case of any conflict between the Articles and the Declaration, the Declaration shall control.

IN WITNESS WHEREOF, we, being all of the Directors of the Avery Lake Community Association, Inc., have hereunto set our hands this ____ day of _____, 1996.

