

BY-LAWS
FOR
THE ATRIUM VILLAS
COUNCIL OF CO-OWNERS, INC.

ARTICLE I

FORM OF ADMINISTRATION

The care, upkeep and surveillance of the property which constitutes the Atrium Villas Horizontal Property Regime (the "Regime") shall be administered by an incorporated organization of owners of the Condominium Units, to be known as The Atrium Villas Council of Co-Owners, Inc. ("Council").

ARTICLE II

MEMBERS OF COUNCIL

All owners of Condominium Units ("Owners") in the Regime shall be members of the Council ("Members"). All members must make an evidentiary showing to the Council secretary that they are owners of a Condominium Unit before being permitted to participate in and vote at Council meetings. Upon making such a proper showing, the member's right to participate in and vote at Council meetings shall continue until that member's ownership interest in the Regime has terminated.

ARTICLE III

FISCAL YEAR

The fiscal year of the Council shall be on a calendar year basis.

ARTICLE IV

MEETING OF COUNCIL MEMBERS

Section 4.01 Place. Meetings of the members of the Council shall be held on Seabrook Island at a place to be designated in the notice of the meeting.

Section 4.02 Date and Time. The members shall meet at least once a year. This annual meeting shall be held on a day and time to be designated in the notice of the meeting in the month of October of each year. The Board of Administration may schedule the annual meeting in a different month with the written consent of at least five members.

Section 4.03 Special Meetings. Special meetings of the Council shall be called by the Board of Administration or the owners if at least twenty-five percent (25%) of the percentage interest in the common elements of the Regime.

Section 4.04 Notice. Written notice stating the place, day, and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called shall be delivered not less than thirty days before the date of the meeting, either personally or by mail, by or at the direction of the chairman of the Council to each member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at his address as it appears on the secretary's books.

Section 4.05 Quorum. Fifty-one percent (51%) of the percentage interests entitled to vote represented in person or by proxy shall constitute a quorum of a meeting of members.

Section 4.06 Decisions. Unless a greater percentage is required by the Act, the Master Deed or these By-Laws, the presence in person or by proxy of Co-owners entitled to cast fifty-one (51%) percent of the total votes of the Co-owners shall constitute a quorum for action by the Council; provided, however, that any absent Co-Owner who does not execute and return the proxy form sent to him in the mailing referred to in Section 4.07 shall be deemed present for the purpose of determining the presence of a quorum. If a quorum is not present or represented at any meeting, Owners entitled to cast a majority of the votes present or represented shall have the power to adjourn the meeting until a quorum as aforesaid shall be present or represented at the meeting.

Section 4.07 Proxy. At any meeting of the Council, a Co-Owner may vote either in person or by proxy executed in writing by the Co-owner or his duly authorized attorney-in-fact, and filed with the Secretary; and unless limited by its terms, such proxy shall be deemed valid until revoked in writing. If at least ten (10) days prior to a duly called meeting a Co-owner is informed by the mail of the time and place of the meeting and the agenda for the meeting; and is given such printed material which is intended to be distributed at the meeting, as is then available, is given a proxy form; and the Co-owner neither attends the meeting nor returns his executed proxy; then such Co-owner shall be deemed to have given his proxy to vote in the same manner as the majority present and voting.

Section 4.08 One Representative Per Condominium Unit. If a Condominium Unit is owned by more than one natural person or by an entity, the owners must decide among themselves and then designate in writing filed with the secretary, one of the owners or a proxy as their representative to participate in and vote at meetings. The other owners may attend the meetings, but may not participate in or vote.

Section 4.09 Order of Business. The order of business at each annual meeting shall be as follows:

- a. Roll Call
- b. Proof of notice of meeting or waiver of notice
- c. Determination of quorum
- d. Reading of minutes of preceding meeting
- e. Reports of officers
- f. Reports of committees, if any
- g. Election of directors, if applicable
- h. Unfinished business
- i. New business

ARTICLE V

BOARD OF ADMINISTRATION

Section 5.01 Manage Affairs of Council. The affairs of the Council, including the designation and dismissal of the personnel and general or limited common services of the Property shall be managed by a Board of Administration ("Board"). The Board shall consist of five persons.

Section 5.02 Term. Those members of the Board appointed by the Declarant shall hold office until their successors have been appointed by the Declarant or until their successors have been elected and qualified. At the first annual or special Council meeting, after the Declarant's special rights have been reduced, the members shall elect to the Board as many persons as allowed to hold office. When the Declarant's rights have terminated the Council shall elect Board members for terms of three years on a staggered basis so that each year there is the election of at least one board member.

Section 5.03 Vacancy. Any vacancy occurring in the Board may be filled by the affirmative vote of the remaining Board members. A Board member shall be elected for the unexpired term of his predecessor in office.

5.04 Meetings. The Board shall meet upon the call of the chairman or secretary of the Council. The meetings may be held upon written or oral notice received not later than the second day immediately preceding the day of the meeting.

5.05 Quorum. A majority of the number of Board members fixed by the By-Laws shall constitute a quorum for the transaction of business. The act of the majority of Board members present at a meeting at which a quorum is present shall be the act of the Board.

5.06 Fidelity Bonds. The Board may require that any and all officers and employees of the Regime handling or responsible for Regime funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Regime.

5.07 Compensation. No member of the Board of Directors shall receive any compensation from the Regime for acting as such; provided, however, that the members of the Board of Directors other than those members appointed by the Declarant may be paid for reasonable travel expenses to a meeting of the Board.

5.08 Removal of Members of the Board. At any regular or special meeting of the Council duly called, any one or more of the members of the Board other than those members appointed by the Declarant may be removed with or without cause by a majority of Co-Owners and a successor may then and there be elected to fill the vacancy thus created. Any member of the Board whose removal has been proposed to the Council shall be given an opportunity to be heard at the meeting. No Board member shall continue to serve on the Board if during the term of office, he shall cease to be an Owner (except as provided in Section 7.04 of the Master Deed regarding Declarant's appointees).

ARTICLE VI

OFFICERS

Section 6.01 Number and Name. The officers of the Council shall consist of a chairman, a secretary, and a treasurer, each of whom shall be elected by the Board. The officers shall serve at the pleasure of the Board and for such compensation as may be fixed by the Board, provided that during the period of Declarant's right to appoint and remove members of the Board, no compensation may be paid. The Board may require that one or more officers be bonded. Board members may be elected as officers.

Section 6.02 Chairman. The chairman shall have active executive management of the Council, subject however to the control of the Board. He shall preside at all Council meetings, discharge all the duties that devolve upon a presiding officer, and perform other duties as the Board may prescribe. The chairman shall have full authority to execute on behalf of the Council both certificates to amendments to these By-Laws and the Master Deed, when the Council is authorized to make amendments, and deeds of conveyance when authorized by the Council and by applicable law.

Section 6.03 Secretary. The secretary shall attend Council meetings and Board meetings, and shall keep, or cause to be kept in a book provided for the purpose, a true and complete record of the proceedings of these meetings. He shall be custodian of the records of the Council. He shall attend the giving of all notices and shall perform such other duties as the Board may prescribe.

Section 6.04 Treasurer. The treasurer shall keep a book containing a detailed account of each Condominium Unit's working capital and common expense assessment in chronological order of the receipts and expenditures affecting the Regime and its administration and specifying the maintenance and repair expenses of the limited and general common elements and any other expenses occurred. Both the book and the vouchers accrediting the entries made thereupon shall be available for examination by all the members at convenient hours on working days that shall be set and announced for general knowledge. The treasurer shall be authorized to cash checks and sign notes and checks on behalf of the Council.

ARTICLE VII

LIABILITY AND INDEMNIFICATION OF THE BOARD MEMBERS AND OFFICERS

Section 7.01 Liability of Directors and Officers. No Board member or any officer of the Council shall be liable to any owner for any decision, action or omission made or performed by such Board member or officer in the course of his duties unless such Board member or officer acted in bad faith or in reckless disregard of the rights of any person or of the terms of the Master Deed or of these By-Laws.

Section 7.02 Indemnification of Board Members and Officers. The Council shall indemnify and defend each Board member and officer of the Council from any liability claimed or imposed against him by reason of his position or decision, action or omission as a Board member or any officer of the Council if all of the following conditions are satisfied:

- (1) Such Board Member or officer has not acted in bad faith or in reckless disregard of the rights of any person or of the terms of the Master Deed or these By-Laws;
- (2) Such Board Member or officer gives the Council adequate notice of the claim or imposition of liability to permit the Council reasonable opportunity to defend against the same; and
- (3) Such Board Member or officer cooperates with the Council in defending against the liability.

The expense of indemnifying a Board Member or an officer shall be a Common Expense and shall be borne by all the owners, including such Board Member or officer.

ARTICLE VIII

RULES AND REGULATIONS

Section 8.01 Rules. The Board may issue such rules and regulations governing the use of the Property as it deems necessary, which when ratified at a Council meeting by members having at least fifty-one percent of the percentage interests in the property, shall become effective. Such rules and regulations shall be enforceable by fine according to the schedule contained in the rules and regulations which fine shall be assessed and shall be an enforceable lien against the Condominium Unit of the violator.

Section 8.02 Parking Allocations. The Regime has sixty-six (66) parking spaces which are reserved for the exclusive use of the Regime. The Board may assign and allocate specific parking spaces to specific Condominium Units if it deems such assignment to be practical, equitable and advisable.

ARTICLE IX

OBLIGATIONS OF CO-OWNERS

Section 9.01 Working Capital. After the Master Deed is recorded, the Board shall assess each Condominium Unit in the Regime and thereafter each Condominium Unit which becomes part of the Regime, other than those Condominium Units owned by the Declarant, \$300.00 or such amount as may be determined by the Board for working capital, which cost, when paid can be recovered upon transfer of the Condominium Unit from the transferee. Each Unit's share of the working capital fund must be collected and transferred to the Council at the time of closing of the sale of the Unit. Developer shall be liable for the amount assessed against completed but unsold Units commencing one hundred fifty (150) days after issuance of a Certificate of Occupancy for each respective unit.

Section 9.02 Owner's Liability. The Condominium owners are bound to contribute pro rata according to their percentage interest as amended toward both the expenses of administration of the Regime, and the expenses of maintenance, repair and replacement of the limited and general common elements. The Board shall assess each Condominium Unit owner for the expenses chargeable to it. Expenses for the maintenance, repair and replacement of limited common element shall be assessed against those Condominium Units to which those elements have been allocated.

Section 9.03 Initial and Subsequent Budgets. After the filing of the Master Deed and before the conveyance of any Condominium Units, the Board shall adopt an initial budget and shall assess each Condominium Unit its pro rata share of common expenses. After the initial assessment has been made by the Board, assessments shall be based on a budget adopted at least annually by the Board. The annual budget may be amended at any special meeting of the co-owners called for such purpose pursuant to Article IV. At the option of the Board assessments shall be payable in monthly or quarterly installments, and upon default in the payment of any installments and after ten (10) days written notice, the Board, at its option, may accelerate and demand payment for the entire annual assessment for the delinquent Condominium Unit, plus such late charges and expenses of collection may be assessed by the Board.

Section 9.04 Assessments to Remain in Effect Until New Assessments Made. The omission by the Board before the expiration of any year to fix the assessments hereunder for that or the next year shall not be deemed a waiver or modification in any respect of the provisions of the Master Deed and By-Laws or a release of any owner from the obligation to pay the assessments, or an installment thereof for that or any subsequent year, but the assessment fixed for the preceding year shall continue until a new assessment is fixed. No owner may exempt himself from liability for his contribution toward the common expenses by waiver of the use or enjoyment of any of the Common Elements or by abandonment of his Villa.

Section 9.05 Enforcement by Lien. The Council has a lien on a Condominium Unit for any assessment levied against that Condominium Unit or fines imposed against its Condominium Unit owner from the time the assessment or fine becomes due. The Condominium Unit then may be foreclosed in like manner as a lien upon real estate.

Section 9.06 Records. The Board of Directors shall keep detailed records of the receipts and expenditures affecting the Common Elements and any other expenses incurred. Records and vouchers authorizing the payments involved shall be available for examination by the Condominium Owners during reasonable business hours.

Section 9.07 Water Charges and Sewer Rents. Water shall be supplied to all Units and the Common Elements through separate, individual meters and the Board may pay, if the Co-Owners so elect, as a common expense, all charges for water consumed or to be consumed on the Property, including the Condominium Units, promptly after the same have been rendered. Sewer services shall be supplied by the utility company or district serving the area may likewise if practicable, be paid by the Board as a common expense.

Section 9.08 Electricity. Electricity shall be supplied by the public utility company serving the area directly to each Condominium Unit through a separate meter and each Unit Owner shall be required to pay the bills for electricity consumed or used in his Unit. The electricity, if any, serving the Common Elements shall be separately metered, and the Board shall pay all bills for electricity consumed in such portions of the Common Elements, as a common expense.

Section 9.09 Central Heat and Air. Heating and air conditioning shall be supplied to the Units from a central source or sources. The Board shall pay the cost of the heating and air conditioning as a common expense and shall allocate the expense for the heating and air conditioning among the Condominium Units in such manner as the Board deems reasonable, fair and practical.

Section 9.10 Special Assessments. Notwithstanding any provision to the contrary contained in this Article IX, the Board shall have the power and the authority to assess and declare special assessments in the event that a) the cost of the budgeted items listed on the annual budget exceed the projected cost b) emergency repairs and maintenance expenses are necessary to preserve the common elements in the Board's opinion or c) the Regime has incurred unexpected liability which is not fully covered by insurance proceeds, such as the liability set forth in Section 10.03.

ARTICLE X

INSURANCE

Section 10.01 Property and Liability. Commencing not later than the time of the first conveyance of a Condominium Unit to a person other than a Declarant, the Board shall maintain, to the extent reasonably available:

(a) property and flood insurance on the limited and general common elements and Condominium Units, exclusive of furniture, furnishings, improvements, and betterments placed or installed in Condominium Units by Condominium Owners, insuring against all risks of direct physical loss commonly insured against. The total amount of insurance after application of any deductibles shall be not less than full replacement cost and as to personal property to the extent such insurance is available, actual cash value of the insured property, exclusive of land and other items normally excluded from property policies; and

(b) comprehensive general liability insurance, including medical payments insurance, in an amount determined by the Board covering all occurrences commonly insured against for death, bodily injury, and property damage arising out of or in connection with the use, ownership, or maintenance of the limited and general common elements.

Section 10.02 Loss Adjustment. Any loss covered by the property and flood policies under subsection 10.01 shall be adjusted by the Board and the insurance proceeds for that loss shall be payable to the Council, and not to any mortgagee. The Council shall hold an insurance proceeds in trust for Condominium Unit owners and lien holders as their interests may appear. Subject to the provisions of subsection 10.01, the proceeds shall be disbursed first for the repair or restoration of the damaged limited and general common elements, and Condominium Unit owners and lien holders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the limited and general common elements have been completely repaired or restored, or the Regime is terminated.

Section 10.03 Repair (1) Any portion of the Regime insured under Section 10.01(a) and damaged or destroyed shall be repaired or replaced promptly by the Council unless (a) the Regime is terminated, (b) repair or replacement would be illegal under any state or local health or safety statute or ordinance, or (c) reconstruction comprises more than sixty-seven (67%) percent of the Property. In the event reconstruction comprises more than sixty-seven (67%) percent of the Property, unless otherwise agreed upon unanimously by the co-owners; the insurance proceeds shall be delivered in the following manner: (i) the insurance proceeds attributable to the damaged limited and general common elements shall be used to restore the damaged area to a condition compatible with the remainder of the Regime, (ii) the insurance proceeds attributable to Condominium Units and limited common elements which are not rebuilt shall be distributed to the owners of those Condominium Units, the owners of the Condominium Unit to which those limited common elements were assigned, and to any bona fide mortgagees holding valid and subsisting security interests encumbering any such Condominium Units and limited common elements, their interests may appear, and (iii) the remainder of the proceeds shall be distributed to all the Condominium Unit owners in proportion

to their percentage interest and to any bona fide mortgagees holding a valid and subsisting security interests in all or any part of the subject Horizontal Property Regime, as their interests may appear. If the Condominium Unit owners vote not to rebuild any particular Condominium Unit, that particular Condominium Unit's entire percentage interest is automatically reallocated upon the vote as if the Condominium Unit had been condemned, and the Council promptly shall prepare, execute, and record an amendment to the declaration reflecting the reallocations.

(2) The cost of repair or replacement in excess of insurance proceeds and reserves is a general common expense of the co-owners directly affected by the damage in proportion to the value of their respective interests. If any one or more of those composing the minority shall refuse to make such payments, the majority may proceed with the reconstruction at the expense of all the co-owners benefited thereby, upon proper resolution of the co-owners directly benefited thereby setting forth the circumstances of the case and the cost of the works, with the intervention of the Council.

(3) The provisions of this Section 10.03 may be changed only by unanimous resolution of the co-owners concerned, adopted subsequent to the date on which the fire or other disaster occurred.

ARTICLE XI

AMENDMENTS

Section 11.01 By-Laws. These By-Laws may be amended by the Council in a duly constituted meeting held for such purpose, and no amendment shall take effect unless approved by co-owners representing at least two-thirds (2/3) of the total value of the Property as shown on the Master Deed. So long as the Declarant remains the owner of any Unit in this Horizontal Property Regime to the Regime these By-Laws may not be amended without the Declarant's consent.

ARTICLE XII

WAIVER AND PARTITION OF REGIME

Section 12.01 The Council may only by the unanimous vote of all its members:

(a) waive the Regime and regroup or merge the records of the individual Condominium Units with the principal property, provided that the individual Condominium Units are unencumbered, or if encumbered, that the creditors in whose behalf the encumbrances are recorded agree to accept as security the undivided portions of the property owned by the debtors.

(b) partition or subdivide any Condominium Unit in the Regime.

