

THE BYLAWS OF COVINGTON LAKE  
PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I

COUNCIL OF OWNERS

Section 1.1 Name. The name of the Property Owners Association shall be Covington Lake Property Owners Association (the "HOA").

Section 1.2 Membership. Each Owner shall be a member of the Council. A person who holds a mortgage on a Lot as security for payment of a debt shall not be a member entitled to exercise the rights of Owner unless such person holds a proxy conferring such rights.

Section 1.3 Quorum. The presence in person or by proxy of Owners owning fifty-one percent of the Percentage Interests in the Common Elements shall constitute a quorum for the transaction of business at meetings of the Council.

Section 1.4 Voting. An Owner's voting rights and the vote required to adopt decisions shall be as set out in these Bylaws. Votes can be cast only at meetings of the Council convened in accordance with the Bylaws, and in the absence of a valid proxy, an individual shall act in his own behalf, a corporation shall act by any officer thereof, a partnership shall act by any general partner thereof, an association shall act by any associate thereof, a trust shall act by any trustee thereof. When any Lot is owned of record in the name of two or more persons or entities, whether fiduciaries, joint tenants, tenants in common, partner in partnership, or any other manner or joint or common ownership, one person or entity shall be designated the voting member to bind all the others. Written notice of such designation shall be delivered to the Secretary of the Council prior to the exercise of a vote by joint owners. Such notice shall be valid until superseded. All votes appurtenant to a single Lot must be cast together and may not be split.

Section 1.5 Proxies. Each Owner entitled to vote may vote in person or by proxy at any meetings of the Council. Each proxy shall be executed in writing by the Owner or by his duly authorized attorney-in-fact, dated as of its execution, and shall be filed with the Secretary of the Board. No proxy shall confer authority to vote at any meeting other than the next meeting, or adjournment thereof, held after the date on which the proxy was executed.

Section 1.6 Consents. Any action which may be taken by a vote of the Owners may also be taken by written consent to such action signed by all Owners entitled to vote, or, in the case of Lots owned by two or more Owners, by the designated voting member.

Section 1.7 Annual Meetings. An annual meeting of the Council shall be held on a Saturday in October of each year or at such other time as may be determined by the Board of Directors. Any business which is appropriate for action of the Owners may be transacted at an annual meeting.

Section 1.8 Special Meetings. Special meetings of the Council may be called at any time by the President of the Board or by a majority of the Board. A special meeting shall be called if Owners owning five percent of the value of the Regime Property sign, date, and deliver to any corporate officer one or more written demands for a meeting describing the purpose or purposes for which the meeting is to be held. Only such business as is stated in the notice of meeting shall be transacted at a special meeting unless all Owners entitled to vote waive notice of any additional business.

Section 1.9 Notice of Meetings. Written notice by first class or registered mail of every annual or special meeting of the Council stating the time, date, and place of the meeting and, in the case of a special meeting, the business proposed to be transacted, shall be given to every Owner entitled to vote not fewer than ten (10) nor more than thirty (30) days in advance of the meeting. Failure to give proper notice of a meeting of the Owners shall not invalidate any action taken at such meeting unless (1) a Owner entitled to vote who is present but was not given proper notice objects at such meeting, in which case the matter to which such Owner objects shall not be taken up or (2) a Owner entitled to vote who is not present and was not given proper notice within thirty (30) days following such meeting, in which case, the action to which such Owner objects shall be void.

Section 1.10 Waiver of Notice. Waiver of notice of a meeting of the Council shall be deemed the equivalent of proper notice. Any Owner may, in writing, waive notice of any meeting either before or after such meeting. Attendance at an annual meeting by a Owner, whether in person or by proxy, shall be deemed waived by such Owner of notice of the time, date, and place thereof unless such Owner specifically objects to the lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted unless objection to lack of notice is raised before the business to which proper notice was not given is put to a vote.

Section 1.11 Place of Meeting. All meetings of the Council shall be held upon the Regime Property or at such other convenient place as the President of the Board or a majority of the Directors may elect.

Section 1.12 Adjournment. Any meeting of the Council may be adjourned from time to time for periods not exceeding thirty (30) days by vote of Owners holding a majority of the vote represented at such meeting, regardless of whether a quorum is present. Any business which could properly be transacted at the original session of a meeting may be transacted at an adjourned session, and no additional notice of adjourned sessions shall be required.

Section 1.13 Order of Business. The order of business at all meetings of the Owners shall be as follows:

1. Roll call and certifying of proxies;
2. Proof of proper notice of the meeting or waiver of notice;
3. Reading of minutes of preceding meeting;
4. Report of the Board of Directors
5. Reports of officers;
6. Reports of committees;
7. Report of Manager;
8. Presentation of budget;
9. Election of Directors (when required);
10. Unfinished business; and
11. New Business.

Section 1.14 Minutes of Meeting. The Secretary of the Board shall prepare and keep, or cause to be prepared and kept, accurate minutes of every meeting of the Council. Such minutes shall be made available for examination and copying by any Owner at any reasonable time.

## ARTICLE II

### BOARD OF DIRECTORS OF THE COUNCIL

Section 2.1 Form of Administration. The Council shall be an incorporated body and shall act by and through its Board. Initially, the number of directors on the Board shall be three (3); in subsequent years, the number shall be set by the Board at three (3), five (5), or seven (7), members, as the Board deems appropriate. The three initial members of the Board of Directors shall be chosen by Grantor at an organizational meeting held by Grantor as incorporator.

Section 2.2 Powers and Duties. The Board shall be responsible for the affairs of the Council and shall have all the powers and duties necessary for the administration of the Council's affairs and, as provided by law, may do all acts and things as are not by the Permitted Encumbrances, and these Bylaws, directed to be done and exercised exclusively by the Owners.

The Board shall delegate to one of its members the authority to act on behalf of the Board on all matters relating to the duties of the manager, if any, which might arise between meetings of the Board.

In addition to the duties imposed by these Bylaws or by any resolution of the Council that may be hereafter adopted, the Board shall have the power to and be responsible for the following, in way of illustration, but not limitation:

- a.** Preparation of an annual budget pursuant to Article V hereof in which there shall be established the contribution of each Owner to the common expenses;
- b.** Making assessments to defray the common expenses, establishing the means and methods of collecting such assessments, and establishing the period of the installment payments of the annual assessment (Unless otherwise determined by the Board, the annual assessment against the proportionate share of the common expense shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month for such month.);
- c.** Providing for the operation, care, upkeep, and maintenance of all the Common Area, including the performance of major repairs and replacements for which reserves have been established at intervals not longer than in accordance with the anticipated useful life of said common element. In this regard, the Board shall establish an initial maintenance schedule in conjunction with the Grantor. All repairs and replacements shall be undertaken in accordance with said schedule, however, the Board may cause such repairs and replacements at shorter intervals than those provided. The Board shall not delay the timing of any repair without professional opinion stating the condition of the property. The Board shall cause the common elements to be inspected by a professional engineer, architect or other qualified professional every three (3) years. Said professional shall render an opinion to the Board as to the condition of the common elements as well as any recommendations for repair. The cost of such report shall be a common expense;
- d.** Designating, hiring, and dismissing the personnel necessary for the maintenance, operation, repair, and replacement of the Council, its property, and the Common Area and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;
- e.** Collecting the assessments, depositing the proceeds thereof in a bank depository, which it shall approve, and using the proceeds to administer the Council;
- f.** Making and amending rules and regulations;
- g.** Opening of bank accounts on behalf of the Council and designating the signatories required;
- h.** Making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the other provisions of the Declaration and the Bylaws after damage or destruction by fire or other casualty;
- i.** Enforcing by legal means the provisions of the By-Laws, and the rules and regulations adopted by the Board and bringing any proceedings which may be instituted on behalf of or against the owners concerning the Council;

- j.** Obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration, and paying the premium cost thereof;
- k.** Paying the cost of all services rendered to the Council or its members and not chargeable to owners;
- l.** Keeping books with detailed accounts of the receipts and expenditures affecting the Council and its administration, specifying the maintenance and repair expenses and any other expenses incurred. The said books and vouchers accrediting the entries thereupon shall be available for examination by the owners and mortgagees, their duly authorized agents, accountants, or attorneys, during general business hours on working days at the time and in a manner that shall be set and announced by the Board for the general knowledge of the owners. All books and records shall be kept in accordance with generally accepted accounting practices;
- m.** Contracting for and receiving an annual audit or review of the books of the Council by an independent, certified public accountant;
- n.** Make available to any prospective purchaser of a residential Lot, any Owner of a residential Lot, any first mortgagee, and the holders, insurers, and guarantors of a first mortgage on any residential Lot current copies of the Articles of Incorporation, the Bylaws, rules governing the residential Lot, and all other books, records, and financial statements of the Council;
- o.** Permit by easement or otherwise utility suppliers to use designated portions of the Common Area reasonably necessary to the ongoing development or operation of the Property; and
- p.** Maintain a termite bond covering the buildings comprising the Regime which shall provide for the repair, replacement, or retreatment of any portion of the buildings which are damaged or destroyed by infestation of termites or other wood-destroying insects.

Section 2.3 Election and Term. Grantor shall appoint the initial Board. Until the sale by Grantor of eighty (80%) percent of the Lots, Grantor shall be entitled to exercise, without the consent of the Owners, all rights granted to the Owners to elect the members of the Board of Directors by Act or these Bylaws. Directors shall serve staggered two-year terms with roughly one-third of the Board coming up for election each year.

Section 2.4 Removal. A Director may be removed from office with or without cause by the affirmative vote of Owners holding two-thirds (2/3) of the total interest in the Common Elements. The unexpired portion of the term of any Director so removed shall be filled by a new Director elected by the Council. This provision, however, shall not apply to Directors appointed by the Grantor.

Section 2.5 Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by the Owners shall be filled by a new Director elected by the affirmative vote of a majority of the remaining Directors even though such remaining Directors do not constitute a quorum.

Section 2.6 Voting. Each Director shall have one (1) vote on all matters acted upon by the Board of Directors. The vote of a Director shall be cast only by such Director personally at a meeting of the Board of Directors convened in accordance with these Bylaws. Proxies shall not be permitted in any vote of the Board of Directors. The affirmative vote of a simple majority of the Directors present at the time of a vote, if a quorum is present at such time, shall be sufficient for any action unless otherwise specified in these Bylaws.

Section 2.7 Quorum. A majority of Directors shall constitute a quorum for the transaction of business.

Section 2.8 Consents. Any action which may be taken by a vote of the Board of Directors may also be taken by written consent to such action signed by all Directors.

Section 2.9 Organizational Meeting. An organizational meeting of the Board of Directors shall be held during each fiscal year within thirty (30) days following the annual meeting of the Council of Owners and shall be fixed at the annual meeting of the Owners by mutual agreement of the Directors present at such meeting, and no further notice thereof shall be necessary. Any business which is appropriate for action of the Board of Directors may be transacted at an annual meeting.

Section 2.10 Special Meetings. Special Meetings of the Board of Directors may be called from time to time by the President of the Council and shall be called upon the written request of two (2) of the Directors. Only such business as is stated in the notice of meeting shall be transacted at a special meeting unless all Directors waive notice of any additional business.

Section 2.11 Notice of Meetings. Except for the annual meeting, written notice of every regular or special meeting of the Board of Directors stating the time, date, and place of the meeting and, in the case of special meetings, of the business proposed to be transacted shall be given to every Director not fewer than three (3) nor more than ten (10) days in advance of the meeting. Failure to give proper notice of a meeting of the Board of Directors shall not invalidate any action taken at such meeting unless (1) a Director who was present but was not given proper notice objects at such meeting, in which case the matter to which such Director objects shall not be taken up, or (2) a Director who is not present and was not given proper notice objects in writing to the lack of proper notice within thirty (30) days following such meeting, in which case the action to which such Director objects shall be void.

Section 2.12 Waiver of Notice. Waiver of notice of a meeting of the Board of Directors shall be deemed the equivalent of proper notice. Any director may, in writing, waive notice of any meeting of the Board of Directors either before or after such meeting. Attendance at a meeting by a Director shall be deemed waived by such Director of notice of the time, date, and place thereof unless such Director specifically objects to lack of proper notice at the time the meeting is called to order.

Attendance at a special meeting shall also be deemed waiver of notice of all business transacted unless objection to lack of notice of all business transacted is raised before the business in which proper notice was not given is put to a vote. If the notice is waived in advance of a special meeting of the Board of Directors, such waiver shall apply only to such matter transacted at the special meeting which has been communicated in advance to the Director who has waived notice.

Section 2.13 Place of Meeting. All meetings of the Board of Directors shall be held upon the Property or at such other convenient place as the Board of Directors may direct. Meetings may be conducted by conference telephone.

Section 2.14 Minutes of Meetings. The Secretary of the Board shall prepare and keep, or cause to be prepared and kept, accurate minutes of every meeting of the Board of Directors. All such minutes shall be made available for examination and copying by Owner at any reasonable time.

Section 2.15 Compensation. The Directors shall serve without compensation, but shall be entitled to reimbursement by the Council for expenses incurred in the conduct of their duties.

Section 2.16 Executive Session. The Board may, with approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Council 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 III

#### OFFICERS OF THE COUNCIL

Section 3.1 Designation. The Board shall have a President, a Vice President, a Secretary, and a Treasurer, who shall serve as President, Secretary, and Treasurer for the Council. The offices of Secretary and Treasurer may be filled by the same individual. The Board may choose a Vice President. The officers shall have the authority, powers, duties, and responsibilities provided by these Bylaws, or, to the extent not so provided, by the Board of Directors.

Section 3.2 Election and Term. Officers of the Board shall be elected at the organizational meeting of the Board of Directors and at such other times as may be required to fill vacancies in any office. All officers shall serve until their successors have been elected and assumed office unless sooner removed as hereinafter provided. An officer may be re-elected to any number of terms.

Section 3.3 Removal. Any officer may be removed from office at any time with or without cause by the Board of Directors.

Section 3.4 President. The President shall be the chief executive officer of the Board and the Council. He shall preside at all meetings of the Council and the Board. He shall have all of the general powers and duties which are usually vested in a corporate president, including, but not limited to, the power to appoint committees from amongst the Owners from time to time as he may, in his discretion, deem appropriate to assist in the conduct of the affairs of the Council.

Section 3.5 Vice President. The Vice President shall take the place and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other Owner to take the place and perform the duties of the President on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

Section 3.6 Secretary. The Secretary shall prepare and keep, or cause to be prepared and kept, the minutes of all meetings of the Owners and the Board, and shall have charge of such books and papers as the Board may direct.

Section 3.7 Treasurer. The Treasurer need not be a member of the Board. The Treasurer shall have custody of, and responsibility for, Council funds and securities and shall keep the financial records and books of account for the Council. If a Manager is employed as hereinafter provided, custody of Council funds and securities and responsibility for maintaining full and accurate accounts of all receipts and disbursements may be delegated to the manager if the Board so determines, but in such case, the Treasurer shall verify the amount of Council funds and securities in the custody of the Manager and review the accounts maintained by the Manager at such intervals as may be determined by the Board of Directors.

Section 3.8 Compensation. The officers may receive such compensation as the Board of Directors may determine and shall be entitled to reimbursement by the Council for expenses incurred in the conduct of their duties.

## ARTICLE IV

### MANAGER

Section 4.1 Employment. The Board may employ for the Council a professional management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize. The Board may delegate to the managing agent or manager, subject to the Board's supervision, all the powers granted to the Board by these Bylaws, other than the powers set forth in subparagraphs a, b, f, g, and i of Section 2.2 of these Bylaws. Grantor, or an affiliate of Grantor, may be employed as managing agent or manager.



Section 4.2 Term. No management contract may have a term in excess of two (2) years and each management contract must permit termination by either party without cause and without termination fee on ninety (90) days or less written notice.

## ARTICLE V

### FINANCES

Section 5.1 Fiscal Year. The fiscal year of the Council shall end December 31 unless the Board of Directors shall otherwise determine.

Section 5.2 Budget. The Board shall prepare, adopt, and present, or cause to be prepared and presented, to the Owners at their annual meeting an annual budget (the "Budget") for the Regime for the next fiscal year. The budget as adopted by the Board shall set forth with particularity the anticipated Common Expense for the fiscal year, together with the amount of reasonable reserve covenant and agree

Section 5.3 Regular Assessments. The funds required by the Budget shall be collected by the Board from the Owners in proportion to their respective interests in the Common Elements in equal monthly or quarterly Assessments as the Board of Directors may determine ("Regular Assessments"). All assessments levied by the Board shall bear the same ratio to the total assessment made against all Owners of Lots as does the undivided interest in common elements appurtenant to each Lot bear to the total undivided interest in common elements appurtenant to all Lots. Each and every Owner of a Lot within the Regime, by acceptance of a deed therefore, shall be deemed to covenant and agree to pay to the association such assessments properly levied. Notwithstanding anything in these By-laws to the contrary, it is hereby declared that through December 31, 1996, or until terminated by the Grantor, each Lot within Phase I shall be exempt, at Grantor's option, from the assessments herein provided for (both regular and special) until such time as said Lot is conveyed by the Grantor to an Owner other than the Grantor. However, until such time as a Lot is conveyed by the Grantor, the Grantor shall be assessed and pay to the Council, in lieu of an assessment, a sum equal to the actual amount of operating expenditures incurred by the Council for that portion of the calendar year less an amount equal to the total assessments made by the Council against Owners of Lots other than those owned by the Grantor. The actual operating expenditures shall include any reserve for replacements or operating reserves.

Section 5.4 Initial Assessment. Upon the initial sale of each Lot by the Grantor, each Owner purchasing such Lot shall pay to the Council the amount of \$200.00 which shall not be a prepaid assessment, but shall constitute a separate payment to provide for initial operating funds.

Section 5.5 Reserve Fund. The Board of Directors shall include in the annual budget a sum to be maintained as a reserve fund for the replacement or major repair of common elements. The amount allocated to such fund shall be determined by the Board of Directors based upon the life expectancy of common elements. The amount of the assessments allocated to the reserve fund shall be maintained in a separate account by the Council. These funds shall not be used by the Board of Directors for normal regular maintenance of the common elements except upon the affirmative vote of a majority of all Directors of the Board. If the Board so authorizes a use of the reserve funds, they shall immediately levy a special assessment for the purpose of restoring the reserve account.

Section 5.6 Special Assessments. The funds required from time to time to pay any Common Expenses which are not covered by the Budget but which are approved by the Board of Directors shall be collected from the Owners in such intervals as directed by the Board of Directors.

Section 5.7 Individual Assessments. Any payments to the Council which one or more, but fewer than all, of the Owners shall be obligated to make pursuant to the terms of the Act or these Bylaws shall be due upon demand and shall be collected by the Board as individual assessments ("Individual Assessments").

Section 5.8 Borrowing. The Board of Directors shall have the authority to borrow money for the purpose of repair or restoration of the Common elements or for the purpose of funding budgeting shortfalls, without the approval of the membership; provided, that the Board must obtain approval of a majority of the membership for any special assessment that is for the purpose of modifying, improving, or adding amenities, if the total amount of said special assessment shall exceed five percent of the gross expense budgeted for that year.

Section 5.9 Collection. Owners shall be personally liable for all assessments and shall pay the same promptly when due. In its discretion, the Board of Directors may take appropriate action to establish reasonable late payment penalties, to collect by suit, foreclosure, or other lawful method any overdue assessment. For purposes of this section, all Owners agree that a penalty of \$25.00 shall be reasonable if payment of assessments are delinquent. If any overdue assessment is collected by an attorney or by action at law, the Owners owing the same shall be required to pay all reasonable costs of collection, including attorney's fees and 18% interest.

Section 5.10 Penalty. An assessment not paid within thirty (30) days following the date when due shall bear a penalty in an amount to be determined annually by the Board and consistently applied, plus interest on the principal amount of the assessment from the date when due at a rate to be determined by the Board not to exceed the maximum permitted by law. The penalty shall be added to and collected in the same manner as the assessment. For purposes of this paragraph only, an unpaid assessment shall not be deemed overdue until thirty (30) days late. The Board may, in its discretion, waive all or any portion of a penalty or interest imposed pursuant to this paragraph if it appears that the failure to pay the assessment when due was caused by circumstances beyond the control of the Owner.

Section 5.11 Accounts. The following management standards of performance will be followed unless the Board, by resolution, specifically determines otherwise:

- a.** accrual accounting, as defined by generally accepted accounting principals, shall be employed;
- b.** accounting and controls should conform with established American Institute of Certified Public Accountants (AICPA) guidelines and principles; (A segregation of accounting duties should be maintained and disbursements by check from a reserve account shall require two (2) signatures. Cash disbursements shall be limited to amounts of Twenty-five (\$25.00) Dollars and under.);
- c.** cash accounts of the Council shall not be commingled with any other accounts;
- d.** no remuneration shall be accepted by the manager from vendors, independent contractors, or others providing goods or services to the Council, whether in the form of commissions, finder's fees, prizes, gifts, or otherwise; anything of value received shall benefit the Council.
- e.** any financial or other interest which the manager may have in any firm providing goods or services to the Council shall be disclosed promptly to the Board and must be approved in writing by the Board; and
- f.** commencing at the end of the month in which the first residential Lot is sold and closed, monthly financial reports shall be prepared for the Board containing:
  - (i)** an Income Expense Statement reflecting all income and expense activity for the preceding three (3) months on an accrual basis;
  - (ii)** an Account Activity Statement reflecting all receipt and disbursement activity for the preceding three (3) months on an accrual basis;
  - (iii)** and Account Status Report (Budget Comparison Report) reflecting the status of all accounts in an actual versus approved budget format with a Budget Report reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten (10%) percent of a major budget category (as distinct from a specific line item in an expanded chart of accounts);
  - (iv)** a Balance Sheet of an accounting date which is the last day of the month closest in time to three (3) months from the date of closing of the first sale of a residential Lot in the project, and an Operating Statement for the period from the date of the first closing to the said accounting date, which shall be distributed within sixty (60) days after the accounting date;

(v) a Balance Sheet as of the last day of the Association's fiscal year and an Operating Statement for said fiscal year, which shall be distributed within ninety (90) days after the close of a fiscal year; and

(vi) a Delinquency Report listing all owners who have been delinquent during the preceding three (3) month period in paying the monthly installments of assessments and who remain delinquent at the time of the report and describing the status of any action to collect such installments which remain delinquent. A monthly installment of the assessment shall be considered to be delinquent on the last day of each month.

Section 5.12 Payments. The Board shall provide for payment of all debts of the Council from the funds collected from Owners. Expenditures specifically approved in the Budget may be paid without further approval unless the Board of Directors shall otherwise determine. All other expenditures which are in excess of an amount to be determined by the Board of Directors shall be reviewed and approved by the President of the Board of Directors before payment is made. Unless the Manager is authorized by the Board of Directors to draw checks upon the account of the Council, any check or request for withdrawals drawn upon any account of the Council shall be signed by the President and the Treasurer or by any two (2) officers of the Council designated by the Board of Directors. The Board of Directors may also authorize the Manager to make disbursements from the petty cash fund, if any.

Section 5.13 Bonding. The Board shall have the right to secure a fidelity bond in an amount reasonably related to the funds handled by the individual (but not less than Ten Thousand (\$10,000.00) Dollars covering every individual authorized to withdraw funds from any checking or savings account maintained by the Council. The cost of the bond shall be a Common Expense.

## ARTICLE VI

### MAINTENANCE AND IMPROVEMENTS

Section 6.1 Maintenance by Manager. The Manager or the Board of Directors shall provide for the maintenance, repair, and replacement of the Common Elements.

Section 6.2 Maintenance by Owners. The Lots shall be maintained in good condition and repair by their respective Owners. Each Owner shall also provide for the routine cleaning of all Limited Common Elements reserved for the use of this Lot.

Section 6.3 Default by Owner. In the event that any Owner fails to perform the maintenance required of him or her by these Bylaws or by any lawful Regulation, and such failure creates or permits a condition which is hazardous to life, health, or property, or which unreasonably interferes with the rights of another Owner, or which substantially detracts from

the value or appearance of the Regime Property, the Board of Directors shall, after giving such Owner reasonable notice and opportunity to perform such maintenance, cause such maintenance to be performed, and charge all reasonable expenses of so doing to such Owner by an individual Assessment.

Section 6.4 Expenses. The expenses of all maintenance, repair, and replacement provided by the Manager or the Board of Directors, including losses by storm, fire, or other casualty insured by the Council, shall be Common Expenses, except that when such expenses are not fully reimbursed by insurance proceeds and when they are necessitated by (1) the failure of a Owner to perform the maintenance required by these Bylaws or by any lawful Regulation or (2) the willful act, neglect, or abuse of a Owner, they shall be charged to such Owner as an Individual Assessment.

Section 6.5 Improvements. The Board of Directors shall provide for the making of such improvements and additions to the Common Elements as may be approved from time to time by a majority of the Owners. The cost of such improvements shall be Common Expense; provided, however, that no Owner shall, without his consent, be assessed in any one (1) year for the making of improvements to the Common Elements an amount in excess of one (1%) percent of the value of his Lot unless such improvements have been approved by Owners holding two-thirds (2/3rds) of the Percentage Interests in the Common Elements.

## ARTICLE VII

### RESTRICTIONS AND REGULATIONS

Section 7.1 Restrictions. The use of the Regime Property shall be subject to the restrictions set forth in these Bylaws and to the Regulations.

Section 7.2 Regulations. The Board shall adopt and amend from time to time such reasonable rules and regulations ("Regulations") governing the operation and use of the Regime Property as it may deem necessary or desirable. It shall be necessary to publish newly adopted Regulations or the amendment or repeal of existing Regulations, and no owner shall be bound by any newly adopted Regulation or any amendment or repeal of an existing Regulation until a copy of the same has been delivered to him or her.

Section 7.3 Enforcement. The Board shall enforce the terms of the Act and these Bylaws and the Regulations promulgated pursuant hereto by taking prompt and appropriate action to correct any violations. In addition to any other remedy to which the Council or any Owner may be entitled, the Board of Directors may impose against a Owner reasonable fines not to exceed an amount per day to be determined annually by the Board of Directors and consistently applied for any violation of the terms of the Act or these Bylaws, or of the Regulations promulgated pursuant hereto.

Such fines shall be collected by Individual Assessments. Each day during which a violation occurs or continues may be deemed a separate offense.

Section 7.4 Responsibility of Owners. Each Owner shall be deemed responsible for the conduct of members of his household and his tenants, agent, guests, and pets, but the responsibility of the Owner shall not relieve any member of his household or any of his tenants, agents, or guests for any liability to the Council or to a Owner for the acts of such member, tenant, agent, or guest.

Section 7.5 Hearing Procedure. The Board shall have the power to impose reasonable fines, which shall constitute a lien upon the property of the violating Owner, and to suspend a Owner's right to vote or to use the common elements for violation of any duty imposed under these Bylaws, or the Regulations duly adopted hereunder; provided, however, nothing herein shall authorize the Council or the Board to limit ingress and egress to or from a Lot. In the event that any occupant of a Lot violates the Declaration, Bylaws, or a rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant; provided, however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Council. The failure of the Board to enforce any provisions of the Bylaws or Regulations shall not be deemed a waiver of the right of the Board to do so thereafter.

a. Notice. Prior to imposition of any sanction hereunder, the Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than ten (10) days within which the alleged violator may present a written request to the Board for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within ten (10) days of the notice. If a timely challenge is not made, the sanction in the notice shall be imposed.

b. Hearing. If a hearing is requested in a timely manner, the hearing shall be held in executive session affording the Owner a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, Director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. The decision of the Board after the hearing shall be final.

c. Additional Enforcement Rights. Notwithstanding anything to the contrary contained in the Bylaws, the Council, acting through the Board, may elect to enforce any provision of these Bylaws, or the rules and regulations of the Council by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations, as provided below) or by suit at law or in equity to enjoin any violation or to recover monetary damages, or both, without the necessity for compliance with the procedure set forth above.

In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation for which abatement is sought shall pay all costs, including reasonable attorney's fees, actually incurred.

## ARTICLE VIII

### LIABILITIES AND INDEMNIFICATION

Section 8.1 Liability of Council. The Covington Lake Property Owners Association, Inc. is a South Carolina corporation. No member of the Council is or shall be liable for the debts or torts of the Council.

Section 8.2 Indemnification Among Owners. Each Owner shall be entitled to contribution from and indemnification by every other owner to the extent that such Owner discharges or is required to discharge any portion of any liability of the Council in excess of such Owner's proportionate share of such liability, except that no Owner shall be required to provide contribution or indemnification on account of a liability which was due and payable prior to the time such Owner became a Owner.

Section 8.3 Liability of Directors and Officers. No Director or officer of the Council shall be liable to any Owner for any decision, action, or omission made or performed by such Director or officer in the course of his duties unless such Director or officer acted in bad faith or in reckless disregard of the rights of any person or of the terms of the Act, the Permitted Encumbrances, or these Bylaws.

Section 8.4 Indemnification of Directors and Officers. The Council shall indemnify and defend each Director and each officer of the Council from any liability claimed or imposed against him by reason of his position or actions as a Director or any officer of the Council if all the following conditions are satisfied:

- (1) Such Director or officer is not required to bear such liability by the terms of the Act or these Bylaws;
- (2) Such Director or officer gives the Council adequate notice of the claim or imposition of liability and permits the Council reasonable opportunity to defend against the same; and
- (3) Such Director or officer cooperates with the Council in defending against the liability. The expense of indemnifying a Director or an officer shall be a Common Expense. The Board may obtain insurance to provide in whole or in part for this indemnification, and the cost of such insurance shall be a Common Expense.

## ARTICLE IX

### ATTESTATIONS AND CERTIFICATIONS

Section 9.1 Attestation of Documents. The presence of the signature of the Secretary or an Assistant Secretary of the Council on any contract, conveyance, or any other document executed on behalf of the Council by another officer of the Council shall attest:

- (1) That the officer of the Council executing the document does, in fact, occupy the official position indicated, that one in such position is duly authorized to execute such document on behalf of the Council, and that the signature of such officer subscribed on the document is genuine; and
- (2) That the execution of the document on behalf of the Council has been duly authorized.

Section 9.2 Certification of Documents. When any document relating to the Regime Property or the Council is certified as authentic by the Secretary or an Assistant Secretary of the Council, a third party, without the knowledge or reason known to the contrary, may rely on such documents as being what it purports to be.

Section 9.3 Certification of Actions and Facts. When there is executed by the Secretary a written statement setting forth (1) actions taken by the Council or by the Board or (2) facts relating to the Regime Property or the Council as determined by the Board, a third party, without the knowledge or reason to know the contrary, may rely on such statement as factually true and correct.

Section 9.4 Absence of Seal. The absence of the seal of the Council from any contract, conveyance, or other document executed on behalf of the Council shall not impair the validity of such contract, conveyance, or document or of an action taken pursuant thereto or in reliance thereon, but the person relying on the same shall bear the burden of establishing that the execution of the same was duly authorized and accomplished on behalf of the Council.

## ARTICLE X

### AMENDMENTS

Section 10.1 Procedure. Subject to the rights of Grantor, these Bylaws may be amended from time to time by resolution adopted by the affirmative vote of the Owners holding two-thirds (2/3rds) of the Percentage Interests in the Common Elements. No amendment to these Bylaws shall be effective unless and until filed of record.



ARTICLE XI  
MISCELLANEOUS

Section 11.1 Record of Ownership. Any person who acquires title to a Lot shall promptly inform the Board of his or her identity and the date upon and manner in which title was acquired. The Board shall maintain a record of the names of all Owners and of the dates upon which they acquired title to their Lots.

Section 11.2 Notification of Transfer. A Owner shall promptly notify the Board of a proposed transfer of title to his or her Lot setting forth the closing date and the name and address of the transferee.

Section 11.3 Notices. Any notices or documents deposited postage prepaid and addressed to the last known owner of a Lot at his or her last known address shall be deemed delivered to the Owner of such Lot, unless the Owner has previously specified to the Board of Directors in writing another address for delivery of such notices and documents. Any notices or document addressed to a Director shall be deemed to be given when such notice is deposited postage prepaid in the United States Mail addressed to such Director at his address as it appears in the records of the Council.

Section 11.4 Waiver. No provision of these Bylaws or of the Regulations promulgated pursuant hereto shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, regardless of the number of violations or breaches which may have occurred.

Section 11.5 Conflicts. In the event of any conflict between these Bylaws and the Regulations, these Bylaws and the Act, the Act shall control, as appropriate. In the event of a conflict between these Bylaws and the Regulations, these Bylaws shall control.

Section 11.6 Severability. The provisions of these Bylaws are severable and the invalidity of one or more provisions hereof shall not be deemed to impair or affect in any manner the enforceability or effect of the remainder hereof.

Section 11.7 Captions. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit, or describe the scope of these Bylaws or the intent of any provision hereof.

Section 11.8 Gender and Number. All pronouns used herein shall be deemed to include the masculine, the feminine, and the neuter, and the singular shall include the plural and vice versa, whenever the context requires or permits.

I, the undersigned duly elected Secretary of Covington Lake Property Owners Association, Inc., do hereby certify that the foregoing By-Laws were adopted as the By-Laws of the Council of Owners on this the 15 day of Dec, 1997

Van Watts III  
Secretary