

**THIS DECLARATION IS SUBJECT TO BINDING ARBITRATION PURSUANT TO
THE SOUTH CAROLINA UNIFORM ARBITRATION ACT, SECTION 15-48-10, et.
seq., CODE OF LAWS OF SOUTH CAROLINA, AS AMENDED**

**DECLARATION OF COVENANTS, CONDITIONS, AND
RESTRICTIONS FOR
THE RESERVE AT MILL CREEK**

NOTICE:

THIS DECLARATION IMPOSES ASSESSMENTS CONSTITUTING A LIEN ON EACH UNIT. PLEASE CONTACT THE ASSOCIATION TO DETERMINE THE STATUS OF A PARTICULAR UNIT WITH REGARD TO PAYMENT OF ASSESSMENTS. THIS DECLARATION MAY HAVE BEEN MODIFIED, AMENDED OR SUPPLEMENTED SINCE ITS RECORDING. THE DECLARANT OR ASSOCIATION MAY HAVE CHANGED THE INITIAL RULES AND REGULATIONS SINCE THE RECORDING OF THIS DECLARATION.

Recorded by and to be returned to:

**Harvey & Vallini, LLC
Attn: Steven E. Harvey
497 Bramson Court, Ste 201
Mt. Pleasant, SC 29464
File Number: 660.040.009**

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<u>Exhibit</u>	<u>Subject Matter</u>
"A"	Land Submitted
"B"	Additional Property
"C"	Initial Rules and Regulations
"D"	Bylaws of The Reserve at Mill Creek Property Owners Association, Inc.
"E"	Rules of Arbitration
"F"	Residual Community Property

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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

THE RESERVE AT MILL CREEK

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS is made this 27th day of April, 2018, by **D.R. HORTON, INC.**, a Delaware corporation ("Declarant"), with an address 1500 Pearl Tabby Drive, Mt. Pleasant, SC 29466.

DECLARANT EXPRESSLY RESERVES THE RIGHT TO UNILATERALLY AMEND OR RESTATE THIS DECLARATION WITHOUT THE CONSENT OF ANY OTHER OWNER, THEIR MORTGAGEE(S) OR THE ASSOCIATION DURING THE DECLARANT CONTROL PERIOD (AS DEFINED HEREIN). ANY SUCH AMENDED OR RESTATED DECLARATION MAY CONTAIN ADDITIONAL RESTRICTIONS OR OBLIGATIONS AFFECTING THE USE OF ANY AREA OF COMMON RESPONSIBILITY, UNIT, OR ANY OTHER PORTION OF THE PROPERTY (AS THOSE TERMS ARE DEFINED HEREIN) AND MAY ALSO AFFECT AN OWNER'S OBLIGATIONS AS A MEMBER OF THE ASSOCIATION. ADDITIONALLY, CERTAIN RIGHTS OF DECLARANT, INCLUDING THE RIGHT TO APPROVE, OR TO WITHHOLD APPROVAL OF, CERTAIN ACTIONS MAY CONTINUE AFTER THE EXPIRATION OF THE DECLARANT CONTROL PERIOD INCLUDING BUT NOT LIMITED TO THE RIGHT OF RE-ESTABLISHING ITS CLASS "B" MEMBERSHIP IF AND WHEN IT RE-ACQUIRES ANY OF THE PROPERTY OR ANNEXES ANY ADDITIONAL LAND TO THE PROPERTY. BY THE RECORDING OF A DEED OR THE ACCEPTANCE OF TITLE TO ANY UNIT OR ANY PORTION OF THE PROPERTY SUBJECT TO THIS DECLARATION, OR ANY INTEREST THEREIN, THE PERSON TO WHOM SUCH PROPERTY IS CONVEYED, AND THEIR HEIRS, SUCCESSORS, LEGAL REPRESENTATIVES, ADMINISTRATORS, LESSEES, ASSIGNS AND MORTGAGEES SHALL BE DEEMED TO HAVE AGREED TO BE BOUND BY THIS DECLARATION AND OTHER GOVERNING DOCUMENTS OF THE ASSOCIATION, AND EXPRESSLY ACKNOWLEDGE AND AGREE TO DECLARANT'S RIGHTS, INCLUDING, WITHOUT LIMITATION, THE RIGHT OF DECLARANT TO UNILATERALLY AMEND THIS DECLARATION DURING THE DECLARANT CONTROL PERIOD, TO ADD PROPERTY TO THIS DECLARATION DURING THE DECLARANT ANNEXATION PERIOD AND TO EXERCISE OTHER RIGHTS SPECIFICALLY RESERVED OR GRANTED TO DECLARANT PURSUANT TO THIS DECLARATION AND OTHER GOVERNING DOCUMENTS.

WITNESSETH:

WHEREAS, Declarant is the owner of the real property described in Exhibit "A" attached hereto and incorporated herein by reference and The Reserve at Mill Creek Property

Owners Association, Inc., a South Carolina nonprofit corporation (the “Association”) is the owner of the real property described in Exhibit “A-2” attached hereto and incorporated herein by reference; and,

WHEREAS, Declarant desires to provide a flexible and reasonable procedure for the overall development of the property known as The Reserve at Mill Creek and the interrelationships of the component residential associations, and to establish a method for the administration, maintenance, preservation, use and enjoyment of such property as is now or may hereafter be submitted to this Declaration. The Association hereby created may perform educational, recreational, charitable and other social welfare activities.

NOW, THEREFORE, Declarant, D.R. Horton, Inc. hereby declares as follows:

Article 1 Creation of the Community

1.1 Purpose and Intent.

Declarant, as the owner of the of the Property (as hereinafter defined) described in Exhibit “A”, intends by Recording this Declaration to create a general plan of development for the residential community known as The Reserve at Mill Creek located in the County of Charleston, State of South Carolina. This Declaration provides a flexible and reasonable procedure for the future expansion of The Reserve at Mill Creek to include additional real property as Declarant deems appropriate and provides for the overall development, administration, maintenance, and preservation of the real property now and hereafter comprising The Reserve at Mill Creek. An integral part of the development plan is the creation of The Reserve at Mill Creek Property Owners Association, Inc. (“Association”), an association comprised of all Owners of real property in The Reserve at Mill Creek, to own, operate, or maintain various common areas and community improvements and to administer and enforce this Declaration and the other Governing Documents.

1.2 Binding Effect.

The Property and any Additional Property which is made a part of The Reserve at Mill Creek in the future by Recording one or more Supplemental Declarations, shall be owned, conveyed, and used subject to all of the provisions of this Declaration, which shall run with the title to such property. This Declaration shall be binding upon all Persons having any right, title, or interest in any portion of The Reserve at Mill Creek, their heirs, successors, administrators, and assigns.

BY THE RECORDING OF A DEED OR THE ACCEPTANCE OF TITLE TO ANY UNIT SUBJECT TO THIS DECLARATION, THE PERSON OR ENTITY TO WHOM SUCH UNIT IS CONVEYED, AND THEIR HEIRS, SUCCESSORS, LEGAL REPRESENTATIVES, ADMINISTRATORS, LESSEES, ASSIGNS AND MORTGAGEES SHALL BE DEEMED TO HAVE AGREED TO BE BOUND BY THIS

DECLARATION AND THE BYLAWS OF THE ASSOCIATION.

This Declaration, as it may be amended and supplemented from time to time; shall remain in effect and shall be enforceable by Declarant, the Association, any Owner, and their respective legal representatives, heirs, successors, and assigns, for a term of twenty-five (25) years from the date this Declaration is Recorded. After such time, this Declaration shall be extended automatically for successive periods of ten (10) years each, unless an instrument signed by a majority of the then Owners has been Recorded within the year preceding any extension, agreeing to terminate this Declaration, in which case it shall terminate as of the date specified in such instrument. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

1.3 Governing Documents.

The Governing Documents create a general plan of the development for The Reserve at Mill Creek. Additional restrictions or provisions which are more restrictive than the provisions of this Declaration may be imposed on any portion of The Reserve at Mill Creek, in which case, the more restrictive provisions will be controlling. However, no Person shall Record any additional covenants, conditions, or restrictions affecting any portion of The Reserve at Mill Creek without Declarant's written consent, so long as Declarant has the right unilaterally to annex property to the Community. Thereafter, Owners representing at least sixty-seven percent (67%) of the Association's total votes must consent. Any instrument Recorded without the required consent is void and of no force and effect.

All provisions of the Governing Documents shall apply to all Owners and to all occupants of their Units, as well as their respective tenants, guests, and invitees. Any lease on a Unit shall provide that the lessee and all occupants of the leased Unit shall be bound by the terms of the Governing Documents.

If any provision of this Declaration is determined by judgment or court order to be invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications.

Article 2 Concepts and Definitions

The terms used in the Governing Documents generally shall be given their natural, commonly accepted definitions unless otherwise specified. Capitalized terms shall be defined as set forth below.

"Additional Property": All real property, together with the improvements thereon, whether or not owned by Declarant, which is made subject to this Declaration as provided in Article X hereof.

"Architectural Guidelines": The architectural, design, and construction guidelines and review procedures adopted pursuant to Article 5, as they may be amended.

“Area of Common Responsibility”: The Common Area, together with such other areas, if any, for which the Association has or expressly assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration, or other applicable covenants, contracts, or agreements.

“Articles of Incorporation” or “Articles”: The Articles of Incorporation for The Reserve at Mill Creek Property Owners Association, Inc., a South Carolina nonprofit corporation.

“Assessments” means Base Assessments, Neighborhood Assessments, Special Assessments, or Specific Assessments, and any combination thereof, as the context requires.

“Association”: The Reserve at Mill Creek Property Owners Association, Inc., a South Carolina nonprofit corporation, its successors or assigns.

“Base Assessment”: Assessments levied on all Units subject to assessment under Article 9 to fund Common Expenses, as determined in accordance with Section 9.1.

“Board of Directors” or “Board”: The body responsible for administering the Association, selected as provided in the Bylaws and serving the same role as the board of directors under South Carolina corporate law.

“Builder”: Any Person approved by Declarant who purchases one or more Units for the purpose of constructing improvements for later sale to consumers in the ordinary course of the Person’s business.

“Bylaws”: The Bylaws of The Reserve at Mill Creek Property Owners Association, Inc., attached for informational purposes as Exhibit “D” as the same may be amended.

“Common Area”: All real and personal property, including easements, located within the Property, which the Association owns, leases, or otherwise holds possessory or use rights in for the Owners’ common use and enjoyment.

“Common Expenses”: The actual and estimated expenses the Association incurs or expects to incur for all Owners’ general benefit, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to the Governing Documents. Common Expenses shall not include any expenses incurred during the Declarant Control Period for initial development or other original construction costs unless approved by Members representing a majority of the total vote of the Association, excluding votes held by Declarant.

“Community”: The real property described in Exhibit “A,” together with such Additional Property as is subjected to this Declaration in accordance with this Declaration and commonly known as The Reserve at Mill Creek.

“Community-Wide Standard”: The standard of conduct, maintenance, or other activity generally prevailing in The Reserve at Mill Creek, or the minimum standards established

pursuant to the Architectural Guidelines, Rules and Regulations, and Board resolutions, whichever is the highest standard. Declarant shall establish initially such standard, and it may contain both objective and subjective elements. The Community-Wide Standard may evolve as development progresses and as the needs and desires within The Reserve at Mill Creek change.

“Cypress Ridge Master Association”: shall mean the Cypress Ridge Homeowners Association, Inc., a South Carolina not-for-profit corporation, including its successors and assigns.

“Cypress Ridge Master Declaration”: shall mean collectively the Declaration of Covenants, Conditions and Restrictions for Cypress Ridge recorded in Book 2408 at Page 2072 et seq., in the Records, and all amendments or Supplemental Declarations thereto or restatements thereof.

“Declarant”: D.R. Horton, Inc., a South Carolina corporation, or any successor or assign who takes title to any portion of the property described in Exhibits ”A” or “B” for the purpose of development or sale and who is designated as Declarant in a Recorded instrument executed by the immediately preceding Declarant, or pursuant to a final order of a court of competent jurisdiction.

“Declarant Annexation Period”: The period of time during which Declarant is entitled to unilaterally subject additional property to this Declaration as set forth in Article X hereof.

“Declarant Control Period”: The period of time during which Declarant is entitled to appoint a majority of the members of the Board as provided in the Bylaws. The Declarant shall have the right to appoint and remove the members of the Board commencing upon the recording of this Declaration until the first of the following occurs:

- (a) When Declarant no longer owns any portion of the Property; or
- (b) twenty-five (25) years after this Declaration is Recorded; or
- (c) upon Declarant’s surrender in writing of the authority to appoint and remove directors and officers of the Association.

Notwithstanding its right to appoint and remove officers and directors of the Association, Declarant reserves the right to approve or disapprove specified actions of the Association as provided in this Declaration and the Bylaws.

“Declaration”: This Declaration of Covenants, Conditions, and Restrictions for The Reserve at Mill Creek, as it may be amended or supplemented from time to time.

“Governing Documents”: A collective term referring to this Declaration, any applicable Supplemental Declaration, the Bylaws, the Articles, the Architectural Guidelines, and the Rules and Regulations, as each may be amended.

“Limited Common Area” A portion of the Common Area reserved for the exclusive use of one or more, but less than all, of certain Units.

“Master Association”: shall mean the Mill Creek Owners Association, Inc., a South Carolina not-for-profit corporation, including its successors and assigns.

“Master Declaration”: shall mean collectively the Declaration of Covenants, Conditions and Restrictions for Mill Creek at Cypress Ridge recorded in Book 2408 at Page 2041 et seq., in the Records, and all amendments or Supplemental Declarations thereto or restatements thereof.

“Master Plan”: shall mean and refer to the drawing, sketch, map, or planned unit development plan that represents the conceptual land plan for the future development of the Community. Since the concept of the future development of the undeveloped portions of the Community, including without limitation the Units, streets or road rights-of-way and any Common Area, are subject to continuing revision and change at the discretion of the Declarant, present and future references to the “Master Plan” shall be references to the latest revision thereof. In addition, no implied reciprocal covenants or obligation to develop shall arise with respect to lands that have been retained by the Declarant for future development. Notwithstanding the foregoing, if the land use plan for the development of the The Reserve at Mill Creek has been approved by the appropriate governing county or municipality, as it may be amended, then the term Master Plan shall instead refer to such land use plan.

“Member”: A Person subject to membership in the Association pursuant to Section 7.3.

“Mortgage”: A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Unit. “Mortgagee” shall refer to a beneficiary or holder of a Mortgage. A “First Mortgage” shall be a Recorded Mortgage having first priority over all other Mortgages encumbering a Unit. “First Mortgagee” shall refer to a beneficiary or holder of a First Mortgage.

“Neighborhood”: A separately developed and denominated residential area within the Community which has been so designated on Exhibit “A” hereof or in one or more Supplemental Declarations. By way of illustration and not limitation, a townhouse development, horizontal property regime, duplex development, cluster home development, or single-family detached housing development might each be designated as a separate Neighborhood. The Declarant shall have the right to designate separate Neighborhood status and change the Neighborhood status of any previously designated Neighborhood for any property in the Community. A Neighborhood may (but is not required to) have a separate incorporated mandatory membership Neighborhood association.

“Neighborhood Assessments”: Assessments levied in accordance with Section 9.4.

“Neighborhood Expense”: The actual and estimated expenses which the Association incurs or expects to incur for the benefit of Owners within a particular Neighborhood or Neighborhoods, which may include a reasonable reserve for capital repairs and replacements and

a reasonable administrative charge, as may be authorized pursuant to this Declaration or in the Supplemental Declaration(s) applicable to such Neighborhood(s).

“Owner”: One or more Persons who hold the record fee simple title to any Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation; provided, however, if a Unit is sold under a Recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) shall be considered the Owner.

“Permittees”: shall mean and refer to the respective family, agents, customers, invitees, licensees, employees, servants, contractors, tenants and tenant's agents, customers, invitees, licensees, employees, servants and contractors of each Owner, subject to applicable Regulations.

“Person”: An individual, corporation, limited liability company, partnership, trustee, or any other legal entity.

“Property” or “The Reserve at Mill Creek” or “Community”: The real property described in Exhibit “A,” together with any improvements thereon, and such Additional Property as is subjected to this Declaration in accordance with Article X.

“Record,” “Recording,” or “Recorded”: The appropriate recordation or filing of any document in the Office of the Register of Deeds (ROD) for Beaufort County, South Carolina, or such other place which is designated as the official location for recording deeds and similar documents affecting title to real estate. The date of Recording shall refer to that time at which a document, map, or plat is Recorded.

“Residual The Reserve at Mill Creek Property”: The real property described in Exhibit “F”, together with any improvements thereon.

“Rules and Regulations”: The initial rules and regulations set forth in Exhibit “C,” as they may be supplemented, modified, and repealed pursuant to Article IV.

“Special Assessment”: Assessments levied in accordance with Section 9.2.

“Specific Assessment”: Assessments levied in accordance with Section 9.3.

“Supplemental Declaration”: A Recorded instrument which subjects Additional Property to this Declaration pursuant to Article X, designates Neighborhoods pursuant to Article XI, and/or imposes additional restrictions and obligations on the land described in such instrument.

“Unit”: A portion of The Reserve at Mill Creek, whether improved or unimproved, depicted as a separately identified lot or parcel on a recorded subdivision plat, which may be independently owned and is intended for development, use, and occupancy as an attached or detached single-family residence. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon. In the case of a building within a condominium or townhome structure containing multiple dwellings for individual sale, each such dwelling shall

be deemed to be a separate Unit.

In the case of a parcel of vacant land or land on which improvements are under construction, the parcel shall be deemed to contain the number of Units designated for residential use for such parcel on the Master Plan or the site plan approved by Declarant, whichever is more recent. After improvements are constructed, the portion encompassed by such plan shall contain the number of Units determined as set forth in the preceding paragraph and any portion not encompassed by such plan shall continue to be treated in accordance with this paragraph.

“Wetlands”: Any portion of the Property which may contain wetlands, wetland buffers, submerged lands or other critical areas and on which activities may be subject to the jurisdiction of the U.S. Army Corps of Engineers and/or South Carolina Department of Health and Environmental Control. Owners whose Units contain any Wetlands shall comply with any applicable governmental regulations, restrictions, agreements, ordinances, regulations or policies of such governmental authorities (collectively the “Wetlands Restrictions”) and shall be responsible for unapproved activities occurring on any Wetlands located on or within their Units.

Article 3 Use, Occupancy, and Transfer

3.1 General.

Every Unit in the Community shall be subject to the use restrictions and rules as set forth in this Declaration. Each Owner, by acceptance of a deed or other instrument granting an interest in any Unit, acknowledges and understands that such Unit is subject to rules and restrictions on use, occupancy and transfer as set forth herein and in the Rules and Regulations attached hereto as Exhibit “C”, as they may be expanded, modified, repealed or otherwise amended in accordance with the procedures set forth the Governing Documents. The provisions of this Article III shall not apply to any activity conducted by Declarant, or any Builder, with respect to its sale of the Community or its use or sale of any Units which it owns within the Community.

3.2 Restrictions on Use.

The Reserve at Mill Creek shall be used only for residential, recreational, and related purposes (which may include, without limitation, an information center, models, or sales office for any real estate broker retained by Declarant or builders approved by Declarant to assist in the sale of real property within The Reserve at Mill Creek offices for any community manager retained by the Association, or business offices for Declarant, approved builders, or the Association) consistent with the Governing Documents. Notwithstanding the above, home business use ancillary to the primary residential use of a Unit is permitted subject to the Rules and Regulations.

3.3 Restrictions on Occupancy.

All occupants of a single Unit shall be a member of a single housekeeping unit. The number of occupants in each Unit shall be limited to a reasonable number based on the Unit’s

facilities and size and its fair use of the Common Area, and any requirements of applicable law. All provisions of the Governing Documents shall apply to all occupants, guests, and invitees of any Unit. Every Owner shall cause all Permittees of his, her or its Unit to comply with the Governing Documents and shall be responsible for all violations and losses to the Area of Common Responsibility caused by such Persons, notwithstanding the fact that such Persons also are fully liable and may be sanctioned for any violation.

3.4 Restrictions on Transfer; Changes in Ownership of Units.

Any Owner desiring to sell or otherwise transfer title to his or her Unit shall give the Board at least seven (7) days prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Unit, including assessment obligations, until the Board receives such notice, notwithstanding the transfer of title.

Article 4 Conduct

4.1 Framework for Regulation.

The Governing Documents establish, as part of the general plan of development for the Property, a framework of affirmative and negative covenants, easements, and restrictions to govern the Community. Within that framework, the Board and the Members must have the ability to respond to unforeseen problems and changes in circumstances, conditions, needs, desires, trends, and technology which inevitably will affect the Community, its Owners, and residents. Toward that end, this Article establishes procedures for modifying and expanding the initial Rules and Regulations set forth in Exhibit "C."

The Governing Documents include the Cypress Ridge Master Declaration, the Master Declaration, and this Declaration which shall be in addition to the covenants, conditions, restrictions and easements set forth in the Cypress Ridge Master Declaration and the Master Declaration. To the extent that this Declaration conflicts with the Cypress Ridge Master Declaration and the Master Declaration the latter shall control except to the extent the former establishes a higher or stricter standard or requirement for The Reserve at Mill Creek.

4.2 Regulation Making Authority.

(a) Board Authority. Subject to the terms of this Article and the Board's duty to exercise business judgment and reasonableness on behalf of the Association and its Members, the Board may adopt, repeal, and modify regulations governing matters of conduct and aesthetics and the activities of Members, residents, and guests within the Community, as defined by the Rules and Regulations set forth in Exhibit "C". The Board shall send notice by mail to all Members concerning any such proposed action at least five (5) business days prior to the Board meeting at which such action is to be considered. Members shall have a reasonable opportunity to be heard at a Board meeting prior to such action being taken.

(b) Declarant's Authority. Notwithstanding the above provision, during the

Declarant Control Period, the Declarant shall have the unilateral right to repeal, modify or expand any of the initial Rules and Regulations set forth in Exhibit "C" without prior notice to the Board or to Members. However, any such amendment shall not materially adversely affect the substantive rights of any Owners, nor shall it adversely affect title to any Unit without the consent of the affected Owner(s).

(c) Members' Authority. Alternatively, Members representing more than sixty-seven percent (67%) of the total votes in the Association, at an Association meeting duly called for such purpose, may vote to adopt regulations which modify, cancel, limit, create exceptions to, or expand the Rules and Regulations then in effect. Notwithstanding anything contained herein to the contrary, during the Declarant Control Period, any such action by the Members shall not be valid unless and until Declarant provides its written approval which approval or denial shall be granted in Declarant's sole and exclusive discretion.

(d) Notice; Opportunity To Disapprove. Notice of any Board resolution or Member action adopting, repealing, or modifying regulations shall be sent to all Members at least thirty (30) days prior to the effective date. Subject to Declarant's disapproval rights under the Bylaws, the resolution or Member action shall become effective on the date specified in the notice unless (i) Members petition for a special meeting, in accordance with the Bylaws, to reconsider such resolution, and (ii) the resolution is disapproved at the meeting by Members representing more than sixty-seven percent (67%) of the total votes in the Association.

(e) Conflicts. Nothing in this Article shall authorize the Board or the Members to modify, repeal, or expand the Architectural Guidelines or other provisions of this Declaration. In the event of a conflict between the Architectural Guidelines and the Rules and Regulations, the Architectural Guidelines shall control.

(f) Common Area Administrative Rules. The procedures required under this Section shall not apply to the enactment and enforcement of Board resolutions or administrative rules and regulations governing use of the Common Area unless the Board chooses in its discretion to submit to such procedures. Examples of such administrative rules and regulations shall include, but not be limited to, hours of operation of a recreational facility and the method of allocating or reserving use of a facility (if permitted) by particular individuals at particular times. The Board shall exercise business judgment and act in accordance with the business judgment rule, as described in the Bylaws, in the enactment, amendment, and enforcement of such administrative rules and regulations.

4.3 Limitations on Rules and Regulations. Except as may be contained in this Declaration either initially or by amendment, all Rules and Regulations shall comply with the following provisions:

(a) Signs and Displays. The rights of Owners to display religious and holiday signs, symbols, and decorations inside structures on their Units of the kinds normally displayed in single-family residential neighborhoods shall not be abridged, except that the Association may adopt time, place, and manner restrictions with respect to displays visible from outside the

dwelling. No Owner may post or display any sign, billboard, banner or item of similar nature so as to be visible outside of any dwelling without the prior written approval of the Architectural Review Committee, including but not limited to a "for sale," "for rent," or "garage sale" sign. Owners may be required to use designated signage for the offering of Units for sale or lease, and to purchase or rent such signage from vendors approved by the Board. No rules shall regulate the content of political signs; however, rules may regulate the time, place, and manner of posting such signs (including design criteria) and limit to a reasonable number the number of signs that may be posted. No sign shall be larger than 18" x 24" and any Owner posting an approved sign shall be responsible for removing such sign in a timely manner and shall be subject to enforcement actions for failing to do so. Notwithstanding anything contained herein to the contrary, the Association shall have the right, but not the obligation, to exercise self-help and to enter onto a Unit (but not the dwelling located thereon) in a non-emergency situation, without notice and opportunity for hearing prior thereto for the purpose of removing any sign, billboard, banner or other item of similar nature posted or displayed in violation of this provision.

(b) Household Composition. No rule established pursuant to this Article shall interfere with the Owners' freedom to determine the composition of their households. Section 3.3 shall govern restrictions on occupancy.

(c) Activities Within Dwellings. No rule established pursuant to this Article shall interfere with the activities carried on within the confines of dwellings, except that the Association may restrict or prohibit any activities that create monetary costs for the Association or other Owners; that create a danger to the health or safety of others; that generate excessive noise, parking congestion, or traffic; that create unsightly conditions visible outside the dwelling; or that create an unreasonable source of annoyance.

(d) Mining and Drilling Prohibition. No oil, mineral, sand, natural gas or irrigation drilling, refining, quarrying or mining operation of any kind shall be permitted upon or in any Unit, and no derrick or other structure designed for use in boring, drilling or digging for oil, minerals, sand or natural gas shall be stored, erected, maintained or permitted on any Property within the Community.

(e) Allocation of Burdens and Benefits. The Association may change the Common Area available to any particular Members or Neighborhoods, may adopt generally applicable rules for use of Common Area, or may deny use privileges to individual Members or specific Neighborhoods if such Member or Neighborhood is abusing the Common Area or violating the Governing Documents. This provision does not affect the right to increase the amount of Assessments as provided in Article IX.

(f) Alienation. No rule promulgated pursuant to this Section shall prohibit leasing or transfer of any Unit or require consent of the Association or Board for leasing or transfer of any Unit; however, the Association or the Board may require a minimum lease term of up to twelve (12) months.

(g) Abridging Existing Rights. No rule shall require an Owner to dispose of personal

property that was in or on a Unit prior to the adoption of such rule and which was in compliance with all rules previously in force. This dispensation shall apply only for the duration of such Owner's ownership of the Unit personally, and this right shall not run with title to any Unit.

(h) Reasonable Rights To Develop. No rule or action by the Association shall unreasonably impede Declarant's right to develop the Community in accordance with the rights reserved to Declarant in this Declaration.

The limitations in subsections (a) through (h) of this subsection shall limit only regulation making authority exercised under this Section; they shall not apply to amendments to this Declaration adopted in accordance with Article XVI.

4.4 Owners' Acknowledgment and Notice to Purchasers.

All Owners and prospective purchasers are given notice that use of their Units and the Common Area is limited by the Rules and Regulations, as they may be amended, expanded, and otherwise modified hereunder. Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of his or her Unit can be affected by this provision, that the Rules and Regulations may change from time to time, and that the current Rules and Regulations may not be set forth in a Recorded instrument. All purchasers of Units are on notice that the Association may have adopted changes to the Rules and Regulations. The Association shall provide a copy of the current Rules and Regulations to any Member or Mortgagee upon request and payment of the reasonable cost of such copy.

Article 5 **Architecture and Landscaping**

5.1 General.

No structure or thing, including but not limited to fencing, shall be placed, erected, or installed upon any Unit and no improvements or other work (including staking, clearing, excavation, grading, and other site work, exterior alterations of existing improvements, or additional planting or removal of trees and other landscaping) shall take place on such Unit except pursuant to approval in compliance with the Governing Documents, including, without limitation, this Declaration (including this Article), the Architectural Guidelines.

Any improvements constructed on a Unit shall be designed by and built in accordance with the plans and specifications of a licensed architect unless otherwise approved by Declarant or its designee in its sole discretion.

The covenants, conditions and restrictions set forth herein shall be in addition to any architectural standards, guidelines, requirements, limitations, or conditions imposed upon the Property by virtue of the Cypress Ridge Master Association and the Master Association or other recorded instruments encumbering the Property.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS ARTICLE, THIS ARTICLE SHALL NOT APPLY TO DECLARANT'S ACTIVITIES OR TO THE

ASSOCIATION'S ACTIVITIES WITHIN OR OUTSIDE OF THE COMMUNITY UNTIL TEN (10) YEARS FOLLOWING THE EXPIRATION OR EARLIER TERMINATION OF THE DECLARANT ANNEXATION PERIOD AND THE DECLARANT CONTROL PERIOD, UNLESS EARLIER EXPRESSLY TERMINATED OR SURRENDERED BY WRITTEN INSTRUMENT EXECUTED AND RECORDED BY DECLARANT.

5.2 Architectural Review.

(a) By Declarant. Each Owner, by accepting a deed or other instrument conveying any Unit, acknowledges that, as the developer and owner of real estate in the vicinity of and within The Reserve at Mill Creek, Declarant has a substantial interest in ensuring that improvements within the Community enhance Declarant's reputation and do not impair Declarant's ability to market, sell, or lease its property. Therefore, each Owner agrees that he or she shall not commence any activity within the scope of this Article on his or her Unit unless and until Declarant or its designee has given its prior written approval for such activity, which approval may be granted or withheld in Declarant's or its designee's sole discretion.

In reviewing and acting upon any request for approval, Declarant, or its designee, shall act solely in Declarant's interest and shall owe no duty to any other Person. Declarant's rights reserved under this Article shall continue during the Declarant Annexation Period, unless earlier terminated in a written instrument executed and Recorded by Declarant.

Declarant may, in its sole discretion, designate one or more Persons from time to time to act on its behalf in reviewing applications hereunder. Declarant may from time to time, but shall not be obligated to, delegate all or a portion of its reserved rights under this Article to any other Person or committee. Any such delegation shall be in writing, specifying the scope of responsibilities delegated, and shall be subject to (i) Declarant's right to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated; and (ii) Declarant's right to veto any decision which Declarant determines, in its sole discretion, to be inappropriate or inadvisable for any reason. So long as Declarant has any rights under this Article, the jurisdiction of any other Person or committee shall be limited to such matters as are specifically delegated to it by Declarant.

(b) Architectural Review Committee. Upon delegation by Declarant or upon expiration or termination of Declarant's rights under this Article, the Association, acting through an architectural review committee appointed by the Board ("ARC"), shall assume jurisdiction over architectural matters. The ARC shall consist of three (3) or five (5) Persons, but shall remain an odd number, each of whom shall serve and may be removed and replaced in the Board's discretion. Except with respect to members of the ARC appointed by Declarant during the Declarant Control Period, (i) the members of the ARC must be Owners, and (ii) no two persons being co-Owners of any one Unit may serve on the ARC at the same time. In the case of a Member which is not an individual, any officer, director, partner, member or manager of a limited liability company, or trust officer of such Member shall be eligible to serve as a member of the ARC, unless a written notice to the Association signed by such Member specifies otherwise; however, no Member may have more than one such representative on the ARC at any one time, except in the case of ARC members appointed by Declarant. Owners not in good

standing with the Association and whose dues, Assessments and fines are not paid current are not allowed to serve as a member of the ARC.

Unless and until such time as Declarant delegates all or a portion of its reserved rights to the Association or Declarant's rights under this Article terminate, the Association shall have no jurisdiction over architectural matters.

(c) Reviewer. For purposes of this Article, the entity having jurisdiction in a particular case shall be referred to as the "Reviewer."

(d) Fees; Assistance. The Reviewer may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers, or other professionals.

5.3 Guidelines and Procedures.

(a) Architectural Guidelines. Declarant may prepare Architectural Guidelines applicable to Units which may contain general provisions applicable to all Units as well as specific provisions which vary among the Units according to location, Neighborhood, use, or other factors. The Architectural Guidelines are intended to provide guidance to Owners regarding matters of particular concern to the Reviewer in considering applications hereunder. The Architectural Guidelines are not the exclusive basis for the Reviewer's decisions, and compliance with the Architectural Guidelines does not guarantee approval of any application. Further, the Architectural Guidelines may be more restrictive than guidelines followed by Beaufort County or as set forth in the International Builder's Code.

Declarant shall have sole and full authority to amend the Architectural Guidelines during the Declarant Annexation Period, notwithstanding a delegation of reviewing authority, unless Declarant also delegates the power to amend. Upon termination or delegation of Declarant's right to amend, the ARC shall have the authority to amend the Architectural Guidelines with the Board's consent. Any amendments to the Architectural Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Architectural Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Architectural Guidelines less restrictive.

The Association shall maintain a copy of the Architectural Guidelines, as they may exist from time to time, and shall make them available to Owners for inspection and copying upon reasonable notice during the Association's business hours. In Declarant's discretion, such Architectural Guidelines may be Recorded, in which event the Recorded version, as it may be amended, shall control in the event of any dispute as to which version of the Architectural Guidelines was in effect at any particular time.

(b) Procedures. Except as the Architectural Guidelines otherwise specifically provide, no activity described in Section 5.1 shall commence on any Unit until an application for

approval has been submitted to and approved by the Reviewer. Such application shall include plans and specifications showing site layout, approved plot plan, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation, and other features of proposed construction, as applicable. The Architectural Guidelines and the Reviewer may require the submission of such additional information as deemed necessary to consider any application.

In reviewing each submission, the Reviewer may consider any factors it deems relevant, including, without limitation, harmony of external design with surrounding structures and environment. Decisions may be based solely on aesthetic considerations. Each Owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability or attractiveness of particular improvements. Subject to Declarant's veto power described below, the Reviewer shall have the sole discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment. Such determinations shall not be subject to review so long as they are made in good faith and in accordance with the procedures described in this Article.

The Reviewer shall make a determination on each application within sixty (60) days after receipt of a completed application and all required information. The Reviewer may (i) approve the application, with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the application; or (iv) request further or additional information. The Reviewer may, but shall not be obligated to, specify the reasons for any objections or offer suggestions for curing any objections.

Until expiration of Declarant's rights under this Article, the ARC shall notify Declarant in writing within three (3) business days after the ARC has approved an application. The notice shall be accompanied by a copy of the application and any additional information which Declarant may require. Declarant shall have ten (10) days after receipt of such notice to veto any such action, in its sole discretion, by written notice to the ARC and the applicant.

In any event, the Reviewer shall notify the applicant in writing of a final determination within sixty (60) days after its receipt of a completed application and all required information. In the event that the Reviewer fails to respond within such sixty (60) day period, applicant shall be required to serve notice upon Reviewer that the final determination has not been issued. In such case, Reviewer shall have ten (10) days from Reviewer's receipt of such notice to notify applicant of a final determination regarding the application. In the event that the Reviewer fails to respond within such ten (10) day period, approval shall be deemed to be given, subject to Declarant's veto right. However, no approval, whether expressly granted or deemed granted pursuant to the foregoing, shall be inconsistent with the Architectural Guidelines unless the Reviewer has granted a variance pursuant to Section 5.5.

Notice shall be deemed to have been given at the time the envelope containing the response is deposited with the U.S. Postal Service or sent via email to the email address provided by the owner. Personal delivery of such written notice shall, however, be sufficient and shall be deemed to have been given at the time of delivery to the applicant.

If construction does not commence on a project for which plans have been approved within six (6) months after the date of approval, such approval shall be deemed withdrawn, and it shall be necessary for the Owner to reapply for approval before commencing construction of any proposed improvements. Once construction is commenced, it shall be diligently pursued to completion. All work shall be completed within one year of commencement unless otherwise specified in the notice of approval or unless the Reviewer grants an extension in writing, which it shall not be obligated to do. If approved work is not completed within the required time, it shall be considered nonconforming and shall be subject to enforcement action by the Association, Declarant, or any aggrieved Owner. The provisions of this paragraph shall not apply to the Declarant during the Declarant Control Period.

The Reviewer may by resolution exempt certain activities from the application and approval requirements of this Article, provided such activities are undertaken in strict compliance with the requirements of such resolution.

5.4. No Waiver of Future Approvals.

Each Owner acknowledges that the Persons reviewing applications under this Article will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Architectural Guidelines, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features until work is completed, in which case it may be unreasonable to require changes to the improvements involved, but the Reviewer may refuse to approve similar proposals in the future. Approval of applications or plans, or in connection with any other matter requiring approval, shall not constitute a binding precedent in any other matter or waiver of the right to withhold approval as to any similar applications, plans, or other matters subsequently or additionally submitted for approval.

5.5. Variances.

The Reviewer may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. No variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) estop the Reviewer from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

5.6. Limitation of Liability.

The standards and procedures this Article establishes are intended as a mechanism for maintaining and enhancing the overall aesthetics of the Community; they do not create any duty to any Person. Review and approval of any application pursuant to this Article may be based on aesthetic considerations only. The Reviewer shall not bear any responsibility for ensuring (a) the structural integrity or soundness of approved construction or modifications; (b) compliance with

building codes and other governmental requirements; (c) that Units are of comparable quality, value, size, or of similar design, aesthetically pleasing, or otherwise acceptable to neighboring property owners; (d) that views from any other Units or the Area of Common Responsibility are protected; or (e) that no defects exist in approved construction.

Declarant, the Association, the Board, any committee, or any member of any of the foregoing shall not be held liable for soil conditions, drainage, or other general site work; any defects in plans revised or approved hereunder; any loss or damage arising out of the actions, inaction, integrity, financial condition, or quality of work of any contractor or its subcontractors, employees, or agents; or any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Unit. In all matters, the Association shall defend and indemnify the Board, the ARC, and any members thereof as provided in Article VIII.

5.7. Certificate of Compliance.

Any Owner may request that the Reviewer issue a certificate of architectural compliance certifying that such Owner's Unit has no known violations of this Article or the Architectural Guidelines. The Association shall either grant or deny such request within thirty (30) days after receipt of a complete written request and may charge a reasonable administrative fee for issuing such certificates. Issuance of such a certificate shall estop the Association from taking enforcement action with respect to any condition as to which the Association had notice as of the date of such certificate.

5.8. View Impairment.

Neither Declarant nor the Association guarantee or represent that any view over and across any portion of the Community or any adjacent property will be preserved without impairment. Any additions or changes, whether occurring in the course of developing or maintaining the Community, may diminish or obstruct any view from Units and any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

Article VI Maintenance and Repair

6.1. Maintenance of Units.

The maintenance of all Units shall be done in accordance with the Governing Documents applicable to such Unit. Each Owner shall maintain his or her Unit and all landscaping, irrigation systems, and other improvements comprising the Unit in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants unless the Association assumes such maintenance responsibility pursuant to any Supplemental Declaration or other declaration of covenants applicable to such Unit.

Except as may be provided in a Supplemental Declaration, each Owner shall also be responsible for maintaining and irrigating the landscaping within that portion of any adjacent

Common Area or public right-of-way lying between the Unit boundary and any wall, fence, or curb located on the Common Area or right-of-way within 10 feet of the Unit boundary; however, there shall be no right to remove trees, shrubs, or similar vegetation from this area without prior approval pursuant to Article V.

6.2. Responsibility for Repair and Replacement.

Unless the Governing Documents or other instruments creating and assigning maintenance responsibility specifically provide otherwise, responsibility for maintenance shall include responsibility for repair and replacement as necessary to maintain the property to a level consistent with the Community-Wide Standard.

By virtue of taking title to a Unit, each Owner covenants and agrees with all other Owners and with the Association to carry property insurance for the full replacement cost of all insurable improvements on his or her Unit, less a reasonable deductible. If the Association assumes responsibility for obtaining any insurance coverage on behalf of Owners (but nothing herein shall be deemed to impose or imply any obligation upon the Association to obtain such insurance coverage), the premiums for such insurance shall be levied as a Specific Assessment against the benefited Unit and the Owner pursuant to Section 9.3.

Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his Unit, the Owner shall proceed promptly to repair or to reconstruct such structures in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article V. Alternatively, the Owner shall clear the damaged portions of the Unit and maintain the Unit in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. The Owner shall pay any costs which are not covered by insurance proceeds.

Article VII The Association and its Members

7.1. Function of Association.

The Association is the entity responsible for management, maintenance, operation, and control of the Area of Common Responsibility. The Association also is the primary entity responsible for enforcing the Governing Documents. The Association shall perform its functions in accordance with the Governing Documents and South Carolina law.

7.2. Board of Directors.

The Board shall govern the Association as more particularly described in the Bylaws. Except as to matters specifically requiring Members' approval as set forth in the Governing Documents, the Board may exercise all rights and powers granted to the Association without membership approval.

7.3. Membership.

(a) Qualification. Every Owner, including Declarant, shall be a Member of the Association. There shall be only one membership per Unit. If a Unit is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 7.3(b) and in the Bylaws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners under this Declaration and the Governing Documents. The membership rights of an Owner that is not an individual may be exercised by any officer, director, partner, member, manager of a limited liability company, or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

(b) Voting Rights. Voting rights of the Members shall be appurtenant to the ownership of the Units. There shall be two classes of Members with respect to voting which are as follows:

(i) Class A Members. Class A Members shall be all Owners, except the Class B Member. As to all matters with respect to which Members are given the right to vote under the Governing Documents, each Member shall be entitled to one vote for each Unit he or she owns. No vote shall be exercised for any property that is exempt from assessment under Section 9.10. When more than one (1) person holds such interest or interests in any Unit, the entire vote attributable to such Unit shall be exercised by one (1) individual who is duly authorized in writing by all of the Owners of that Unit. In no event shall more than one (1) vote or a partial vote be cast with respect to any such Unit. When more than one person holds such an interest or interests in a Unit, it shall be the responsibility of those Owners to provide the Declarant or the Association with written notification, with the signatures of all of those persons owning an interest in the Unit affixed, of the name and mailing address of that person authorized to receive notification from the Association and to cast said vote. Absent such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it. Owners not in good standing with the Association and whose dues, Assessments and any fines are not paid current are not allowed to maintain voting rights. At the time a subdivision plat is Recorded in the records of the County for any of the real property described in Exhibit "A", or any other real property which is made subject to this Declaration pursuant to Section 10.1 hereof, the Owner of the Units shown on such plat(s) shall have voting rights under this subsection of all Units shown on such plat(s) which are owned by such Owner. Class "A" Membership shall be mandatory for all Owners except the Declarant and may not be separated from ownership of any Unit

(ii) Class B Member. The sole Class B Member shall be the Declarant. At the time a subdivision plat is Recorded in the records of the County for any of the real property described in Exhibit "A", or any other real property which is made subject to this Declaration pursuant to Section 10.1 hereof, Declarant shall have voting rights under this section of all Units shown on such plat(s) which are owned by Declarant. As to all matters with respect to which Members are given the right to vote under the Governing Documents, the Declarant shall be entitled to ten (10) votes per Unit owned and, in addition, shall be entitled to appoint the members of the Board until termination of the Class B Membership. Class "B" Membership shall end and Class "C" Membership shall automatically begin when:

(A) both (1) one hundred percent (100%) of the Units permitted by the Master Plan have certificates of occupancy issued thereon and have been conveyed to

Owners other than Builders holding title for purposes of development and sale, and (2) Declarant no longer owns any portion of the Property; or

(B) A date selected by Declarant as evidenced by a Recorded instrument wherein Declarant voluntarily relinquishes its Class "B" Membership, but not later than twenty-five (25) years after the Recording of this Declaration.

Notwithstanding the foregoing terms of Section 7.3(b)(ii)(A) and 7.3(b)(ii)(B) Declarant reserves the right to reinstate the Class "B" Membership upon reacquiring of any portion of the Property or annexation of additional land to the Property as set out in Section 10.1 hereof. In addition to any and all rights granted to it in this Declaration, the Declarant shall enjoy all of the rights granted to the Class "C" Member.

(iii) Class C Member. Upon termination of the Class B Membership, the Declarant shall simultaneously become the sole Class C Member. The Class "C" Member shall have no voting rights and no assessment obligations. The Class "C" Member shall enjoy certain limited rights under this Declaration, the By-Laws, and the Regulations, including without limitation the right to: (i) obtain access to, and electronic and/or paper copies of, Association's books and records, including financial and membership data; (ii) exercise the Declarant's enforcement powers pursuant to Section 16.1 of this Declaration; and (iii) call Special Meetings of the Association on any topic or issue it sees fit in its sole discretion, although the Class "C" Member would not be entitled to vote at said meeting. Class "C" Membership shall continue after the termination of the Class "B" Membership and shall only terminate at the voluntary discretion of the Declarant, although there is no requirement that it be terminated.

(c) Transfer of Membership. Membership in the Association is appurtenant to Unit ownership (within the respective Neighborhood in which any such Unit is located, if applicable) and shall not be assigned, transferred, pledged, hypothecated, conveyed, or alienated in any way except upon a transfer of title to such Unit, and then only to the transferee. Any prohibited transfer of an Association membership shall be void and of no force or effect. Any transfer of title or interest to a Unit shall operate automatically to transfer the appurtenant membership rights in the Association to the new Owner. Prior to any transfer of title to such a Unit, the transferring Owner shall give seven (7) days prior written notice to the Board of such transfer, which shall include the name and address of the acquiring Owner and the date of transfer.

Article VIII Association Powers and Responsibilities

8.1. Acceptance and Control of Association Property.

(a) The Association may acquire, hold, and dispose of tangible and intangible personal property and real property, subject to the provisions of this Declaration. Declarant shall transfer, or cause to be transferred, the initial Common Area to the Association prior to the termination of the Declarant Annexation Period.

(b) Declarant and its designees may convey, or cause to be conveyed, to the Association, the Master Association or the Cypress Ridge Master Association personal property and fee title, leasehold, or other property interests in any portion of the Property, improved or

unimproved. The Association shall accept and maintain such property at its expense for the Members' benefit, subject to any restrictions set forth in the deed or other instrument transferring such property to the Association. Upon Declarant's written request, the Association shall reconvey to Declarant any unimproved portions of the Property originally conveyed to the Association for no consideration, to the extent conveyed by Declarant in error or needed by Declarant to make adjustments in property lines.

(c) The Association shall be responsible for management, operation, and control of the Common Area, subject to any covenants and restrictions set forth in the deed or other instrument transferring such property to the Association. The Board may adopt such reasonable rules regulating use of the Common Area as it deems appropriate.

8.2. Maintenance of Area of Common Responsibility.

The Association shall maintain, in accordance with the Community-Wide Standard, the Area of Common Responsibility, which shall include, but need not be limited to:

(a) all portions of and structures situated on the Common Area, including but not limited to the private streets serving the Community and entrance gate, if any;

(b) landscaping within public rights-of-way within or abutting the Community;

(c) such portions of any additional property included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, or any contract, covenant, or agreement for maintenance thereof entered into by, or for the benefit of, the Association;

(d) all lakes, ponds, streams, or wetlands located within the Community which serve as part of the stormwater drainage system, and improvements and equipment installed therein or used in connection therewith;

(e) any part of the irrigation system for the Community, if any, installed by or at the direction of Declarant and located on the Property and all improvements and equipment used in connection therewith, including irrigation ditches, head gates, and siphons;

(f) any Community Systems installed in Units by or at the direction of Declarant and located within the Community;

(g) any property and facilities owned by Declarant and made available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members, such property and facilities to be identified by written notice from Declarant to the Association and to remain a part of the Area of Common Responsibility and be maintained by the Association until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association; and

(h) The Association may maintain other property it does not own, including, without

limitation, publicly-owned property, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

Neither Declarant nor the Association guarantees, nor shall either bear any responsibility for ensuring, that drainage will flow off the Area of Common Responsibility on the intended drainage course.

The Association shall not be liable for any damage or injury occurring on, or arising out of the condition of, any property it does not own, except to the extent that such damage or injury is a direct result of the Association's gross negligence in the performance of maintenance responsibilities as specifically required by this Declaration.

The Association shall maintain the facilities and equipment within the Area of Common Responsibility in continuous operation, except for any periods necessary, as determined in the Board's sole discretion, to perform required maintenance or repairs, unless Members representing at least sixty-seven percent (67%) of the total votes in the Association and, during Declarant Annexation Period, Declarant agree in writing to discontinue such operation.

Except as provided above, the Area of Common Responsibility shall not be reduced by amendment of this Declaration or any other means except with Declarant's prior written approval during Declaration Annexation Period.

The costs associated with maintenance, repair, and replacement of the Area of Common Responsibility shall be a Common Expense or a Neighborhood Expense; provided, the Association may seek reimbursement from the Owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, other Recorded covenants, or agreements with the Owner(s) thereof.

8.3. Insurance.

(a) Required Coverages. The Association shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:

(i) blanket property insurance for all insurable improvements on the Common Area and within the Area of Common Responsibility to the extent that the Association has assumed responsibility in the event of a casualty, regardless of ownership. All property insurance policies the Association obtains shall have policy limits sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes.

The Association shall be deemed trustee of all Members' interests in all insurance proceeds paid to the Association under any such policies and shall have full power to receive and to deal with such proceeds. The insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried, except as otherwise provided in this Section;

(ii) commercial general liability insurance on the Area of Common Responsibility. Coverage shall include, without limitation, liability for personal injuries and activities in connection with the ownership, operation, maintenance, and other use of the Area of Common Responsibility. The Board shall use its business judgment in deciding upon per occurrence limits for such coverage and shall consider any applicable secondary mortgage guidelines relating to such coverage.

The liability insurance shall name, as separately protected insureds, Declarant, any community manager, the Association, the Board, the ARC, and their respective representatives, members, agents, and employees with respect to any liability arising out of the maintenance or use of the Area of Common Responsibility;

(iii) workers' compensation insurance and employers' liability insurance, if and to the extent required by law;

(iv) directors' and officers' liability coverage (except that, during the Declarant Control Period, such coverage may be excluded if provided through other policies of insurance maintained by Declarant);

(v) commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's business judgment but not less than an amount equal to one-quarter of the annual Base Assessments on all Units plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

(vi) such additional insurance as the Board, in its business judgment, determines advisable.

Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses unless the Board reasonably determines that other treatment of the premiums is more appropriate. The Association shall include such premiums in the Assessments it levies. The Board shall review the limits of all Association insurance policies at least once a year and shall adjust the policy limits as the Board deems necessary or appropriate.

(b) Policy Requirements. The Association shall arrange for a periodic review of the sufficiency of its insurance coverage by one or more qualified Persons, at least one of whom must be familiar with replacement costs in the Beaufort County area. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member insured.

The policies may contain a reasonable deductible. In the event of an insured loss, the deductible shall be treated as a Common Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the Bylaws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Units as

a Specific Assessment pursuant to Section 9.3.

The Board shall use reasonable efforts to secure insurance coverage which shall:

(i) be written with a company authorized to do business in South Carolina which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate and carries a Best rating of AA or better;

(ii) be written in the name of the Association as trustee for the benefited parties. Policies on the Common Areas shall be for the benefit of the Association and its Members;

(iii) not be brought into contribution with insurance purchased by Owners, occupants, or their Mortgagees individually;

(iv) contain an inflation guard endorsement;

(v) include an agreed amount endorsement, if the policy contains a co-insurance clause;

(vi) provide that each Owner is an insured person under the policy with respect to liability arising out of such Owner's membership in the Association or interest in the Common Area as a Member in the Association (provided, this provision shall not be construed as giving an Owner any interest in the Common Area other than that of a Member);

(vii) include an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer conditioning recovery on account of an act or omission of any one or more Owners, or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure; and

(viii) include an endorsement precluding the insurer from denying a claim by an Owner or conditioning recovery under the policy based upon or due to the negligent acts or omissions of the Association or any other Owner.

(c) In addition, the Board shall use reasonable efforts to secure insurance policies which list the Owners (as a class) as additional insureds for claims arising in connection with the ownership, existence, use, or management of the Common Area and provide:

(i) a waiver of subrogation as to any claims against the Association's board of directors, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests;

(ii) a waiver of the insurer's rights to repair and reconstruct instead of paying cash; and

(iii) an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal.

8.4. Repair and Reconstruction of Association Property.

The Association shall have the authority and the duty to repair or reconstruct Common Area or other property which the Association is obligated to insure ("Insured Property") that is damaged or destroyed unless such repair or reconstruction would be illegal under any state or local ordinance governing health or safety, or Members representing at least sixty-seven percent (67%) of the total vote of the Association vote not to repair or reconstruct.

Except as otherwise provided in this Section, the Board diligently shall pursue to completion the repair or reconstruction of that part of the Insured Property damaged or destroyed. The Association may take all necessary or appropriate action to effect such repair or reconstruction. Such repair or reconstruction shall be in accordance with the original plans and specifications unless other plans are approved by a majority vote of Board and the Reviewer pursuant to Article V.

The proceeds of any insurance collected shall be available to the Association for the purpose of repair or reconstruction of Insured Property. If the proceeds of insurance are insufficient to pay the estimated or actual cost of such repair or reconstruction, then the Board, pursuant to Section 9.2, may levy in advance a Special Assessment sufficient to provide funds to pay such estimated or actual costs of repair or reconstruction. Such assessment shall be allocated and collected as provided in Article IX. Further levies may be made in like manner if the amounts collected prove insufficient to complete the repair or reconstruction. The insurance proceeds held by the Association and the amounts received from the Assessments provided for in Article IX constitute a fund for the payment for costs of repair or reconstruction after casualty. If a balance exists after payment of all costs of such repair or reconstruction, such balance shall be distributed to the Owners of the Units in proportion to the contributions made by each Owner to the Association.

If a decision is made not to restore the damaged improvements and no alternative improvements are authorized, the Association shall clear the affected property of all debris and ruins and thereafter shall maintain such improvements in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. The cost of removal and landscaping shall be paid for with insurance proceeds. The Association shall retain the remaining proceeds in its general or other funds or shall allocate or distribute such funds as the Board determines appropriate, provided any such distribution of insurance proceeds shall be proportionate to the Members' interests.

8.5. Compliance and Enforcement.

(a) Every Owner and occupant of a Unit shall comply with the Governing Documents. The Board may impose sanctions for violating the Governing Documents after notice and an opportunity for a hearing in accordance with the procedures set forth in the Bylaws. Such sanctions may include, without limitation:

(i) imposing reasonable monetary fines which shall constitute a lien upon the violator's Unit;

(ii) suspending a Member's right to vote;

(iii) suspending any services the Association provides to an Owner or the Owner's Unit if the Owner is more than thirty (30) days delinquent in paying any assessment or other charge owed to the Association;

(iv) exercising self-help or taking action to abate any violation of the Governing Documents in a non-emergency situation;

(v) requiring an Owner, at its own expense, to remove any structure or improvement on such Owner's Unit that violates Article V and to restore the Unit to its previous condition and, upon the Owner's failure to do so, the Board or its designee shall have the right to enter the Unit, remove the violation, restore the Unit to substantially the same condition as previously existed, and levy a Specific Assessment against the Owner's Unit in accordance with Section 9.3. Any such action shall not be deemed a trespass;

(vi) without liability to any Person, precluding any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of Article V and the Architectural Guidelines from continuing or performing any further activities in the Community; and

(vii) levying a Specific Assessment against an Owner in the manner provided in Section 9.3 to collect any costs the Association incurs in curing any violation, plus a reasonable administrative fee to discourage noncompliance, or to collect any fine that remains unpaid for a period of ten (10) days or more.

In addition, the Board may take the following enforcement procedures to ensure compliance with the Governing Documents without the necessity of complying with the procedures set forth in the Bylaws:

(i) exercising self-help in any emergency situation (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations); and

(ii) bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both.

In addition to any other enforcement rights, if an Owner fails to perform his or her maintenance responsibility properly, the Association may Record a notice of violation or perform such maintenance responsibilities and assess all costs the Association incurs against the Unit and the Owner as a Specific Assessment pursuant to Section 9.3. Except in an emergency situation, the Association shall provide the Owner reasonable notice and an opportunity to cure the problem prior to taking such enforcement action.

All remedies set forth in the Governing Documents shall be cumulative of any remedies available at law or in equity. In any action to enforce the Governing Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorneys' fees and court costs, reasonably incurred in such action.

(b) The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing sentence, the Board may determine that, under the circumstances of a particular case:

(i) the Association's position is not strong enough to justify taking any or further action;

(ii) the covenant, restriction, or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;

(iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or

(iv) that it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

Such a decision shall not be construed a waiver of the Association's right to enforce such provision at a later time under other circumstances or preclude the Association from enforcing any other covenant, restriction, or rule.

The Association, by contract or other agreement, may enforce applicable county ordinances, and Beaufort County may enforce its ordinances within the Community.

8.6. Implied Rights; Board Authority.

The Association may exercise any right or privilege given to it expressly by the Governing Documents or reasonably implied from or reasonably necessary to effectuate any such right or privilege.

The Board may institute, defend, settle, or intervene on the Association's behalf in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Area of Common Responsibility, enforcement of the Governing Documents, or any other civil claim or action. However, the Governing Documents shall not be construed as creating any independent legal duty to institute litigation on behalf of or in the name of the Association or its Members.

In exercising the Association's rights and powers, making decisions on the Association's behalf, and conducting the Association's affairs, Board members shall be subject to, and their

actions shall be judged in accordance with, the standards set forth in the Bylaws and South Carolina law.

8.7. Indemnification of Officers, Directors, and Others.

Subject to South Carolina law, the Association shall indemnify every officer, director, and ARC member against all damages and expenses, including attorneys' fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or ARC member, except that such obligation to indemnify shall be limited to those actions for which liability is limited under this Section.

The officers, directors, and ARC members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors may also be Members). The Association shall indemnify and forever hold each such officer, director, and ARC member harmless from any and all liability to others on account of any such contract, commitment, or action. This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or ARC member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

Decisions whether to institute litigation are no different from other decisions directors make. There is no independent legal obligation to bring a civil action against another party. In deciding whether to bring a civil action against another party, a director is protected by the business judgment rule under South Carolina law.

8.8. Security.

The Association may, but shall not be obligated to, maintain or support certain activities, structures, or devices within the Community designed to make the Community safer than it otherwise might be. Neither the Association nor Declarant shall in any way be considered insurers or guarantors of security within the Community, nor shall either be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

Each Owner acknowledges, understands, and covenants to inform his or her guests, lessees, invitees and all occupants of his or her Unit that the Association, its Board and committees, and Declarant are not insurers of safety within The Reserve at Mill Creek and that each Person using property located within The Reserve at Mill Creek assumes all risks of personal injury and loss or damage to property, including Units and the contents of Units, resulting from acts of third parties.

8.9. Provision of Services.

The Association may provide for services and facilities for the Members, their guests, lessees, and invitees, and shall be authorized to enter into and terminate contracts or agreements with other entities, including Declarant, to provide such services and facilities. The Board may charge use and consumption fees for such services and facilities. By way of example, some services and facilities which might be offered include landscape maintenance, , cable television service, security, caretaker services, and transportation, fire protection, and garbage collection, utilities, including access to fiber optics networks, and similar services and facilities. Nothing herein shall be construed as a representation by Declarant or the Association as to what, if any, services shall be provided. In addition, the Board, in its discretion, shall be permitted to modify or cancel existing services provided unless otherwise required by the Governing Documents. No Owner shall be exempt from the obligation to pay for such services, if provided to all Owners as a Common Expense, based upon non-use or any other reason.

8.10. Relations with Other Properties.

The Association may enter into contractual agreements or covenants to share costs with any neighboring property or other homeowners or property owners association to address issues of an area-wide concern. Examples of issues which may be addressed include, but are not limited to, road and right-of-way maintenance, drainage issues, open space, amenities and to contribute funds for, among other things, shared or mutually beneficial property or services for a higher level of Area of Common Responsibility maintenance.

Article IX Association Finances

9.1. Base Assessments; Allocation of Common Expenses and Budgeting.

Until the Association first levies Assessments, Declarant shall be responsible for all Common Expenses. Thereafter, Assessments for Common Expenses shall be levied at least annually in accordance with this Article.

At least thirty (30) days before the beginning of each fiscal year, the Board shall prepare and approve a budget of the estimated Common Expenses for the coming year. The budget shall include any contributions to be made to a reserve fund for repair and replacement of capital assets, based on a separate reserve budget which takes into account the number and nature of replaceable assets, the expected life of each asset, and each asset's expected repair or replacement cost. The budget shall reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than Assessments levied against the Units, and the amount to be generated through the levy of Base Assessments and Special Assessments against the Units, as authorized in Section 9.5.

The Association is hereby authorized to levy Base Assessments equally against all Units subject to assessment under Section 9.5 to fund the Common Expenses. In determining the Base Assessment rate per Unit, the Board may consider any assessment income expected to be generated from any additional Units reasonably anticipated to become subject to assessment

during the fiscal year.

Declarant may, but shall not be obligated to, reduce the Base Assessment for any fiscal year by paying any deficit between the Common Expenses and Association funds collected pursuant to the current year's budget, or any portion of any such deficit (in addition to any amounts paid by Declarant under Section 9.7), which may be a contribution, an advance against future Assessments due from Declarant, or a loan, as may be determined by Declarant in its sole and exclusive discretion. Any such deficit payment shall be disclosed as a line item in the income portion of the budget. Payment of such deficit, or portion thereof, in any year shall not obligate Declarant to continue payment of such deficit in future years, unless otherwise provided in a written agreement between the Association and Declarant.

9.2. Special Assessments.

In addition to other authorized Assessments, the Association may levy Special Assessments to cover unbudgeted expenses or expenses in excess of those budgeted. Any such Special Assessment may be levied against the entire membership. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of a majority of the Board and the consent of Declarant during the Declarant Control Period. Special Assessments shall be payable in such manner and at such times as determined by the Board and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

9.3. Specific Assessments.

The Association acting by and through its Board shall have the power to levy Specific Assessments against a particular Unit as follows:

(a) to cover the costs, including overhead and administrative costs, of providing services to Units upon request of an Owner pursuant to any menu of special services which the Association may offer (which might include items identified in Section 8.9). The Association may levy Specific Assessments for special services in advance of the provision of the requested service; and

(b) to cover costs incurred in bringing the Unit into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of the Owner or occupants of the Unit, their agents, contractors, employees, licensees, invitees, or guests; provided, the Board shall give the Unit Owner prior written notice and an opportunity for a hearing, in accordance with the Bylaws, before levying any Specific Assessment under this subsection (b).

9.4. Neighborhood Assessments.

The Association may levy Assessments against the property in a particular Neighborhood to fund actual and estimated expenses, including adequate reserves, incurred by the Association for the primary benefit of property within such Neighborhood. Neighborhood Assessments shall be levied as specifically budgeted from time to time by the Board of Directors for expense items

such as maintenance, garbage collection, insurance, or special services. In addition, the Board shall levy a Neighborhood Assessment upon the request of the Owners holding at least sixty-seven percent (67%) of the total association vote applicable to Units within a Neighborhood.

9.5. Authority To Assess Owners; Time of Payment.

Declarant hereby establishes and the Association is hereby authorized to levy Assessments as provided for in this Article and elsewhere in the Governing Documents. The obligation to pay Assessments shall commence as to each Unit on the day of the sale of a Unit to an owner other than Declarant, and shall be prorated at the closing. The first annual Base Assessment levied on each Unit shall be adjusted according to the number of days remaining in the fiscal year at the time Assessments commence on the Unit, with the full amount of prorated Base Assessment owing for the remainder of the fiscal year to be collected at the closing.

Assessments shall be paid in such manner and on such dates as the Board may establish. The Board may require advance payment of Assessments at closing of the transfer of title to a Unit and impose special requirements for Owners with a history of delinquent payment. If the Board so elects, Assessments may be paid in annual, semi-annual, quarterly or monthly installments. Unless the Board provides otherwise, the Base Assessment shall be due and payable in advance on the first day of each fiscal year. If any Owner is delinquent in paying any Assessments or other charges levied on his Unit, the Board may require the outstanding balance on all Assessments to be paid in full immediately.

9.6. Personal Obligation for Assessments.

Each Owner, by accepting a deed or entering into a Recorded contract of sale for any portion of the Community, covenants and agrees to pay all Assessments authorized in the Governing Documents. All Assessments, together with interest (computed from its due date at a rate of ten percent (10%) per annum or such higher rate as the Board may establish, subject to the limitations of South Carolina law), late charges as determined by Board resolution, costs, and reasonable attorneys' fees, shall be each Owner's personal obligation and a lien upon each Unit until paid in full. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any Assessments and other charges due at the time of conveyance.

The Board's failure to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay Assessments. In such event, each Owner shall continue to pay Base Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls in collections.

No Owner may exempt himself from liability for Assessments by non-use of Area of Common Responsibility, abandonment of his or her Unit, or any other means. The obligation to pay Assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of Assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it,

or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

9.7. Budget Deficits During Declarant Control.

During the Declarant Control Period, Declarant may (but shall not be required to):

(a) Advance funds to the Association sufficient to satisfy the deficit, if any, between the Association's actual operating expenses and the sum of the Base, Special, Neighborhood, and Specific Assessments collected by the Association in any fiscal year. Such advances shall, upon request of Declarant, be evidenced by promissory notes from the Association in favor of Declarant. Declarant's failure to obtain a promissory note shall not invalidate the debt;

(b) Cause the Association to borrow any amount from a third party at the then prevailing rates for such a loan in the local area of the Community. Declarant, in its sole discretion, may guarantee repayment of such loan, if required by the lending institution, but no Mortgage secured by the Common Area or any of the improvements maintained by the Association shall be given in connection with such loan; or

(c) Acquire property for, or provide services to, the Association or the Area of Common Responsibility. Declarant shall designate the value of the property or the services provided, and such amounts, at Declarant's request, shall be evidenced by a promissory note. Failure to obtain a promissory note shall not invalidate the obligation referred to in this Section.

9.8. Statement of Account.

Upon written request of any Member, Mortgagee, prospective Mortgagee, or prospective purchaser of a Unit, the Association shall issue a written statement setting forth the amount of the unpaid Assessments, if any, with respect to such Unit, the amount of the current periodic assessment and the date on which such assessment becomes or became due, and any credit for advanced payments or prepaid items. Such statement shall be delivered to the requesting Person personally or fax or by email or USPS. The Association may require the payment of a reasonable processing fee for issuance of such statement.

Such statement shall bind the Association in favor of Persons who rely upon it in good faith. Provided such request is made in writing, if the request for a statement of account is not processed within 14 days of receipt of the request, all unpaid Assessments that became due before the date of making such request shall be subordinate to the lien of a Mortgagee that acquired its interest after requesting such statement.

9.9. Lien for Assessments.

Subject to the limitations of any other applicable provisions of South Carolina law, the Association shall have a statutory lien against each Unit to secure payment of delinquent Assessments, as well as interest, late charges, and costs of collection (including attorneys' fees). Such lien shall be perfected upon the Recordation of this Declaration.

Such lien shall be superior to all other liens, except (a) the liens of all taxes, bonds, Assessments, and other levies which by law would be superior; (b) the lien or charge of any Recorded First Mortgage made in good faith and for value; and (c) labor or mechanic's liens, to the extent required by law.

Such lien, when delinquent, may be enforced in the same manner as provided for the foreclosure of Mortgages under South Carolina law. All such costs and expenses of any such foreclosure shall be secured by the lien being foreclosed.

The Association may bid for the Unit, as applicable, at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Unit. While a Unit is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Unit shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged to the foreclosed Unit had the Association not acquired it. The Association may sue for unpaid Assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same.

The sale or transfer of any Unit shall not affect the assessment lien or relieve such Unit from the lien for any subsequent Assessments. However, the sale or transfer of any Unit pursuant to foreclosure of the First Mortgage shall extinguish the lien as to any installments of such Assessments due prior to the Mortgagee's foreclosure, except as otherwise provided in this Section. Uncollected Assessments shall be deemed Common Expenses collectible from Owners of all Units subject to assessment under Section 9.5, including such acquirer, its successors, and assigns. The subsequent Owner of the foreclosed Unit shall not be personally liable for Assessments on such Unit due prior to such acquisition of title. Such unpaid Assessments shall be deemed to be Common Expenses collectible from Owners of all Units subject to assessment under Section 9.5, including such acquirer, its successors, and assigns.

9.10. Exempt Property.

The following property shall be exempt from payment of Base Assessments, Specific Assessments, Neighborhood Assessments and Special Assessments: (a) all Common Area and such portions of the property owned by Declarant as are included in the Area of Common Responsibility; and (b) any property dedicated to and accepted by any governmental authority or public utility; and (c) any and all property owned by the Declarant.

9.11. Capitalization of Association.

Upon acquisition of record title to a Unit by the first Owner thereof other than Declarant, a contribution shall be made by or on behalf of the purchaser to the working capital of the Association in an amount equal to one year of the association dues. This amount shall be in addition to, not in lieu of, the annual Base Assessment and shall not be considered an advance payment of such assessment. This amount shall be deposited into the purchase and sales escrow and disbursed therefrom to the Association. The Association shall deposit this amount into the operating account of the Association for use in covering operating expenses and other expenses

incurred by the Association pursuant to this Declaration and the By-Laws, including but not limited to expenses incurred by Declarant in providing infrastructure or other Common Area to the Community. This amount may be increased or decreased in the sole and exclusive discretion of the Board.

9.12 Transfer Fee on Resales

Each time a Unit is sold, transferred or otherwise conveyed to a new Owner, the purchaser of the Unit shall pay to the Association at the time of settlement a transfer fee in the amount of one-half of one percent (0.5%) of the sales price. This amount shall be deposited into the purchase and sales escrow and disbursed therefrom to the Association. The Association shall deposit this amount into the operating account of the Association for any legitimate purposes as the Board of Directors may determine, but said amounts shall not be considered as advance payments of regular Assessments. This provision shall not apply to the following transfers: (i) involuntary conveyances; (ii) conveyances pursuant to testacy or as a part of the Owner's estate planning; or (iii) conveyances between family members when no consideration is paid.

9.13 Assessments paid to Master Association.

The Annual Assessments, Special Assessments, and Specific Assessments stated herein to be paid for a Unit to the Association are in addition to and not in lieu of any assessments, amenity fees, or other payments payable on behalf of a Unit to the Cypress Ridge Master Association and the Master Association. It follows that the Owner of a Unit will be responsible for the payment of Annual Assessments, Special Assessments, and Specific Assessments to the Association pursuant to the terms of this Declaration and also the payment of assessments, amenity fees, or other obligations to the Cypress Ridge Master Association and the Master Association pursuant to the terms of the Cypress Ridge Master Declaration and the Master Declaration.

Article X Expansion of the Community

10.1. Expansion by Declarant.

Until Declarant no longer owns any portion of the Property, including any portion of the Property repurchased by Declarant or any Additional Property subjected to this Declaration by annexation, or twenty-five (25) years after the Recording of this Declaration, whichever is earlier ("Declarant Annexation Period") Declarant reserves the right, but not the obligation, to subject unilaterally to the provisions of this Declaration any real property chosen for annexation by Declarant. Declarant may transfer or assign this right to subject property, provided that the transferee or assignee is the developer of at least a portion of the real property described in Exhibit "A" and that Declarant memorializes such transfer by executing a written, Recorded instrument.

Declarant shall subject property by Recording a Supplemental Declaration describing the property being subjected. Such Supplemental Declaration shall not require the Members' consent but shall require the consent of the owner of such property, if other than Declarant. Any

such annexation shall be effective upon the Recording of such Supplemental Declaration unless otherwise provided therein.

10.2. Expansion by the Association.

After Declarant Annexation Period terminates, the Association may subject any real property to the provisions of this Declaration with the consent of the owner of such property, the affirmative vote of Members representing at least sixty-seven percent (67%) of the total votes in the Association, and the consent of Declarant if during the Declarant Control Period.

The Association shall subject such property by Recording a Supplemental Declaration describing the property being subjected. Any such Supplemental Declaration shall be signed by the President and the Secretary of the Association, by the owner of the subjected property, and by Declarant, if Declarant's consent is required. Any such subjection of property shall be effective upon Recording unless otherwise provided therein.

10.3. Withdrawal of Property.

During the Declarant Control Period, Declarant reserves the unilateral right to amend this Declaration to withdraw any portion of the Community from the coverage of this Declaration whether originally described in Exhibit "A" or added by Supplemental Declaration; however, the withdrawal of any property shall require the consent of the affected Owner(s), if other than Declarant. If the property is Common Area, the Association shall consent to such withdrawal upon Declarant's request.

10.4. Additional Covenants and Easements.

During the Declarant Control Period, Declarant unilaterally may subject any portion of the Property to additional covenants, restrictions and easements. Such additional covenants, restrictions and easements shall be set forth in a Supplemental Declaration filed either concurrent with or after the subjection of the property and shall require the written consent of the owner(s) of such property, if other than Declarant. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

10.5. Effect of Filing Supplemental Declaration.

A Supplemental Declaration shall be effective upon Recording unless such Supplemental Declaration specifies otherwise. On the effective date of the Supplemental Declaration, any Additional Property shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Declaration.

10.6. Amendment.

This Article shall not be amended without Declarant's prior written consent so long as Declarant owns any property described in Exhibit "A" or "B"

Article XI Development Rights and Protections

11.1. Reasonable Rights To Develop.

Declarant and/or builders may be undertaking the work of constructing improvements to and upon the Community, including Units. The completion of such construction and the sale or other disposal of the Units is essential to the establishment and welfare of The Reserve at Mill Creek as a residential community. Therefore, so long as Declarant owns any property described in Exhibit "A" or "B" for development or sale, nothing in this Declaration or the other Governing Documents shall be understood or construed to:

(a) prevent Declarant, builders, or their contractors or subcontractors from doing in the Community or on any Unit whatever is reasonably necessary or advisable in connection with the commencement or completion of the above-described work;

(b) prevent Declarant or its representatives from erecting, constructing, and maintaining on any part of the Community such structures as reasonably may be necessary for the conduct of its business of completing the work, establishing The Reserve at Mill Creek as a residential community, and disposing of the Units by sale, lease, or otherwise;

(c) prevent Declarant from maintaining such signs and conducting such activities on any part of the Community owned by Declarant or the Association as Declarant may deem to be reasonably necessary for the sale, lease, or disposition of Units; or

(d) prevent Declarant from placing and utilizing on Units or other property which it owns one or more mobile trailers or temporary structures as sales offices or for construction activities.

Nothing in this Section shall give Declarant the right to damage any Unit or other property not owned by Declarant.

11.2. Marketing and Sales Activities.

So long as Declarant owns any property described in Exhibit "A" or "B," Declarant and builders authorized by Declarant may construct, relocate, maintain, and carry on upon any Unit Declarant owns or upon portions of the Common Area, such facilities and activities as may be reasonably required, convenient, or incidental to the construction, marketing, or sale of Units, in Declarant's sole opinion. Such facilities and activities may include, without limitation, business offices, signs, model units, and sales offices. There shall be no limit on the number or size of such facilities. Declarant and authorized builders shall have easements for access to and use of such facilities. Declarant reserves the right to remove any personal property used in connection with its activities on the Common Area upon termination of its rights under this Section.

11.3. Construction of Improvements.

So long as Declarant owns any portion of the property described in Exhibit "A" or "B," Declarant and its employees, agents, and designees shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing, and installing such improvements to the Common Area as it deems appropriate in its sole discretion.

Every Person that acquires any interest in The Reserve at Mill Creek acknowledges that The Reserve at Mill Creek is a planned community, the development of which is likely to extend over several years, and agrees not to protect, challenge, or otherwise object to changes in the Plan.

11.4. Right To Approve Additional Covenants.

So long as Declarant owns any portion of the property described in Exhibit "A" or "B," no Person shall Record any declaration of covenants, conditions, and restrictions, or declaration of condominium or similar instrument affecting any portion of the Community without Declarant's review and written consent. Any instrument Recorded without such consent shall be void and of no force and effect unless Declarant subsequently consents in a Recorded instrument.

11.5. Right To Transfer or Assign Declarant Rights.

Any or all of Declarant's special rights and obligations set forth in this Declaration or the Bylaws may be transferred in whole or in part to other Persons; however, the transfer shall not reduce an obligation or enlarge a right beyond that which Declarant has under this Declaration or the Bylaws. No such transfer or assignment shall be effective unless Declarant executes a written, Recorded instrument. The foregoing sentence shall not preclude Declarant from permitting other Persons to exercise, on a one-time or limited basis, any right reserved to Declarant in this Declaration where Declarant does not intend to transfer such right in its entirety. In such case it shall not be necessary to Record any written assignment unless necessary to evidence Declarant's consent to such exercise.

11.6. Exclusive Rights To Use Name of Development.

No Person shall use the name "The Reserve at Mill Creek" or any derivative of such name in reference to this Community or any activities associated with this Community in any printed or promotional material without Declarant's prior written consent. However, Owners may use the name "The Reserve at Mill Creek" in printed or promotional matter where such term is used solely to specify that particular property is located within The Reserve at Mill Creek, and the Association shall be entitled to use the words "The Reserve at Mill Creek" in its name.

11.7. Right to Approve Changes in Community Standards.

So long as Declarant owns property described in Exhibit "A" or "B," no amendment to or modification of any Rules and Regulations or Architectural Guidelines shall be effective without Declarant's prior written approval.

11.8. Easement to Inspect and Right to Correct.

Declarant reserves for itself and such other Persons as it may designate perpetual non-exclusive easements throughout the Community to the extent reasonably necessary for the purposes of access, inspecting, testing, redesigning, or correcting any portion of the Community, including Units and the Area of Common Responsibility. Declarant shall have the right to redesign or correct any part of the Community, including Units and the Area of Common Responsibility. Entry onto a Unit shall be after reasonable notice, except in an emergency. Entry into a dwelling on a Unit shall be only after Declarant notifies the Unit's Owner and agrees with the Owner regarding a reasonable time to enter the dwelling on such Unit to perform such activities. The exercise of these easements shall not unreasonably interfere with the use of any Unit and entry onto any Unit shall be made only after reasonable notice to the Owner or occupant.

11.9. Neighborhoods.

Declarant, acting in its sole and absolute discretion, retains the right, but not the obligation, as long as Class B Membership exists, to establish separately developed residential Neighborhoods, recreational areas, and amenity areas, or some, all, or none of these, within the Community, to designate Limited Common Area for the exclusive use of one or more, but less than all Neighborhoods. Every Unit situated within a designated Neighborhood may be subjected to additional covenants, conditions, restrictions, and additional Assessments for services provided to Units within such designated Neighborhood. Such additional covenants may be set forth in this Declaration or a Supplemental Declaration.

Any Neighborhood may request that the Association provide a higher level of service than that which the Association generally provides to all Neighborhoods, or may request that the Association provide special services for the benefit of Units in such Neighborhood. Upon the affirmative vote, written consent, or a combination thereof, of Owners of a majority of the Units within the Neighborhood, the Association may provide the requested services, but only if approved by the Board. The cost of such services, which may include a reasonable administrative charge in such amount as the Board deems appropriate (provided, any such administrative charge shall apply at a uniform rate per Unit to all Neighborhoods receiving the same service), shall be as a Neighborhood Assessment.

Article XII Easements

12.1. Easements in Common Area.

Declarant grants to each Owner a nonexclusive right and easement of use, access, and enjoyment in and to the Common Area, subject to:

- (a) The Governing Documents and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying an interest in such property to the Association; and

(c) The Board's right to: (i) adopt and enforce rules regulating use and enjoyment of the Common Area; (ii) dedicate or transfer all or any part of the Common Area, subject to such approval requirements as may be set forth in this Declaration; and (iii) mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject to the approval requirements set forth in Article 15.

Any Owner may extend his or her right of use and enjoyment of the Common Area to the occupants of his or her Unit, lessees, guests and invitees, as applicable, subject to reasonable regulation by the Board. An Owner who leases his or her Unit shall be deemed to have assigned all such rights to the lessee of such Unit for the period of the lease.

12.2. Easements of Encroachment.

Declarant grants reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and any adjacent Common Area and between adjacent Units due to the unintentional placement, settling, or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three (3) feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

12.3. Easements To Serve Additional Property.

So long as Declarant owns any portion of the property described in Exhibit "A" or "B," Declarant hereby reserves for itself and its duly authorized agents, successors, assigns, and mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit "B," whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property.

12.4. Easements for Maintenance, Emergency, and Enforcement.

Declarant grants to the Association easements over the Community as necessary to enable the Association to fulfill its maintenance responsibilities under Section 7.1 and Article VIII. Specifically, the Association shall have a right of entry upon and easement of access through every Unit, excepting the dwelling thereon, for the purpose of maintaining any property or improvement for which the Association has maintenance responsibility. The Association also shall have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons, to perform maintenance, and to inspect for the purpose of ensuring compliance with and enforce the Governing Documents. Such right may be exercised by any member of the Board and its duly authorized agents and assignees and all emergency personnel in the performance of their duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

In addition, the Cypress Ridge Master Association and the Master Association and its directors, officers, agents and employees, shall have a general right and easement to enter upon the Property in the performance of its respective duties and responsibilities under the Cypress Ridge Master Declaration and the Master Declaration. Except in the event of emergencies, this easement is to be exercised only during normal business hours and then, whenever practicable, only upon advance notice to and with permission of the Owner directly affected thereby.

12.5. Easements for Pond and Wetland Maintenance and Flood Water.

Declarant reserves for itself, its successors, assigns, and designees during the Declarant Annexation Period, and grants to the Association and its successors, assigns, and designees in perpetuity, the nonexclusive right and easement, but not the obligation, to enter upon bodies of water and wetlands located within the Area of Common Responsibility to (a) install, operate, maintain, and replace pumps to supply irrigation water to the Area of Common Responsibility; (b) construct, maintain, and repair structures and equipment used for retaining water; and (c) maintain such areas in a manner consistent with the Community-Wide Standard. Declarant, the Association, and their successors, assigns, and designees shall have an access easement over and across any of portion of the Community abutting or containing bodies of water or wetlands to the extent reasonably necessary to exercise their rights under this Section.

Declarant further reserves for itself, its successors, assigns, and designees during the Declarant Annexation Period, and grants to the Association and its successors, assigns, and designees in perpetuity, a nonexclusive right and easement of access and encroachment over the Common Area and Units (but not the dwellings thereon) adjacent to or within 100 feet of bodies of water and wetlands within the Community, in order to (a) temporarily flood and back water upon and maintain water over such portions of the Community; (b) alter in any manner and generally maintain the bodies of water and wetlands within the Area of Common Responsibility; (c) draw water from lakes, ponds, and streams within The Reserve at Mill Creek for purposes of irrigation and such other purposes as Declarant shall deem desirable and (d) maintain and landscape the slopes and banks pertaining to such areas. All persons entitled to exercise these easements shall use reasonable care in and repair any damage resulting from the intentional exercise of such easements. Nothing herein shall be construed to make Declarant or any other Person liable for damage resulting from flooding due to heavy rainfall or other natural occurrences.

No Person shall exercise an easement pursuant to this Section in violation of, or for any purpose which violates local, state, or federal laws or regulations.

12.6. Easements for Irrigation System.

Declarant reserves for itself, its successors, assigns, and designees during the Declarant Annexation Period, and grants to the Association and its successors, assigns, and designees in perpetuity, the nonexclusive right and easement, but not the obligation, to enter upon every Unit and the Common Area to install, operate, maintain, and replace irrigation systems or portions thereof, including irrigation ditches, head gates, and siphons. Declarant, the Association, and

their successors, assigns, and designees shall have an access easement over and across any portion of the Community abutting or containing irrigation systems to the extent reasonably necessary to exercise their rights under this Section. Notwithstanding the above, Unit Owners are responsible for maintaining irrigation systems exclusively serving their Unit.

12.7. Easement for Utilities and Community Systems.

Declarant reserves for itself, its successors, assigns and designees during the Declarant Annexation Period and grants to the Association and its successors, assigns, and designees and all utility providers, perpetual non-exclusive easements throughout the Community (but not through a dwelling) to the extent reasonably necessary to: (a) install utilities and infrastructure to serve the Community, and drainage systems; (b) inspect, maintain, repair, and replace the utilities, infrastructure, and other improvements described above; and (c) access and read utility meters.

Article XIII Dispute Resolution and Limitation on Litigation

13.1. Consensus for Association Litigation.

Except as provided in this Section, the Association shall not commence a judicial or administrative proceeding without the approval of Members representing at least sixty-seven percent (67%) of the total votes of the Association. This Section shall not apply, however, to: (a) actions brought by the Association to enforce the Governing Documents (including, without limitation, the foreclosure of liens); (b) the collection of Assessments; (c) proceedings involving challenges to *ad valorem* taxation; (d) counterclaims brought by the Association in proceedings instituted against it; or (e) actions brought during the Declarant Control Period which are commenced by Declarant. (This Section shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above.

Prior to the Association or any Member commencing any judicial or administrative proceeding to which Declarant is a party and which arises out of an alleged defect at the Community or any improvement constructed upon the Property, Declarant shall have the right to meet in good faith and discuss the subject of the proceeding with the Members, or the particular Member, and to access, inspect, correct the condition of, or redesign any portion of the Community, including any improvement as to which a defect is alleged. In addition, the Association, or the Member, shall notify the builder who constructed such improvement prior to retaining any other expert witness or for other litigation purposes.

13.2. Alternative Method for Resolving Disputes.

Declarant, the Association, its officers, directors, and ARC members, all Persons subject to this Declaration, any builder within the Community, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties") agree to encourage the amicable resolution of disputes involving the Community, without the emotional and financial costs of litigation. Accordingly, each Bound Party covenants and agrees to use

good faith efforts to resolve those claims, grievances, or disputes described in Sections 13.3 (“Claims”) using the procedures set forth in Section 13.4.

13.3. Claims.

Unless specifically exempted below, all Claims arising out of or relating to the interpretation, application, or enforcement of the Governing Documents, or the rights, obligations, and duties of any Bound Party under the Governing Documents or relating to the design or construction of improvements on the Property (other than matters of aesthetic judgment under Article V, which shall not be subject to review) shall be subject to the provisions of Section 13.4. Notwithstanding the above, unless all parties thereto otherwise agree, the following shall not be Claims and shall not be subject to the provisions of Section 13.4:

(a) any suit by the Association against any Bound Party to enforce the provisions of Article IX;

(b) any suit by the Association to obtain a temporary restraining order (or equivalent emergency equitable relief) and such other ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association’s ability to enforce the provisions of Article III, Article IV, and Article V;

(c) any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;

(d) any suit in which any indispensable party is not a Bound Party;

(e) any suit as to which any applicable statute of limitations would expire within one hundred eighty (180) days of giving the Notice required by Section 13.4(a) unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article; and

(f) any suit initiated by the Declarant.

With the consent of all parties thereto, any of the above may be submitted to the alternative dispute resolution procedures set forth in Section 13.4.

13.4. Mandatory Procedures.

(a) Notice. Any Bound Party having a Claim (“Claimant”) against any other Bound Party (“Respondent”) (collectively, the “Parties”) shall notify each Respondent in writing (the “Notice”), stating plainly and concisely: (i) the nature of the Claim, including the Persons involved and Respondent’s role in the Claim; (ii) the legal basis of the Claim (*i.e.*, the specific authority out of which the Claim arises); (iii) Claimant’s proposed remedy; and (iv) that Claimant will meet with Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation and Mediation.

(i) The Parties shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the Parties in negotiation.

(ii) If the Parties do not resolve the Claim within thirty (30) days of the date of the Notice (or within such other period as may be agreed upon by the Parties) ("Termination of Negotiations"), Claimant shall have thirty (30) additional days to submit the Claim to mediation under an independent agency providing dispute resolution services in Beaufort County or surrounding areas.

(iii) If Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; however, nothing herein shall release or discharge Respondent from any liability to any Person other than the Claimant.

(iv) Any settlement of the Claim through mediation shall be documented in writing by the mediator and signed by the Parties. If the Parties do not settle the Claim within thirty (30) days after submission of the matter to the mediation, or within such time as determined by the mediator, the mediator shall issue a notice of termination of the mediation proceedings ("Termination of Mediation"). The Termination of Mediation notice shall set forth that the Parties are at an impasse and the date that mediation was terminated.

(v) Within five (5) days of the Termination of Mediation, the Claimant shall make a final written demand ("Settlement Demand") to the Respondent, and the Respondent shall make a final written settlement offer ("Settlement Offer") to the Claimant. If the Claimant fails to make a Settlement Demand, Claimants' original Notice shall constitute the Settlement Demand. If the Respondent fails to make a Settlement Offer, Respondent shall be deemed to have made a "zero" or "take nothing" Settlement Offer.

(c) Final and Binding Arbitration.

(i) If the Parties do not agree in writing to a settlement of the Claim within fifteen (15) days of the Termination of Mediation, the Claimant shall have fifteen (15) additional days to submit the Claim to arbitration in accordance with the rules of arbitration contained in Exhibit "E" or such rules as may be required by the agency providing the arbitrator. If not timely submitted to arbitration or if the Claimant fails to appear for the arbitration proceeding, the Claim shall be deemed abandoned, and Respondent shall be released and discharged from any and all liability to Claimant arising out of such Claim; however, nothing herein shall release or discharge Respondent from any liability to Persons other than Claimant.

(ii) This subsection (c) is an agreement to arbitrate and is specifically enforceable under any applicable arbitration laws of the State of South Carolina. The arbitration award

("Award") shall be final and binding, and judgment may be entered upon it in any court of competent jurisdiction to the fullest extent permitted under the South Carolina laws.

13.5. Allocation of Costs of Resolving Claims.

(a) Subject to Section 13.5(b), each Party shall bear its own costs, including attorneys' fees, and each Party shall share equally all charges rendered by the mediator(s) and all filing fees and costs of conducting the arbitration proceeding ("Post Mediation Costs").

(b) Any Award that is equal to or more favorable to Claimant than Claimant's Settlement Demand shall add Claimant's Post Mediation Costs to the Award, such costs to be borne equally by all Respondents. Any Award that is equal to or less favorable to Claimant than any Respondents' Settlement Offer shall award such Respondent its Post Mediation Costs.

13.6. Enforcement of Resolution.

If the Parties agree to a resolution of any Claim through negotiation or mediation in accordance with Section 13.4 and any Party thereafter fails to abide by the terms of such agreement, or if any Party fails to comply with an Award, then any other Party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in Section 13.4. In such event, the Party taking action to enforce the agreement shall be entitled to recover from the non-complying Party (or if more than one non-complying Party, from all such Parties pro rata) all costs incurred in enforcing such agreement, including, without limitation, attorneys' fees and court costs.

Article XIV Mortgagee Provisions

The following provisions are for the benefit of holders, insurers, and guarantors of First Mortgages on Units in the Community. The provisions of this Article apply to both this Declaration and to the Bylaws, notwithstanding any other provisions contained therein.

14.1. Notices of Action.

An institutional holder, insurer, or guarantor of a First Mortgage which provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Unit to which its Mortgage relates, thereby becoming an "Eligible Holder"), shall be entitled to timely written notice of:

(a) any condemnation loss or any casualty loss which affects a material portion of the Community or which affects any Unit on which there is a First Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) any delinquency in the payment of Assessments or charges owed by a Unit subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of sixty (60) days, or any other violation of the Governing Documents relating to such Unit or the Owner or occupant which is not cured within sixty (60) days of receiving notice of

such violation;

(c) any lapse, cancellation, or material modification of any insurance policy the Association maintains; or

(d) any proposed action which would require the consent of a specified percentage of Eligible Holders.

14.2. Other Provisions for First Lien Holders.

To the extent not inconsistent with South Carolina law and any other provisions of the Governing Documents

(a) any restoration or repair of the Community after a partial condemnation or damage due to an insurable hazard shall be performed substantially in accordance with this Declaration and the original plans and specifications unless Eligible Holders representing more than sixty-seven percent (67%) of the votes of Units subject to Mortgages held by Eligible Holders elect otherwise; and

(b) termination of the Association after substantial destruction or a substantial taking in condemnation shall require the approval of the Eligible Holders representing more than sixty-seven percent (67%) of the votes of Units subject to Mortgages held by Eligible Holders.

14.3. No Priority.

No provision of this Declaration or the Bylaws gives or shall be construed as giving any Owner or other party priority over any rights of the First Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

14.4. Notice to Association.

Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Unit.

14.5. Failure of Mortgagee To Respond.

Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within thirty (30) days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

14.6. Construction of Article XIV.

Nothing contained in this Article shall be construed to reduce the percentage vote that

must otherwise be obtained under this Declaration, the Bylaws, or South Carolina law for any of the acts set out in this Article.

Article XV Changes in Common Area

15.1. Condemnation.

If a Unit or portion thereof shall be taken by eminent domain, compensation and the Owner's interests in the Common Area shall be evenly allocated. If any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of Members representing at least sixty-seven percent (67%) of the total votes in the Association and of Declarant, during the Declarant Control Period) by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice of such taking or conveyance prior to disbursement of any condemnation award or proceeds from such conveyance. Such award or proceeds shall be payable to the Association to be disbursed as follows:

If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining Common Area to the extent available, unless within sixty (60) days after such taking Declarant, during the Declarant Control Period, and Members representing at least sixty-seven percent (67%) of the total votes in the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 8.4 regarding funds for restoring improvements shall apply.

If the taking or conveyance does not involve any improvements on the Common Area, if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

15.2. Transfer, Partition, or Encumbrance of Common Area.

(a) Except as this Declaration otherwise specifically provides, the Common Area shall not be judicially partitioned or subdivided into Units, nor shall the ownership of the Common Area be otherwise divided or encumbered in any manner after conveyance to the Association, except upon the approval of Members representing at least sixty-seven percent (67%) of the total votes in the Association, including a majority of the votes held by Members other than Declarant, and the consent of Declarant during the Declarant Control Period.

(b) The Association shall have the authority, subject to approval of Members representing more than fifty percent (50%) of the total votes in the Association, including a majority of the votes held by Members other than Declarant, and the consent of Declarant, during the Declarant Control Period, to transfer portions of the Common Area and improvements thereon to appropriate governmental entities or tax-exempt organizations for the maintenance, operation, and preservation thereof; provided, any such transfer shall not relieve such Common Area from the rights and benefits of the Association and the Members as provided in this

Declaration and shall otherwise be subject to the provisions of this Declaration.

Article XVI Miscellaneous

16.1 Control of Declarant.

(a) **NOTWITHSTANDING ANY OTHER LANGUAGE OR PROVISION TO THE CONTRARY IN THIS DECLARATION OR OTHER GOVERNING DOCUMENTS, DECLARANT HEREBY RETAINS THE RIGHT TO UNILATERALLY APPOINT AND REMOVE ANY MEMBER OR MEMBERS OF THE BOARD AND ANY OFFICERS OF THE ASSOCIATION AS PROVIDED IN THIS SECTION 16.1 AND FOR THE TERM SET FORTH IN THIS DECLARATION AND OF THE BY-LAWS. EVERY GRANTEE OF ANY INTEREST IN THE COMMUNITY BY ACCEPTANCE OF A DEED OR OTHER CONVEYANCE OF SUCH INTEREST, AGREES THAT DECLARANT SHALL HAVE THE AUTHORITY TO APPOINT AND REMOVE DIRECTORS AND OFFICERS OF THE ASSOCIATION IN ACCORDANCE WITH THE FOREGOING PROVISIONS OF THIS SECTION AND THE PROVISIONS OF THIS DECLARATION AND OF THE BY-LAWS. THE PROVISIONS OF THIS SECTION ARE SUPPLEMENTAL TO, AND NOT IN SUBSTITUTION OF RIGHTS RETAINED BY DECLARANT PURSUANT TO THIS DECLARATION OR OTHER GOVERNING DOCUMENTS.**

(b) In addition to the remedies outlined above in this Declaration and in addition to any other remedies or rights reserved to the Declarant under a previously recorded document affecting the Property or a portion thereof, the Declarant's right to enforce the provisions of this Declaration, the By-Laws, the Architectural Guidelines, and the Regulations shall extend for as long as the Declarant owes any duties or obligations to a governmental body, district, agency, or authority exercising jurisdiction over a portion of the Property, even if the Declarant has already turned over control of the Association to a Member-elected Board of Directors and even if the Declarant's Class "B" Membership has converted to Class "C" Membership; provided that the Declarant may exercise the extended enforcement rights described in this Section for purposes including, but not limited to, (i) responding to a request or demand of a governmental body, district, agency, or authority exercising jurisdiction over a portion of the Property; or (ii) in the sole discretion of the Declarant, preventing an anticipated request or demand of a governmental body, district, agency, or authority exercising jurisdiction over a portion of the Property.

(c) The Declarant may exercise its extended enforcement powers described in this Section: (i) through the Association, whereby the Association exercises its enforcement powers under this Declaration in order to adequately respond to, or attempt to prevent, the request or demand of a governmental body, district, agency, or authority; or (ii) independently of the Association, whereby the Declarant exercises any and all enforcement powers reserved to it under the Declaration in order to adequately respond to, or attempt to prevent, the request or demand of a governmental body, district, agency, or authority, including without limitation the right to enter any portion of the Property to remedy a violation, the right to impose Assessments for Non-Compliance and the right to file a lien upon the Unit of the Owner against whom enforcement is being sought for the amount of such Assessments, and the right to bring any and

all other legal actions to force compliance by an Owner. In the event the Declarant exercises said extended enforcement powers, all costs incurred by the Declarant, including reasonable attorneys' fees, shall be the responsibility of the Unit Owner(s) against whom enforcement was sought and shall be added to the lien filed by the Declarant against said Unit Owner, if applicable. The provisions of this Section provide the Declarant with the option of exercising extended enforcement powers under the Declaration as a Class "C" Member, however they do not impose any duty or obligation upon the Declarant to do so and these rights shall extend beyond the termination of the Declarant's Class "B" Membership.

16.2. HUD/VA Approval.

Until the termination of the Declarant Control Period, the following actions shall require the prior approval of the U.S. Department of Housing and Urban Development or the U.S. Department of Veterans Affairs, if either such agency is insuring or guaranteeing the Mortgage on any Unit: merger, consolidation, or dissolution of the Association; annexation of additional property other than that described in Exhibit "B"; dedication, conveyance, or mortgaging of Common Area; or material amendment of this Declaration or the Bylaws. The granting of easements for utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a conveyance within the meaning of this Section.

16.3. Actions Requiring Owner Approval.

If either the U.S. Department of Housing and Urban Development or the U.S. Department of Veterans Affairs insures or guarantees the Mortgage on any Unit, then, during the Declarant Control Period, the following actions shall require the prior approval of Members representing at least sixty-seven percent (67%) of the total votes in the Association and the consent of Declarant: merger, consolidation, or dissolution of the Association; annexation of additional property other than that described in Exhibit "B"; and dedication, conveyance, or mortgaging of Common Area. Notwithstanding anything to the contrary in Section 16.2 or this Section, the Association may grant easements over the Common Area for installation and maintenance of utilities and drainage facilities and for other purposes not inconsistent with the intended use of the Common Area without the membership's approval.

16.4. Amendment.

This Declaration may be amended unilaterally at any time by Declarant (a) if such amendment is necessary to bring any provision hereof into compliance with any applicable governmental statute, rule or regulation, or judicial determination which shall be in conflict therewith; (b) if such amendment is necessary to enable any title insurance company to issue title insurance coverage with respect to the Units subject to this Declaration; (c) if such amendment is required by an institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association, the Department of Housing and Urban Development, the Veterans Administration, or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase Mortgage loans on Units subject to this Declaration; or (d) if such amendment is necessary to enable any governmental agency or private

insurance company to insure or guarantee Mortgage loans on the Units subject to this Declaration; however, any such amendment shall not adversely affect title to any Unit unless such Unit's Owner consents in writing. Further, during the Declarant Annexation Period, Declarant may unilaterally amend this Declaration for any other purpose; provided, however, that any such amendment shall not in Declarant's sole opinion materially adversely affect the substantive rights of any Owners hereunder and any such amendment shall not adversely affect title to any Unit without the consent of the affected Owner(s) (which consent shall not be unreasonably withheld).

Additionally, this Declaration may be amended upon the affirmative vote or written consent, or any combination thereof, of the Owners of at least sixty-seven percent (67%) of the Units and the consent of Declarant during the Declarant Annexation Period.

After the Declarant Annexation Period, this Declaration may be amended upon the affirmative vote or written consent, or any combination thereof, of the Owners of at least sixty-seven percent (67%) of the Units.

16.5. Validity and Effective Date of Amendment.

No amendment may remove, revoke, or modify any Declarant right or privilege without Declarant's written consent (or the assignee of such right or privilege).

If an Owner consents to any amendment to this Declaration or the Bylaws, it shall be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party shall affect the validity of such amendment.

Any amendment shall become effective upon Recording, unless it specifies a later effective date. Any procedural challenge to an amendment must be made within one year of its Recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

16.6 Duration.

This Declaration, as it may be amended and supplemented from time to time, shall remain in effect and shall be enforceable by Declarant, the Association, any Owner, and their respective legal representatives, heirs, successors, and assigns, for a term of twenty-five (25) years from the date this Declaration is Recorded. After such time, this Declaration shall be extended automatically for successive periods of ten (10) years each, unless an instrument signed by a majority of the then Owners has been Recorded within the year preceding any extension, agreeing to terminate this Declaration, in which case it shall terminate as of the date specified in such instrument. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

16.7 Perpetuities.

If any of the covenants, restrictions or other provisions of this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provision shall continue only until twenty-one (21) years after the death of the last survivor of the now living descendants of former President George W. Bush.

16.8. Exhibits.

Exhibits "A", "B", and "E" attached to this Declaration are incorporated by this reference and amendment of such exhibits shall be governed by this Article. Exhibit "C" is incorporated by this reference and may be amended in accordance with Article IV or this Article. Exhibit "D" is attached for informational purposes and may be amended as provided therein.

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EXHIBIT "A"

Land Submitted

ALL those certain pieces, parcels or lots of land, together with any improvements thereon, situate, lying and being in Beaufort County, South Carolina, being shown and designated as **Lots 800-861 (inclusive)** on that certain plat entitled, "SUBDIVISION PLAT CYPRESS RIDGE PHASES 8 TOWN OF BLUFFTON, SOUTH CAROLINA, PREPARED FOR BY D.R. HORTON, INC." prepared by Thomas & Hutton Engineering Co., dated September 26, 2017 and recorded in the ROD Office for Beaufort County on November 8, 2017 in Plat Book 148, pages 3-6. Said lots having such size, shape and dimensions, buttings and boundings as will by referenced to said plat more fully appear.

ALSO:

ALL those certain pieces, parcels or lots of land, together with any improvements thereon, situate, lying and being in Beaufort County, South Carolina, being shown and designated as "**COMMON AREA 9 177,285 SF 4.070 AC.**", "**COMMON AREA 10 44500 SF 1.022 AC.**", "**COMMON AREA 11 27,062 SF 0.621 AC.**", "**COMMON AREA 12 22,886 SF 0.525 AC.**", "**HULSTON LANDING ROAD R/W VARIES**", "**SIFTED GRAIN ROAD 50' R/W**", "**GREAT HARVEST ROAD 50' R/W**", AND "**RYE CREEK CIRCLE 50' R/W**" on that certain plat entitled, SUBDIVISION PLAT CYPRESS RIDGE PHASES 8 TOWN OF BLUFFTON, SOUTH CAROLINA, PREPARED FOR BY D.R. HORTON, INC." prepared by Thomas & Hutton Engineering Co., dated September 26, 2017 and recorded in the ROD Office for Beaufort County on November 8, 2017 in Plat Book 148, pages 3-6. Said lots having such size, shape and dimensions, buttings and boundings as will by referenced to said plat more fully appear.

EXHIBIT "B"

Additional Property

Any and all real property lying and being within five miles from any boundary of the property described in Exhibit "A". For avoidance of doubt, the Residual The Reserve at Mill Creek Property is located within five miles from a boundary of the property described in Exhibit "A".

EXHIBIT "C"

Initial Rules and Regulations

The following rules, regulations and restrictions shall apply to The Reserve at Mill Creek until such time as they are amended, modified, repealed, or limited pursuant to Article IV of the Declaration.

1. Residential Purposes. The Community shall be used only for residential, recreational, and related purposes (which may include, without limitation, an information center and/or a sales office for Declarant to assist in the sale of property described in Exhibits "A" or "B," offices for any community manager retained by the Association, and business offices for Declarant or the Association) consistent with this Declaration and any Supplemental Declaration.

2. Restricted Activities and Prohibited Conditions. The following activities and/or conditions are prohibited within the Community *unless expressly authorized in writing by the Board*, and then, subject to such conditions as the Board may impose:

(a) Exterior Additions or Alterations. Construction, erection, placement, or modification of any structure or thing, permanently or temporarily, on the outside portion of a Unit, whether such portion is improved or unimproved, except in strict compliance with the provisions of Article V of the Declaration. This shall include, without limitation, conversion of any carport or garage to finished space for habitable use, modification of any landscaped or grassed areas, removal of trees, signs, permanently installed basketball hoops, swing sets, and similar sports and play equipment (although trampolines are expressly prohibited); clotheslines, garbage cans, woodpiles, in-ground swimming pools (above ground pools being expressly prohibited), front and side yard garden statuary, fountains or sculptures, or docks, piers, and similar structures, hedges, walls, animal runs, animal pens, or fences of any kind. Under no circumstances shall the ARC approve the replacement of all or a majority of the grassed area of a Unit with mulch or stone. Fences are subject to the additional provisions set forth below. White garden rock of any size is expressly prohibited within any landscaping.

(b) Vehicles. Parking any vehicles on streets, thoroughfares or Areas of Common Responsibility (with exception of designated parking areas) and parking of commercial vehicles or equipment, mobile homes, recreational vehicles, golf carts, boats and other watercraft, trailers, snowmobiles, stored vehicles, or inoperable vehicles in places other than enclosed garages; provided, however, (1) construction, service, and delivery vehicles shall be exempt from this provision during daylight hours for such period of time as is reasonably necessary to provide service or to make a delivery to a Unit or Area of Common Responsibility; and (2) parking and storage of boats shall be subject to the additional provisions set forth below. Light commercial vehicles (i.e., commercial carrier vehicle with a gross vehicle weight of not more than 3.5 tons) and trucks bearing USDOT Classifications 1 – 4 (but not greater) will be allowed, provided they are parked in a garage where possible, and not on lawns or in back yards, or on streets except for limited durations while maintenance is performed. No overflow car, RV, boat or trailer parking, or any overflow parking, will be allowed at the amenity center or other Common Areas.

(c) Motorized Vehicles. Operation of motorized vehicles with exception of those designed for use by handicapped persons, including, without limitation, any golf carts, electric or gas powered scooters, four-wheelers, ATVs, go-carts, or similar vehicles, on any walking or jogging trails, sidewalks or other pathways intended for pedestrian traffic.

(d) Animals. Raising, breeding, or keeping animals, livestock, or poultry of any kind, except that a reasonable number of dogs, cats, or other usual and common household pets (the combined number of such animals not to exceed the lesser of three (3) or a number established by local jurisdiction ordinance or law may be permitted in a Unit. All pets shall be reasonably controlled by the Owner whenever outside of a Unit, and shall be prohibited from roaming free, making objectionable noise or odors, and endangering the health or safety of, or otherwise constituting a nuisance (e.g., barking or other acts) or inconvenience to, the occupants of other Units, all as determined by the Board in its sole discretion. If, in the sole opinion of the Board, any animal becomes dangerous or an annoyance or nuisance in the Community, or is destructive to wildlife, such animal shall be removed from the Community. Pets violating the foregoing shall be removed upon the Board's request, and if the pet owner fails to honor such request, the Board may remove the pet at the pet owner's expense. Animals shall be kept on a leash or otherwise confined in a manner acceptable to the Board whenever outside the dwelling. Owners shall clean up behind any pet while walking such pet on any Common Areas. Owners shall be responsible for all of the pet's action. Pets shall be registered, licensed, and inoculated as required by law. If, in the sole opinion of the Board, any animal becomes dangerous or an annoyance or nuisance in the Community, or is destructive to wildlife, such animal shall be removed from the Community. Without limiting the foregoing, chickens, livestock, or poultry of any kind shall not be considered usual and common household pets, and shall be prohibited within the Community.

(e) Nuisance or Offensive Activities. Any noxious or offensive activity which, in the reasonable determination of the Board, tends to cause embarrassment, discomfort, annoyance, or nuisance to the occupants of other Units or persons using the Area of Common Responsibility or other conditions which tend to disturb the peace of or threaten the safety of the occupants of other Units or persons using the Area of Common Responsibility. Without limiting the generality of the foregoing, any activity which emits foul or obnoxious odors outside the Unit, barking dogs, or the use or discharge of any radio, loudspeaker, horn, whistle, bell, or other sound device so as to be audible to occupants of other Units (except alarm devices used exclusively for security purposes) are prohibited.

(f) Illegal Activities. Any activity which violates local, state, or federal laws or regulations.

(g) Unsanitary Activities. Any activities which tend to cause an unclean, unhealthy, or untidy condition to exist outside of enclosed structures on the Unit, including, without limitation, accumulation of rubbish, trash, or garbage except between regular garbage pick-ups, and then only in approved containers. Such containers shall be either kept behind the home and not seen from street, or kept inside, except as reasonably necessary for garbage pick-

ups (with containers to be deposited curbside not earlier than one day before scheduled pick-up and removed the same day as scheduled pick-up);

(h) Burning. Outside burning of trash, leaves, debris, or other materials, except during the normal course of constructing a dwelling on a Unit and in such instance subject to any local jurisdictional burning permit requirement. The foregoing shall not prohibit the installation and use of outdoor fire pits and fireplaces constructed, installed and maintained with a Unit's back yard as may be approved by the ARC, provided any such fires are controlled, conducted and monitored in compliance with all applicable laws and any additional rules and regulations imposed by the Board, and are safely contained within such fire pits and fireplaces as are approved by the ARC, but in no event shall any Owner install or place any fire pit, or otherwise ignite a fire, within the Common Areas;

(i) Firearms/Fireworks. Discharge of firearms, firecrackers, fireworks or other explosive devices.

(j) Dumping. Dumping grass clippings, leaves, or other debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in any drainage ditch, stream, pond, or lake, or elsewhere within the Common Areas of the Community, except that fertilizers may be applied to landscaping on Units provided care is taken to minimize runoff, and Declarant and builders may dump and bury rocks and trees removed from a building site on such building site;

(k) Storage. On-site storage of gasoline, heating, or other fuels, except that a reasonable amount of fuel may be stored on each Unit for emergency purposes and for operation of lawn mowers and similar tools or equipment, and the Association shall be permitted to store fuel for operation of maintenance vehicles, generators, and similar equipment. This provision shall not apply to any underground fuel tank authorized pursuant to Article V.

(l) Wildlife. Capturing, trapping, or killing of wildlife within the Community, except in circumstances posing an imminent threat to the safety of persons using the Community, and except for fishing in designated fishing ponds within the Community, if any, in accordance with applicable law and any rules and regulations imposed by the Board.

(m) Environment. Any activities which materially disturb or destroy the vegetation, wildlife, wetlands, or air quality within the Community.

(n) Drainage. Obstruction or rechanneling drainage flows after location and installation of drainage swales, storm drains, except that Declarant and the Association shall have such right; provided, the exercise of such right shall not materially diminish the value of or unreasonably interfere with the use of any Unit without the Owner's consent;

(o) Irrigation Systems. Installation of any sprinkler or irrigation systems or wells of any type, other than those initially installed by Declarant or a Declarant approved builder, which draw upon water from lakes, creeks, streams, rivers, ponds, wetlands, canals, or other ground or surface waters within the Community, except that Declarant and the Association

shall be permitted and shall have the exclusive right and easement to draw water from such sources within the Community for purposes of irrigation and such other purposes as Declarant or the Association shall deem desirable;

(p) Bodies of Water The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of rivers, lakes ponds, streams, or other bodies of water within or adjacent to the Community.

(q) Time-Sharing. Use of any Unit for operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Unit rotates among participants in the program on a fixed or floating time schedule over a period of years, except that Declarant and its assigns may operate such a program.

(r) Business or Trade. Any business, trade or similar activity, except that an Owner or occupant residing in a Unit may conduct business activities within the Unit so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Unit; (ii) the business activity conforms to all zoning requirements for the Community; (iii) the business activity does not involve door-to-door solicitation of residents of the Community; (iv) the business activity does not, in the Board's judgment, generate a level of vehicular or pedestrian traffic or a number of vehicles being parked within the Community which is noticeable greater than that which is typical of Units in which no business activity is being conducted; and (v) the business activity is consistent with the residential character of the Community and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents within the Community, as may be determined in the sole discretion of the Board.

The terms "business" and "trade," as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether; (i) such activity is engaged in full or part-time; (ii) such activity is intended to or does generate a profit; or (iii) a license is required.

Leasing of a Unit shall not be considered a business or trade within the meaning of this subsection. This subsection shall not apply to any activity conducted by Declarant or a builder approved by Declarant with respect to its development and sale of the Community or its use of any Units which it owns within the Community, including the operation of a timeshare or similar program.

(s) Subdivision of Property. Subdivision of a Unit into two or more Units, or changing the boundary lines of any Unit, after a subdivision plat including such Unit has been approved and Recorded, except that Declarant shall be permitted to subdivide or replat Units which it owns.

(t) General. Plants, animals, devices, or other things of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Community;

(u) Unsightly Structures. Structures, equipment, or other items on the exterior portions of a Unit which have become rusty, dilapidated, or otherwise fallen into disrepair;

(v) Exterior Antennas. Satellite dishes, antennas, and similar devices for the transmission of television, radio, satellite, or other signals of any kind, except that (i) satellite dishes designed to receive direct broadcast satellite service which are one meter or less in diameter; (ii) satellite dishes designed to receive video programming services via multi-point distribution services which are one meter or less in diameter or diagonal measurement; and (iii) antennas designed to receive television broadcast signals ((i), (ii), and (iii), collectively, are referred to herein as "Permitted Devices") shall be permitted; however, any such Permitted Device must be placed in the least conspicuous location on the Unit back yard at which an acceptable quality signal can be received and is not visible from the street, Common Area, or neighboring property, and is installed and maintained in a manner consistent with the Community-Wide Standard and the Architectural Guidelines, as reviewed and approved by the ARC pursuant to Article V. Notwithstanding anything contained herein to the contrary, Declarant and the Association shall have the right, without obligation, to erect or install and maintain satellite dishes, antennas, or similar devices for the benefit of all or a portion of the Community.

(w) Exterior Decorative Items. Installation, display, or presence of exterior decorative items, including, but not limited to, statuary, wishing balls and fountains are prohibited in front yard and cannot be seen from street. Yard flags are prohibited but flags attached to a dwelling are allowed with Board approval.

(x) Boats. Boats and other watercraft shall not be stored on any Unit unless located in an enclosed garage. Boat trailers or watercraft trailers shall not be stored on any Unit unless located in an enclosed garage and shall not be parked on the street at any time, nor in the Unit's driveway for longer than 24 hours within any consecutive 7-day period.

(y) Yards; Landscaping; Outbuilding; Driveways. No rocks or gravel of any kind can be used in any landscaping. Single family detached dwellings may request change to bark mulch or mulch as long as the color is that approved by the ARC. Single standing mail boxes are prohibited, and cluster-type mail boxes shall be used for all residents. Storage sheds or other outbuildings are not permitted on any Unit. Notwithstanding the foregoing prohibition, the Association may, but is not required to, grant exceptions to this prohibition. The granting of any specific exception or any group of exceptions shall not be used as precedent for or require the Association to grant another exception. Any storage shed or outbuilding constructed on a Unit pursuant to an exception granted an Owner shall be constructed only upon the Association's approval of the shed or outbuilding's size, construction materials, and location on the Unit.

(z) Fences. Under no circumstances shall the ARC approve the erection or construction of a fence that does not meet the guidelines of the ARC regarding fence material,

style, height, location and any other factor deemed important by the ARC. The ARC will promulgate and publish such guidelines from time to time and nothing contained herein shall prohibit the ARC from revising those guidelines as the ARC determines in its sole discretion.

3. Leasing of Units. "Leasing," for purpose of this Paragraph, is defined as regular exclusive occupancy of a Unit by any person, other than the Owner, for which the Owner receives any consideration or benefit, including, but not limited to, a fee, service, gratuity, or emolument. All leases shall be in writing. The Board may require a minimum lease term; however, in no case shall such term be shorter than twelve months. Notice of any lease, together with a copy of such lease and with such additional information as may be required by the Board, shall be given to the Board by the Unit Owner within 10 days of execution of the lease. The Owner must make available to the lessee copies of the Governing Document.

EXHIBIT "D"

BYLAWS

OF

THE RESERVE AT MILL CREEK PROPERTY OWNERS ASSOCIATION, INC.

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BYLAWS
OF
THE RESERVE AT MILL CREEK PROPERTY OWNERS ASSOCIATION, INC.
A South Carolina Nonprofit Mutual Benefit Corporation

Pursuant to the provisions of the South Carolina Nonprofit Corporation Act, the Board of Directors of The Reserve at Mill Creek Property Owners Association, Inc., a South Carolina nonprofit mutual benefit corporation, has or intends to adopt the following Bylaws for such corporation.

Article I
Name, Principal Office, and Definitions

1.1 Name.

The name of the corporation is The Reserve at Mill Creek Property Owners Association, Inc. ("Association").

1.2 Principal Office.

The Association's principal office shall be located in Beaufort County, South Carolina. The Association may have such other offices, either within or outside the State of South Carolina, as the Board of Directors may determine or as the Association's affairs require.

1.3 Definitions.

The words used in these Bylaws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the Declaration of Covenants, Conditions, and Restrictions for The Reserve at Mill Creek filed in the Office of Register of Deeds for Beaufort County, South Carolina, as it may be supplemented and amended ("Declaration"), unless the context indicates otherwise.

Article II
Association: Membership, Meetings, Quorum, Voting, Proxies

2.1 Members.

Each Owner of a Unit (as defined in the Declaration) shall be a Member of the Association. The Association shall have two classes of membership as more fully set forth in the Declaration, the terms of which pertaining to membership are incorporated by this reference subject to such terms and conditions as set forth in the Declaration and these Bylaws.

2.2 Notice of Ownership.

In order to confirm Membership, upon purchasing a Unit in The Reserve at Mill Creek, the Owner of such Unit shall promptly furnish to the Association a legible copy of the instrument conveying ownership to the Owner, which copy shall be maintained in the records of the Association.

2.3 Place of Meetings.

Association meetings shall be held at the Association's principal office or at such other suitable place convenient to the Members as the Board may designate.

2.4 Annual Meetings.

The first Association meeting, whether a regular or special meeting, shall be held not later than one hundred twenty days (120) days after the Class B Membership shall cease to exist and be converted to a Class A Membership as set for the Declaration, unless otherwise set by the Declarant. Meetings shall be of the Members. Subsequent regular annual meetings shall be held each year at a time set by the Board.

2.5 Special Meetings.

The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of the Board or upon a petition signed by at least fifty percent (50%) of the voting interest of the Members. The notice of any special meeting shall state the date, time, and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting, except as stated in the notice.

2.6 Notice of Meetings.

It shall be the duty of the Secretary to mail or to cause to be delivered to the Owner of each Unit (as shown in the records of the Association) a notice of each annual or special meeting of the Association stating the time and place where it is to be held and in the notice of a special meeting, the purpose thereof. If an Owner wishes notice to be given at an address other than the Unit, the Owner shall designate by notice in writing to the Secretary such other address. The mailing or delivery of a notice of meeting in the manner provided in this Section shall be considered service of notice. Notices for annual and special meetings shall be served at least thirty (30) days but not more than sixty (60) days in advance of such meeting.

If mailed, the notice of a meeting shall be deemed to be delivered upon the earliest of: (a) the date received; (b) five (5) days after its deposit in the United States mail, as evidenced by its postmark, if mailed with first class postage affixed; (c) the date shown on the return receipt, if mailed by registered or certified mail, return receipt requested, and signed by or on behalf of the addressee; or (d) thirty (30) days after its deposit in the United States mail, as evidenced by the postmark, if mailed with other than first class, registered, or certified postage affixed; or (e) sent to the email address provided by the owner.

2.7 Waiver of Notice.

Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice either before or after such meeting. Attendance at a meeting by a Member shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance also shall be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.8 Adjournment of Meetings.

If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. At any such adjourned meeting, the necessary quorum shall be eighty (80%) percent of the votes represented by the Members who were present either in person or by proxy at the original meeting, any business which might have been transacted at the meeting originally called may be transacted without further notice.

2.9 Voting.

The Declaration shall set forth the Member's voting rights; such voting rights provisions are specifically incorporated by this reference.

2.10 Authority of Person Voting.

The Board shall have the authority to determine, in its sole discretion, whether any person claiming to have authority to vote on behalf of or as a Member has such authority. If the Member is a corporation, partnership, limited liability company, trust, or similar entity, the Association may require the person purporting to vote on behalf of such Member to provide reasonable evidence that such person (the "Representative") has authority to vote for such Member. Unless the authority of the Representative is challenged in writing at or before the time of voting, or is challenged orally at the time of voting, the Association may accept such Representative as a person authorized to vote for such Member, regardless of whether evidence of such authority is provided.

2.11 Proxies.

At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing, dated, and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon the conveyance by the Member of such Member's Unit, or upon receipt of notice by the Secretary of the death or judicially declared incompetence of a Member, or of written revocation, or upon the expiration of eleven (11) months from the date of the proxy.

2.12 Majority.

As used in these Bylaws, the term “majority” shall mean those votes of the Members, or other group as the context may indicate, totaling more than fifty percent (50%) of the votes of Members at a meeting at which a quorum is present.

2.13 Quorum

At all meetings of Members, regular or special, the presence, in person or by proxy, of at least fifty percent (50%) of the total eligible vote of the Association shall constitute a quorum. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum. Any amendment to this Section shall comply with the provisions of Section 33-31-1023 of the South Carolina Nonprofit Corporation Act.

2.14 Conduct of Meetings.

The President shall preside over all Association meetings, and the Secretary shall keep the minutes of the meetings and record in the minute book all resolutions adopted and all other transactions occurring at such meetings. Further, Roberts Rules of Order (latest edition) shall govern the conduct of corporate proceedings when not in conflict with the Articles of Incorporation, the Declaration, these By-Laws or the statutes of the State of South Carolina.

2.15 Action Without a Meeting.

Any action to be taken at a meeting of the Members, or which may be taken at a meeting of the Members, may be taken without a meeting if written consents setting forth the action so taken are signed by Members holding at least eighty percent (80%) of the Association’s voting power. Action taken without a meeting shall be effective on the date that the last consent is executed or, if required, the date Declarant consents to the action unless a later effective date is specified therein. Each signed consent shall be delivered to the Association and shall be included in the minutes of the meetings of the Members filed in the permanent records of the Association.

Article III

Board of Directors: Number, Powers, Meetings

A. Composition and Selection.

3.1 Governing Body; Composition.

The business and affairs of the Association shall be governed by a Board of Directors. Each director shall have one equal vote. Except with respect to directors appointed by Declarant during the Declarant Control Period, the directors shall be Members of the Community; provided, however, that no two persons being co-Owners of any one Unit may serve on the Board at the same time. In the case of a Member which is not an individual, any officer, director,

partner, member or manager of a limited liability company, or trust officer of such Member shall be eligible to serve as a director unless a written notice to the Association signed by such Member specifies otherwise; however, no Member may have more than one such representative on the Board at any one time, even if such Member owns more than one Unit, except in the case of directors appointed by Declarant. Owners not in good standing with the Association and whose dues are not paid current are not allowed to serve as a director.

3.2 Number of Directors

The initial Board shall consist of three (3) directors designated in the Articles of Incorporation. Thereafter, the Board shall consist of either three (3) to seven (7) directors, as provided in Section 3.4 below, but shall remain an odd number.

3.3 Nomination and Election Procedures.

Except with respect to directors appointed by Declarant during the existence of the Class B Membership, elected directors shall be nominated from the floor at a meeting of the Members and may also be nominated by a nominating committee, if such a committee is established by the Board, but no such committee need be appointed by the Board. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

3.4 Election and Term of Office.

(a) During Existence of Class B Membership. The Declarant shall have the sole and exclusive right to appoint and to remove the directors of the Association until the first to occur of the following:

- (i) When Declarant no longer owns any portion of the Property; or
- (ii) twenty-five (25) years after this Declaration is Recorded; or
- (iii) upon Declarant's surrender in writing of the authority to appoint and remove directors and officers of the Association.

Notwithstanding its right to appoint and remove officers and directors of the Association, Declarant reserves the right to approve or disapprove specified actions of the Association as provided in Section 3.18 herein.

(b) Subsequent to the Existence of Class B Membership. Upon termination of the Class B Membership, directors shall be elected by the Members and hold office as follows:

- (i) The Association shall call a special meeting to be held at which Members shall elect three (3) directors to serve until the next annual meeting of the Members. At the next annual meeting of the Members following termination of Class B Membership, the Members shall elect two (2) directors for an initial term of two (2) years and one (1) director for an initial term of one (1) year. At the expiration of the initial term of office of each director, a

successor shall be elected to serve for a term of two (2) years. The directors shall hold office until their respective successors shall have been elected by the Association.

(ii) Thereafter, directors shall be elected at the Association's annual meeting. Each Member shall cast the entire vote assigned to his Unit for each position to be filled. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms.

(iii) After the Class B Membership terminates, upon the affirmative vote of sixty-seven (67%) percent of the Members, the number of directors may be expanded to any odd number up to and including seven (7) directors. In the event the Members vote to expand the Board, the additional directors shall each serve a term of two (2) years on a staggered basis such that in one year three (3) directors would be elected for a term of two (2) years, and the following year either two (2) or four (4) directors would be elected for a term of two (2) years each, depending on total number of directors.

3.5 Removal of Directors and Vacancies.

At any regular or special meeting of the Association duly called, any one or more directors may be removed, with or without cause, by a vote of a majority of the voting interest of the Members and a successor may then and there be elected to fill the vacancy thus created. A director whose removal has been proposed by the Members shall be given at least ten (10) days' notice of the calling of the meeting and the purpose thereof and shall be given an opportunity to be heard at the meeting. Additionally, any director who had three (3) consecutive unexcused absences from Board meetings or who is delinquent in the payment of an assessment or fine for more than thirty (30) days may be removed by a majority vote of the remaining directors at a meeting.

In the event of the death, disability, or resignation of a director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Members may elect a successor for the remainder of the term.

This Section shall not apply to directors appointed by Declarant. Declarant shall be entitled to appoint or remove Directors at any time during the Declarant Control Period. Thereafter, Declarant may appoint a successor to fill any vacancy on the Board resulting from the death, disability, or resignation of a director it has appointed.

B. Meetings.

3.6 Annual Meetings.

The Board shall hold an annual meeting within fourteen (14) days following each annual meeting of the Members at such time and place the Board shall fix.

3.7 Regular Meetings.

The Board may hold regular meetings at such time and place a majority of the directors shall determine, but the Board shall hold at least four (4) such meetings during each fiscal year with at least one per quarter. The Board shall give notice of the time and place of a regular meeting to directors not less than six (6) days prior to the meeting; provided, the Board need not give notice of a meeting to any director who has signed a waiver of notice or a written consent to holding the meeting.

3.8 Special Meetings.

The Board may hold special meetings when called by written notice signed by the President, the Vice President, or any two (2) directors. 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 given to each director by: (a) personal delivery; (b) first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) facsimile, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at the director's address as shown on the Association's records. Notices sent by first class mail shall be deposited into a United States mailbox at least six (6) business days before the time set for the meeting. Notices given by personal delivery, telephone, or electronic communication shall be delivered or communicated at least seventy-two (72) hours before the time set for the meeting. Notices of such meetings shall also be delivered to the Members contemporaneously with the directors' notices.

3.9 Waiver of Notice.

The transactions of any Board meeting, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present; and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.10 Telephonic Participation in Meetings.

Members of the Board or any committee the Board designates may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section shall constitute presence at such meeting.

3.11 Quorum of Board of Directors.

At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the Board's decision, unless the Bylaws or the Declaration

specifically provide otherwise. A meeting at which a quorum is present initially may continue to transact business notwithstanding the withdrawal of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the date of the original meeting. At the reconvened meeting, if a quorum is present the Board may transact without further notice any business which it might have transacted at the original meeting. Any amendments to this Section shall comply with the provisions of the Section 33-31-1024 of the South Carolina Nonprofit Corporation Act.

3.12 Compensation.

Directors shall not receive any compensation from the Association for acting as such. The Association may reimburse any director for expenses incurred on the Association's behalf. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies he or she furnishes to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director makes his or her interest known to the Board prior to entering into such contract and a majority of the Board, excluding the interested director, approves such contract.

3.13 Conduct of Meetings.

The President shall preside over all Board meetings, and the Secretary shall keep a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.14 Open Meetings.

Subject to the provisions of Section 3.15, all Board meetings shall be open to all Members but attendees other than directors may not participate in any discussion or deliberation unless a director requests permission for that person to speak. In such case, the President may limit the time such person may speak. Notwithstanding the above, the President may adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors. Only the following matters are open for discussion in executive session:

- (a) matters pertaining to Association employees or involving the employment, promotion, discipline, or dismissal of an officer, agent or employee of the Association;
- (b) consultation with legal counsel regarding disputes that are the subject of pending or imminent court proceedings or matters that are privileged or confidential between attorney and client;
- (c) investigative proceedings concerning possible or actual criminal conduct;
- (d) matters subject to specific constitutional, statutory; or judicially imposed

requirements protecting particular proceedings or matters from public disclosure; and

(e) any matter the disclosure of which would constitute an unwarranted invasion of individual privacy.

3.15 Action Without a Formal Meeting.

Any action to be taken at a meeting of the directors, or any action that may be taken at a meeting of the directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

3.16 Powers.

The Board shall have all of the powers and duties necessary for managing the business and affairs of the Association and for performing all responsibilities and exercising all of the Association's rights as set forth in the Governing Documents and as provided by law. The Board may do or cause to be done all acts and things not limited by the Governing Documents or South Carolina law to be done and exercised exclusively by the Members.

3.17 Duties.

The Board's duties shall include, without limitation:

(a) causing to be prepared and adopting, in accordance with the Declaration, an annual budget establishing each Member's share of the Common Expenses and any Neighborhood Expenses;

(b) levying and collecting such Assessments from the Members;

(c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility and entering into agreements with adjacent property owners to allocate maintenance responsibilities and costs of certain public rights-of-way and other property within or adjacent to the Community;

(d) designating, hiring, and dismissing the personnel necessary to carry out the Association's rights and responsibilities 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) depositing all funds received on the Association's behalf in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve fund may be deposited, in the directors' business judgment, in depositories other than banks;

- (f) making and amending Rules and Regulations in accordance with the Declaration;
- (g) opening of bank accounts on behalf of the Association 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 Governing Documents;
- (i) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association; provided, the Association's obligation in this regard shall be conditioned in the manner provided in Section 8.5 of the Declaration;
- (j) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;
- (k) paying the cost of all services rendered to the Association;
- (l) keeping books with detailed accounts of the receipts and expenditures of the Association;
- (m) making available to any Owner, and the holders, insurers, and guarantors of any Mortgage on any Unit, current copies of the Governing Documents and all other books, records, and financial statements of the Association as provided in Section 6.4;
- (n) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Community;
- (o) indemnifying an Association director, officer, or ARC member, or former Association director, officer, or ARC member to the extent such indemnity is required by South Carolina law, the Articles of Incorporation, or the Declaration; and
- (p) assisting in the resolution of disputes between Owners and others without litigation, as set forth in the Declaration.

3.18 Right of Declarant to Disapprove Actions.

During Declarant Annexation Period as set forth in the Declaration, Declarant shall have a right to disapprove any action, policy, or program of the Association, the Board, and any committee which, in Declarant's sole judgment, would tend to impair rights of Declarant or any builders approved by Declarant under the Declaration or these Bylaws, interfere with the development or construction of any portion of the Community, or diminish the level of services the Association provides.

(a) The Association shall give Declarant written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board, or any committee. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, which notice complies as to the Board meetings with Sections 3.7, 3.8, 3.9, and 3.10 and which notice shall, except in the case of the regular meetings held pursuant to the Bylaws, set forth in reasonable particularity the agenda to be followed at said meeting; and

(b) The Association shall give Declarant the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein.

No action, policy, or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met.

Declarant, its representatives, or agents shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. Declarant, acting through any officer, director, agent or authorized representative, may exercise its right to disapprove at any time within ten (10) days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within ten (10) days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions, but shall not include a right to require any action or counteraction on behalf of the Board, the Association, or any committee. Declarant shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repair or any expenditure required to comply with applicable laws and regulations.

3.19 Management.

The Board may employ for the Association a professional management company at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties, but shall not delegate policy-making authority. Declarant or an affiliate of Declarant may be employed as managing agent or manager.

The Board may delegate to one of its members the authority to act on the Board's behalf on all matters relating to the duties of the managing agent or manager, if any, which might arise between Board meetings.

3.20 Accounts and Reports.

The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

- (a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;
- (b) accounting and controls should conform to generally accepted accounting principles;
- (c) the Association's cash accounts shall not be commingled with any other accounts;
- (d) the managing agent shall accept no remuneration from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, services fees, prizes, gifts, or otherwise; anything of value received shall benefit the Association;
- (e) the managing agent shall disclose to the Board promptly any financial or other interest which the managing agent may have in any firm providing goods or services to the Association;
- (f) an annual report consisting of at least the following shall be made available to all Members within one-hundred twenty (120) days after the close of the fiscal year: (1) a balance sheet; (2) an operating (income) statement; and (3) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant; however, upon written request of any holder, guarantor, or insurer of any first Mortgage on a Unit, the Association shall provide an audited financial statement. During the Declarant Control Period, the annual report shall include certified financial statement.

3.21 Borrowing.

The Association shall have the power to borrow money for any legal purpose; however, the Board shall obtain Member approval in the same manner provided in Section 9.2 of the Declaration for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous twelve (12) month period, exceeds or would exceed twenty percent (20%) of the Association's budgeted gross expenses for that fiscal year. No Mortgage lien shall be placed on any portion of the Common Area without the affirmative vote or written consent, or any combination thereof, of Members representing at least eighty percent (80%) of the total vote in the Association.

3.22 Right to Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with residential or nonresidential owners' associations within the outside the Community; however, any common management agreement shall require the Board's consent.

3.23 Enforcement.

In addition to such other rights as are specifically granted under the Declaration, the Board shall have the power to impose reasonable monetary fines, which shall constitute a lien upon the Unit of the violator, and to suspend an Owner's right to vote for violation of any duty imposed under the Governing Documents. In addition, the Board may suspend any services the Association provides to an Owner or an Owner's Unit if the Owner is more than thirty (30) days delinquent in paying any assessment or other charges owed to the Association. In the event that any occupant, tenant, employee, guest or invitee of a Unit violates the Governing Documents and a fine is imposed, the Association shall first assess the fine against the occupant, tenant, employee, guest, or invitee; however, if the occupant does not pay the fine within the time period the Board sets, the Owner shall pay the fine upon notice from the Association. The Board's failure to enforce any provision of the Governing Documents shall not be deemed a waiver of the Board's right to do so thereafter.

(a) Notice. Prior to imposition of certain sanctions requiring notice under the Declaration, 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 for a hearing to the Board; 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 stated in the notice shall be imposed; however, the Board may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the ten (10) day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(b) Hearing. If a hearing is requested within the allotted ten (10) day period, the hearing shall be held before the Board in executive session. The alleged violator shall be afforded 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 or its representative 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.

(c) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, the Board may elect to enforce any provision of the Governing Documents by self help (specifically including, but not limited to, towing vehicles that are in violation of parking rules) or, following compliance with the dispute resolution procedures set forth in Article XIII of the Declaration, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessary compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or Person responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred. Any entry onto a Unit for purposes or exercising this power of self help shall

not be deemed as trespass.

3.24 Board Standards.

While conducting the Association's business affairs, the Board shall be protected by the business judgment rule. The business judgment rule protects a director appointed by Declarant from personal liability so long as the director: (i) serves in a manner the director believes to be in the best interests of the Association and the Members; or (ii) serves in good faith. The business judgment rule protects a director not appointed by Declarant from liability for actions taken or omissions made in the performance of such director's duties, except for liability for wanton and willful acts or omissions.

In fulfilling its governance responsibilities, the Board's actions shall be governed and tested by the rule of reasonableness. The Board shall exercise its power in a fair and nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

The burden of proof in any challenge to an action or inaction by a director shall be on the party asserting liability.

The operational standards of the Board and any committee the Board appoints shall be the requirements set forth in the Governing Documents or the minimum standards which Declarant, the Board, and the Architectural Review Committee may establish. Such standard shall, in all cases, meet or exceed the standards set by Declarant and the Board during the Declarant Control Period. Operational standards may evolve as the needs and demands of the Community change.

3.25 Board Training Seminar.

Each director is encouraged to complete a board training seminar within such director's first three (3) months of directorship. Such seminar shall educate the directors about their responsibilities and duties. The seminar may be in live, video or audio tape, or other format.

Article IV Officers

4.1 Officers.

The Association's officers shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the Board members; other officers may, but need not be Board members. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. The same person may hold any two (2) or more offices, except the offices of the President and Secretary. It is anticipated, but not required, that the same person will hold the offices of Secretary and Treasurer. Moreover, the Secretary shall be responsible for preparing minutes of all directors'

and Members' meetings and for authenticating records of the corporation.

4.2 Election and Term of Office.

The Board shall elect the officers of the Association at the first Board meeting following each annual meeting of the Members, to serve until their successors are elected.

4.3 Removal and Vacancies.

The Board may remove any officer whenever in its judgment the Association's interests will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

4.4 Powers and Duties.

The Association's officers shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Secretary shall prepare, execute, certify, and Record amendments to the Declaration as provided in Section 16.3 of the Declaration. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent or both.

4.5 Resignation.

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 the 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.

4.6 Agreements, Contracts, Deeds, Leases, Checks, Etc.

All agreements, contracts, deeds, leases, checks and other Association instruments shall be executed by at least two (2) officers or by such other person or persons as a Board resolution may designate.

4.7 Compensation.

Officers' compensation shall be subject to the same limitations as directors' compensation under Section 3.12.

Article V Committees

The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall

operate in accordance with the terms of such resolution.

Article VI Miscellaneous

6.1 Fiscal Year.

The Association's fiscal year shall be the calendar year unless the Board establishes a different fiscal year by resolution.

6.2 Parliamentary Rules.

Except as may be modified by Board resolution, Robert's Rules of Order (the then current edition) shall govern the conduct of Association proceedings when not in conflict with South Carolina law or the Governing Documents.

6.3 Conflicts.

If there are conflicts between the provisions of South Carolina law, the Articles of Incorporation, the Declaration, and these Bylaws, the provisions of South Carolina law, the Declaration, the Articles of Incorporation, and the Bylaws (in that order) shall prevail.

6.4 Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection by any holder, insurer, or guarantor of a first Mortgage on a Unit, any Member, or the duly appointed representative of any of the foregoing, at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Declaration, Bylaws, and Articles of Incorporation, including any amendments, any Supplemental Declarations, the Rules and Regulations, the membership register, books of account, and the minutes of meetings of the Members, the Board and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within the Community as the Board shall designate.

(b) Rules for Inspection. The Board shall establish rules with respect to: (i) notice to be given to the custodian of the records; (ii) hours and days of the week when such an inspection may be made; and (iii) charges for reproducing copies of documents requested, if such request be granted.

(c) Inspection by Directors. Every director shall have the absolute right, at any reasonable time, to inspect all Association books, records, and documents and the physical properties the Association owns or controls. The director's right of inspection includes the right to make a copy of relevant documents at the Association's expense.

6.5 Notices.

Unless the Declaration or these Bylaws otherwise provide, all notices, demands, bills, statements, or other communications under the Declaration or these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

(a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Unit of such Member; or

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

6.6 Amendment.

(a) By Declarant. During the Declarant Control Period, Declarant unilaterally may amend these Bylaws for any purpose. Thereafter, Declarant or the Board unilaterally may amend these Bylaws at any time, and from time to time, if such amendment is necessary: (i) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Units; or (iii) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Units; provided, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent thereto in writing.

(b) By Members Generally. Except as provided above, these Bylaws may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing greater than sixty-seven percent (67%) of the total vote in the Association, and the consent of Declarant, so long as Declarant during Declarant Annexation Period. In addition, the approval requirements set forth in Article XVII of the Declaration shall be met, if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) FHA/VA Approval of Amendments. The U.S. Department of Veterans Affairs (if it is guaranteeing Mortgages in the Community or has issued a project approval for the guaranteeing of such Mortgages) and/or the U.S. Department of Housing and Urban Development (if it is then insuring any Mortgage in the Community or has issued a project approval for the insuring of such Mortgages) shall have the right to veto amendments to these Bylaws during the Declarant Control Period.

(d) Validity and Effective Date of Amendments. Amendments to these Bylaws shall become effective upon Recordation, unless the amendment specifies a later effective date. Any procedural challenge to an amendment must be made within one year of its Recordation or such amendment shall be presumed to have been validly adopted. In no event

shall a change of conditions or circumstances operate to amend any provisions of these Bylaws. The Secretary shall prepare, execute, certify, and Record amendments to these Bylaws.

No amendment may remove, revoke, or modify any of Declarant's rights or privileges without its written consent during the Declarant Annexation Period.

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Certification

I, undersigned, do hereby certify:

That I am the duly elected and acting Secretary of The Reserve at Mill Creek Property Owners Association, Inc., a South Carolina corporation;

That the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof held on the 26 day of April, 2018.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 26 day of April, 2018.


Secretary [SEAL]

EXHIBIT "E"

Rules of Arbitration

1. Claimant shall submit a Claim to arbitration under these Rules by giving written notice to all other Parties stating plainly and concisely the nature of the Claim, the remedy sought and Claimant's submission of the Claim to arbitration ("Arbitration Notice").

2. The Parties shall select arbitrators ("Party Appointed Arbitrators") as follows: all the Claimants shall agree upon one Party Appointed Arbitrator, and all the Respondents shall agree upon one Party Appointed Arbitrator. The Party Appointed Arbitrators shall, by agreement, select one neutral arbitrator ("Neutral") so that the total arbitration panel ("Panel") has three arbitrators.

3. If the Panel is not selected under Rule 2 within forty-five (45) days from the date of the Arbitration Notice, any party may notify the nearest chapter of The Community Association Institute, for any dispute arising under the Governing Documents, or the American Arbitration Association, or such other independent body providing arbitration services, for any dispute relating to the design or construction of improvements on the Properties, which shall appoint one Neutral ("Appointed Neutral"), notifying the Appointed Neutral and all Parties in writing of such appointment. The Appointed Neutral shall thereafter be the sole arbitrator and any Party Appointed Arbitrators or their designees shall have no further duties involving the arbitration proceedings.

4. No person may serve as a Neutral in any arbitration in which that person has any financial or personal interest in the result of the arbitration. Any person designated as a Neutral or Appointed Neutral shall immediately disclose in writing to all Parties any circumstance likely to affect impartiality, including any bias or financial or personal interest in the outcome of the arbitration ("Bias Disclosure"). If any Party objects to the service of any Neutral or Appointed Neutral after receipt of that Neutral's Bias Disclosure, such Neutral or Appointed Neutral shall be replaced in the same manner in which that Neutral or Appointed Neutral was selected.

5. The Appointed Neutral or Neutral, as the case may be, ("Arbitrator") shall fix the date, time, and place for the hearing. The place of the hearing shall be within The Reserve at Mill Creek unless otherwise agreed by the Parties. In fixing the date of the hearing, or in continuing a hearing, the Arbitrator shall take into consideration the amount of time reasonably required to determine Claimant's damages accurately.

6. Any Party may be represented by an attorney or other authorized representative throughout the arbitration proceedings. In the event the Respondent fails to participate in the arbitration proceeding, the Arbitrator may not enter an Award by default, but shall hear Claimant's case and decide accordingly.

7. All persons who, in the judgment of the Arbitrator, have a direct interest in the arbitration are entitled to attend hearings. The Arbitrator shall determine any relevant legal issues, including whether all indispensable parties are Bound Parties or whether the claim is

barred by the statute of limitations.

8. The hearing shall be conducted in whatever manner will, in the Arbitrator's judgment, most fairly and expeditiously permit the full presentation of the evidence and arguments of the Parties. The Arbitrator may issue such orders as he or she deems necessary to safeguard rights of the Parties in the dispute without prejudice to the rights of the Parties or the final determination of the dispute.

9. If the Arbitrator decides that he or she has insufficient expertise to determine a relevant issue raised during arbitration, the Arbitrator may retain the services of an independent expert who will assist the Arbitrator in making the necessary determination. The scope of such professional's assistance shall be determined by the Arbitrator in the his or her own discretion. Such independent professional must not have any bias or financial or personal interest in the outcome of the arbitration and shall immediately notify the Parties of any such bias or interest by delivering a Bias Disclosure to the Parties. If any Party objects to the service of any professional after receipt of a Bias Disclosure, such professional shall be replaced by another independent licensed professional selected by the Arbitrator.

10. No formal discovery shall be conducted in the absence of order of the Arbitrator or express written agreement among all the Parties. The only evidence to be presented at the hearing shall be that which is disclosed to all Parties at least 30 days prior to the hearing; however, no Party shall deliberately withhold or refuse to disclose any evidence which is relevant and material to the Claim and is not otherwise privileged. The Parties may offer such evidence as is relevant and material to the Claim and shall produce such additional evidence as the Arbitrator may deem necessary to an understanding and determination of the Claim. The Arbitrator shall be the sole judge of the relevance and materiality of any evidence offered, and conformity to the legal rules of evidence shall not be necessary. The Arbitrator shall be authorized, but not required, to administer oaths to witnesses.

11. The Arbitrator shall declare the hearings closed when he or she is satisfied the record is complete.

12. There will be no post hearing briefs.

13. The Award shall be rendered immediately following the close of the hearing, if possible, and no later than 14 days from the close of the hearing, unless otherwise agreed by the Parties. The Award shall be in writing, signed by the Arbitrator, and acknowledged before a notary public. If the Arbitrator believes an opinion is necessary, it shall be in summary form.

14. If there is more than one arbitrator, all decisions of the Panel, including the Award, shall be by majority vote. Each Party agrees to accept as legal delivery of the Award the deposit of a true copy in the mail addressed to that Party or its attorney at the address communicated to the Arbitrator at the hearing.

EXHIBIT "F"

Residual The Reserve at Mill Creek Property

TMS No. _____