

IV. AMENDMENT TO ARTICLE III, SECTION 3. Article III, Section 3 of the Master Deed is amended to read as follows:

3. Neither the Association, any Co-Owner, the Declarant, nor any other party who owns an interest in the Common Elements shall have the right to bring any action for partition or division of the Common Elements.

Initial rules and regulations governing the use of the Submitted Property shall be promulgated by the Declarant on behalf of the Board of Directors. Additional and/or amended rules and regulations may be adopted or repealed by the Board of Directors. The Board of Directors may amend or repeal any rule or regulation adopted by it or by the Declarant. A copy of the Rules and Regulations of The Spa shall be posted in a conspicuous place in the Administrative Offices of the Association, and copies shall be available at the Security Office and in the Administrative Office during regular business hours.

Each Co-Owner, by acquiring his Unit, shall be deemed to agree to be bound by, among other things: (i) all rules and regulations adopted for the use of the Submitted Property; and (ii) the Master Deed and the By-Laws.

Upon a finding that a Co-Owner, occupant or guest has violated the Rules and Regulations promulgated for the use of the Property, the Association shall have the right to suspend the rights of any Co-Owner, occupant or guest to use the Property and to use the Common Elements for so long as the violation of the Rules and Regulations continues, plus an additional thirty (30) days. In the event a Co-Owner, occupant or guest is found to be in violation of the same Rule and Regulation for a second or successive time within a twelve (12) month period, the Association shall have the right to suspend the rights of any Co-Owner, occupant or guest to use of such Common Elements for so long as the violation of the Rules and Regulations continues, plus an additional sixty (60) days.

Any Occupant may use the Common Elements reserved for the use of the Apartment he occupies during the time such Occupant is actually in residence in the Apartment. Guests and invitees of an Occupant of an Apartment and the Co-Owner of an Apartment (while another occupies his Apartment) may only use the Common Elements with the express permission of the Board of Directors and subject to such terms and conditions as the Board of Directors may specify. The Association shall have the right to eject and prohibit from re-entry a Co-Owner, occupant or guest who is found to have violated the Rules and Regulations promulgated for the use of the Property.

V. AMENDMENT TO ARTICLE III, SECTION 4. Article III, Section 4 of the Master Deed is amended to delete the provisions of Article III, Section 4 in its entirety. Article III, Sections 5 through 7 are renumbered as Article III, Sections 4 through 6, respectively.

VI. AMENDMENT TO ARTICLE III, SECTION 5. Article III, Section 5 of the Master Deed is amended to renumber Section 5 as Section 4 and to read as follows:

4. All parking spaces shall be reserved for Co-Owners, as the same are defined in the current Rules and Regulations of The Spa promulgated by the Association. There shall be no commercial vehicles parked at The Spa, unless parked temporarily in connection with work being performed on the Property.

VII. AMENDMENT TO ARTICLE III, SECTION 7. Article III, Section 7 of the Master Deed is amended to be renumbered as Section 6 and Sections 7(a) and 7(b) are amended to read as follows:

6. Development Plan:

(a) Certain property and improvements are included in the Regime including buildings containing 154 residential apartments. Of the 154 residential Apartments, 124 are two-bedroom Apartments and are numbered 1107-1130, 1207-1230, 1307-1330, 2101-2114, 2201-2214, 2301-2314, 2119-2120, 2219-2222 and 2319-2322. There are 30 one-bedroom residential Apartments numbered 1101-1106, 1201-1206, 1301-1306, 2115-2118, 2215-2218, 2315-2318. The principal improvements included within the Common Elements are a Natatorium (containing an indoor pool with deck and pool equipment room, an exercise room, sauna, hot tub, and bathrooms with lockers), reflecting pool, storage, electrical storage and laundry rooms, paved entrance with a guard house, traffic and parking areas, an outdoor pool, jogging trail, a lagoon with a gazebo, vending areas, wine storage room, meeting room utility centers the same being shown and designated in the Exhibits hereto. By reason of the relative values of the two bedroom Units (each having an equal value to the others), and the one-bedroom Units (each having an equal value to the others) with regard to the Submitted Property as a whole, there is appurtenant to each two-bedroom Unit an undivided percentage share of ownership interest in the Common Elements as described in the Exhibits, and to each one-bedroom Unit an undivided percentage share of ownership interests in the Common Elements, all as described in the Exhibits.

(b) Declarant reserves the right to annex and include additional property, improvements and Apartments and to amend this Master Deed by its sole action for the purpose of creating Phase II of the Spa on Port Royal Sound Regime. Phase II, if so annexed, will include property and improvements, including buildings containing two bedroom apartments, one bedroom apartments and/or suites and additional Common Elements; provided, however, Phase II if included will in no event contain more than 100 two bedroom apartments and 12 one bedroom apartments. Should the Declarant determine to so annex and include Phase II, it hereby covenants that the necessary annexation and amendment to the Master Deed and the election to proceed with Phase II shall be made not later than twenty years from the date this Master Deed is first recorded and the necessary annexation and

amendment to the Master Deed shall be filed with the Clerk of Court for Beaufort County, South Carolina, no later than that date. Phase II, if included, will not increase the proportionate amount of the Common Elements payable by the Co-Owners of and comprising the Regime as presently constituted (herein "Phase I"). Should Phase II be included, the percentage interest in the Common Elements of each Co-Owner in Phase I shall be reduced and each of the Co-Owners of Phase I shall own an undivided interest as indicated in the Exhibits attached hereto. Likewise, although each Co-Owner of Phase I shall retain the vote presently appurtenant to his Apartment (votes for a one bedroom Apartment and votes for a two bedroom Apartment), there shall be additional votes and, therefore, the percentage value of each vote, compared to the total votes, shall be reduced as described in the Exhibits."

VIII. AMENDMENT TO ARTICLE IV. Article IV of the Master Deed is amended to read as follows:

To preserve the original architectural appearance of the Regime, no exterior construction of any nature whatsoever except as specified in this Master Deed shall be commenced or maintained upon any building and/or Common Element and all such additions as are herein specified shall be architecturally compatible with existing structures. No Co-Owner shall paint, decorate or change the color of any exterior surface, gate, fence or roof, nor shall any Co-Owner change the design or color of the exterior or lighting, nor shall any Co-Owner install, erect or attach to any party of the exterior any sign of any kind whatsoever, nor shall any exterior addition or change, including, without limiting the generality of the foregoing, the erection or construction of any fence or wall, be made unless and until plans and specifications showing the nature, kind, shape, height, material, color and location of the same shall have been submitted to and approved in writing as to harmony of exterior design, color and location in relation to the surrounding structures by the Board of Directors (or its designee). Failure of the Board of Directors (or its designee) to approve or disapprove such plans and specifications within sixty (60) days after their being submitted in writing shall constitute approval.

IX. AMENDMENT TO ARTICLE IX, PARAGRAPH 3. Article IX, Paragraph 3 of the Master Deed is amended to read as follows:

Upon assessments that are unpaid for over ten (10) days after due date, at the sole discretion of the Board of Directors (and if not forbidden by law), a late charge not to exceed \$10.00 or 10% of the amount due, whichever is greater, to the extent allowed by law, shall also be due and payable to defray the expense of late collection. An additional late fee of \$50.00 will be imposed upon assessments that are more than thirty (30) days in arrears. An additional late fee of \$100.00 will be imposed upon assessments that are more than sixty (60) days in arrears. Regular Assessments shall be due and payable on the first day of each month and monthly bills for same need not be delivered or mailed to the Co-Owners by the Board; provided, however, that on or before December 1st of the preceding year, the amount of regular monthly

Assessments due from each Co-Owner for each month of that year shall be mailed by the Board of Directors to each Co-Owner and provided, further, that a notice of any increase or decrease in regular monthly Assessments shall likewise be mailed or delivered to each and every Co-Owner by the Board of Directors no later than thirty (30) days prior to the time the first regular monthly Assessment so changed shall be due.

X. AMENDMENT TO ARTICLE IX, PARAGRAPH 6. Article IX, Paragraph 6 of the Master Deed is amended to read as follows:

No mortgagee of any mortgage of record or other purchaser of an Apartment who obtains title to the same at the foreclosure sale upon foreclosure of such mortgage shall be liable for the share of the Common Expenses or Assessments accruing after the date of recording of such mortgage but prior to the acquisition of title by such acquirer. Rather, such shall become Common Expenses payable pro rata by all Unit Owners (including such acquirer) as provided in the Act. In addition, any Co-Owner, person having executed a contract for the purchase of a Apartment or lender considering the loan of funds to be secured by a Apartment shall be entitled upon request to a statement setting forth the amount of Assessment(s) past due as provided in the Act. Failure to respond timely shall extinguish the lien for such assessment(s), to be extinguished as provided in the Act. Except in the foregoing circumstances when an assessment(s) is cut-off by a foreclosure as provided for in the Act, in the event of a sale of a Unit, the obligation of unpaid Assessment(s) on the Unit runs with the sale and automatically becomes an obligation of the Purchaser of the Unit.

XI. AMENDMENT TO ARTICLE X, SECTIONS 1, 2, 3, 5, 6 AND 10. Article X, Section 4 is deleted and Article X, Sections 5 through 15 are renumbered as Sections 4 through 14, respectively. Article X, Sections 1, 2, 3, 5, 6 and 10 are amended to read as follows:

1. The Board of Directors of the Association shall obtain insurance upon the Submitted Property insuring it (including both Common Elements and all Apartments) against all risks, all premiums of which shall be included as part of the Common Expenses. The provisions of this Article shall relate to all residential Units and all Common Elements including all fixtures, building service equipment, common personal property and supplied belonging to the Association.

The Board, on behalf of the Association, shall obtain extended insurance coverage (by policies, each having, if such can be obtained, a term of not less than three (3) years) upon the Submitted Property and improvements thereon, including the Apartments and Common Elements, insuring the Co-Owners and their mortgagees against loss from fire, earthquake, flood, vandalism and the elements (windstorm, etc.), as well as any other risks the Institutional Mortgagees described in Section 2 (if any) may deem it reasonable to require, in amount(s) sufficient to completely restore and replace the damage and/or destroyed elements in the event of

loss or in the event the improvements are not to be repaired or replaced (as described in Section 6), sufficient to, after pro rata division among the Apartments to provide funds to pay off all outstanding mortgages held by Institutional Mortgagees upon Apartments in the Regime, whichever is greater. In the event such coverage as obtained contains deductible(s) and/or is insufficient to so restore or replace, the Association (as hereafter described), with the advice of the Board, shall determine the amount(s) necessary to cover such deductible(s) and/or deficiencies and establish a self-insurance fund to provide insurance to cover the same. Such self-insurance fund shall be established and funded in the same manner as are escrow payments for insurance premiums as hereafter described. Such self-insurance fund shall have the same loss payee as the policies obtained (i.e. the Association for the benefit of the Co-Owners and their mortgagees, etc.). Such self-insurance fund and any increase and/or replacement(s) thereto shall be funded by assessment of all of the Co-Owners by the Association acting on behalf of the Board, which shall be, when so assessed, an item of Common Expenses. Such funds so maintained (except for excess funds, which shall be distributed as provided in Section 4), together with interest thereon (if any) may be expended only in the event of: (i) a loss which such funds insure against; (ii) the obtaining of other insurance to cover such deductible(s) and/or insufficiency(ies); (iii) the consent of all Co-Owners and their mortgagees; or (iv) upon termination of the Regime. In the event of distribution of such funds for any of the latter three events, such funds so expended and/or distributed shall be considered as, owned as and distributed as Common Surplus.

2. Any Institutional Mortgagees holding mortgages encumbering Apartments in the Regime having collectively an aggregate of original principal balances of \$1,000,000 or more shall have the right to approve all such insurance policy or policies, the company or companies, insurance upon such insurance coverage, the amount(s) thereof and, if appropriate, self-insurance sufficient to cover deductibles. The Association reserves the right to, by amendment, change the date by which mortgages must be recorded in order for an Institutional Mortgagee to qualify for the rights granted herein.

3. Insurance premiums are and shall be part of the Common Expenses; provided, however, they shall be paid separately and to the Association by each Co-Owner at such address as it shall designate. The Association shall notify the Co-Owners of the place of payment and monthly payment amount, which shall be due and payable by the first day of each month by each Co-Owner. The amount collected monthly from each Co-Owner shall be an amount equal to his percentage share in the Common Expenses multiplied by not less than 1/12th of the annual premium of all insurance policies maintained upon the Regime. Further, the Association is hereby subrogated to and assigned the lien rights of the Council Of Co-Owners as to each Co-Owner failing to pay any payment due from him to the Association for insurance premiums or self-insurance to the extent of the amounts due and owing but unpaid, which rights include the right to file notice of, perfect and foreclose upon a lien(s) against such Co-Owner(s) as granted to the Council of Co-Owners by the Act and

this Master Deed. Sufficient funds shall be collected and maintained, if necessary in advance, by the Association (as hereinafter defined) such that with monthly installments received by it, it will have sufficient funds to pay the next annual premium on each policy maintained under Section 1 hereof not less than sixty (60) days prior to the date such premiums on such policy is due and payable. Such funds so held shall be disbursed and used by it solely to pay premiums on said insurance policies described in Section 1. Unless such carrier fails to meet the requirements of Section 13 hereof or unless otherwise instructed by the Board of Directors and agreed to by the Association described in Section 2, the Association shall renew each policy with and pay the renewal premium to the same carrier then carrying said coverage. Such funds shall not be otherwise used or disbursed except upon written instruction of the Board of Directors consented to by all of the Institutional Mortgagees within the classification described in Section 2 of this Article.

4. The Association is hereby designated and appointed as agent for the Co-Owners, the Board of Directors, each and every present and future Co-Owner thereof and each and every mortgagee and lienholder (if any) of each and every such Co-Owner for the purposes of this Article. Any Person, by acquiring any ownership or security interest whatsoever in any Apartment, shall be deemed to have appointed the Association as his, her or its agent for the purposes of this Article. Further, such appointment is and shall be irrevocable; provided however, the present Association may resign upon the acceptance by a successor Association of all rights, powers and duties herein granted the Association and, further, provided such successor must be a federally insured bank or other federally insured depository having a corporate trust department, and must be acceptable to all Institutional Mortgagees within the classification described in Section 1 of this Article. In its capacity as agent, the Association shall cause itself, as the Association, to be designated as named insured and loss payee, for the benefit of those for whom it is herein designated as agent, of the insurance policies procured pursuant to Section 1 of this Article, and in such capacity to receive all proceeds from such policies and execute as duly authorized agent such releases, endorsements or other documents or things as may be necessary to be able to receive such proceeds. In the event of any casualty or loss which is less than 2/3rds (as defined in Section 5 of this Article), the Board of Directors shall be responsible to accomplish substantial reconstruction, replacement and repair, provided the Association shall collect the proceeds of insurance and distribute such proceeds (by, if appropriate, a percentage of completion basis) to the parties entitled thereto upon satisfying itself as to the effectuation of such repairs, replacement and reconstruction. In the event reconstruction is not required (in accordance with the provisions of Section 5 of this Article), the Association shall receive the proceeds and shall divide them, pro rata, among the Apartments according to the percentage of Common Elements appurtenant to each Apartment. The Association shall then pay over to the mortgagee (and, if more than one, in order of priority of lien) of that Apartment, the share of proceeds appurtenant thereto up to the amount of indebtedness due such mortgagee upon his mortgage, and any balance then remaining to the Co-Owner thereof. If there be no mortgagee or other lienholder of that

Apartment, the entire proceeds allocable to that Apartment shall be paid over to the Co-Owner thereof. The Association shall not be required to distribute any funds until it is satisfied in its sole judgement or assured of the parties entitled to such proceeds and the amounts to which they are entitled.

5. The proceeds of any such insurance shall be applied to reconstruct the improvements as provided in the Act; provided, however, reconstruction shall not be compulsory where it comprises the whole or more than two-thirds of the Property. In such event, unless unanimously agreed otherwise in writing by the Co-Owners and all Institutional Mortgagees, the proceeds shall be divided pro rata among the Apartments according to the share of Common Elements appurtenant to each and distributed by the Association as provided in this Article. In the event of such pro rata division, the Institutional First Mortgagee of record shall have first claim upon such insurance proceeds delivered to the Co-Owner of the Apartment upon which such Institutional Mortgagee holds a mortgage lien to the extent of the indebtedness due and owing upon the debt which such mortgage secures.

9. The Association is further hereby irrevocably appointed agent for each Co-Owner, the Council, its Co-Owners and their mortgagees for the purpose of comprising and settling claims arising under insurance policies purchased under the provisions of this Article and to execute and deliver releases therefor upon the payment of claims.

XII. AMENDMENT TO ARTICLE X. Article X of the Master Deed is also amended to include the following provision:

15. The Board recommends that all Co-Owners obtain a condominium insurance policy referred to in South Carolina as a "HO-6" Policy and declare that, in the event of any claim, the HO-6 Policy is considered to be the primary coverage policy and the Association policy procured by the Association consistent with the dictates of Article X, to be the secondary insurance policy.

XIII. AMENDMENT TO ARTICLE XI, PARAGRAPH 1. Article XI, Paragraph 1 of the Master Deed is amended to read as follows:

The Co-Owner of each Apartment shall occupy and use his Apartment as a single family private dwelling for residential purposes for himself and the members of his family and/or his special guests or designees and for no other purposes; provided, however, nothing herein contained herein or any present or future action by the Council of Co-Owners or its Board of Directors shall prevent any Co-Owner from leasing or renting his Apartment for such period or periods as he shall determine in his sole discretion to third parties; provided, however, such Apartment shall, if so rented or leased, be used for residential purposes only by such lessee or renter and in compliance with this Master Deed and its Exhibits, the Act and Rules and Regulations properly promulgated. Such renter or lessee may be removed from

the Property and/or refused further entrance by the Board of Directors of the Association or its designee for non-compliance, and the Co-Owner of that Apartment shall be liable for all damages caused by his lessee or renter and all costs of removal which shall be a lien upon his Apartment the same as the lien for unpaid Common Expenses. The maximum number of individuals who may reside in a one-bedroom Apartment at any time shall be four (4) and the maximum number of individuals who may reside in a two-bedroom Apartment at any time shall be six (6). This maximum number of occupants includes temporary guests, as are defined as any individual who stays overnight in an Apartment. No commercial or business activity shall be carried out in any Apartment or other part of the Submitted Property except that commercial laundry and vending equipment may be maintained and maintenance and laundry equipment kept and maintained in areas of the Common Elements suitable for such purposes. No Apartment may be sold, leased or otherwise marketed under any plan of multiple use, interval ownership or time sharing arrangement.

XIV. AMENDMENT TO ARTICLE XI, PARAGRAPH 3. Article XI, Paragraph 3 of the Master Deed is amended to read as follows:

No animals or pets of any kind shall be kept in any Apartment or on any property of the Regime, except as required or permitted by law (such as guide dogs, etc.).

XV. AMENDMENT TO ARTICLE XI, PARAGRAPH 4. Article XI, Paragraph 4 of the Master Deed is amended to read as follows:

No Co-Owner shall cause anything to be affixed or attached to, hung, displayed or placed on the exterior walls, doors or windows of the Apartments or upon the general or limited Common Elements; nor shall he plant any type of plants, shrubbery, flower, vine or grass outside a Apartment nor shall he cause awnings or storm shutter, screens, enclosures and the like to be affixed or attached to any Apartment, limited or general Common Elements; nor shall he place any furniture or equipment outside a Apartment except with the written consent of the Board of Directors and with the vote of not less than seventy-five (75%) percent of the total vote of the Co-Owners; and further, where approved, subject to the Rules and Regulations of the Board of Directors. No clothesline or similar device shall be allowed on any portion of the Submitted Property nor shall clothes be hung anywhere except where designated by the Board of Directors. Co-Owners may not screen or enclose any exterior patio which abuts a Unit, where applicable, nor may any Co-Owner screen or enclose any exterior deck and/or balcony which abuts his Apartment, where applicable, with any type of material without the prior written consent of the Board of Directors and the vote of not less than seventy-five (75%) percent of the total vote of the Co-Owners.

XVI. AMENDMENT TO ARTICLE XI, PARAGRAPH 6. Article XI, Paragraph 6 of the Master Deed is amended to read as follows:

The Board of Directors may, if it determines appropriate, suspend use of the Common Elements for so long as any violation of the provisions of the Master Deed, By-Laws or Rules and Regulations continues plus an additional thirty (30) days for the first violation and an additional sixty (60) days for the second violation.

XVII. AMENDMENT TO ARTICLE XI, PARAGRAPH 7. Article XI, Paragraph 7 of the Master Deed is amended to delete Paragraph 7.

XVIII. AMENDMENT TO ARTICLE XII, SECTION 2. Article XII, Section 2 of the Master Deed is amended to delete Article XII, Section 2, Paragraph 2 and to read as follows:

2. There shall be no alterations or additions to the Common Elements or any part(s) thereof except as authorized by the Board of Directors and approved by not less than seventy-five (75%) percent of the total vote of the Co-Owners of the Regime provided the aforesaid alterations or additions do not affect the rights of any Co-Owner unless the consent of such Co-Owner has been obtained. There shall be no alterations or additions to the Common Elements or any part(s) thereof which result in increased assessments except as authorized by the Board of Directors and approved by a vote of not less than two-thirds (2/3) of the total vote of the Co-Owners of the Regime. The costs of the foregoing shall be assessed as Common Expenses. Where alterations or additions as aforesaid are exclusively or substantially for the benefit of the particular Co-Owner(s) requesting the same, then the costs of such alterations or additions shall be assessed against and collected solely from the Co-Owner(s) exclusively or substantially benefitting therefrom. The assessment shall be levied in such proportion as may be determined as fair and equitable by the Board of Directors taking into account the benefit to each and relative value of each Apartment as opposed to the others so improved. Where such alterations or additions exclusively or substantially benefit Co-Owners requesting same, said alterations or additions shall only be made when authorized by the Board of Directors and approved by not less than seventy-five (75%) percent of the total votes of the Co-Owners exclusively or substantially benefitting therefrom, and where said Co-Owner are ten (10) or less, the approval of all but one (1) shall be required.

XIX. AMENDMENT TO ARTICLE XII, SECTION 3(b) and 3(c). Article XII, Sections 3(b) and 3(c) are amended to read as follows:

(b) Not to make or cause to be made any structural addition or alteration to his Apartment or to the Common Elements or any part(s) thereof. Alterations within a Apartment may be made with prior written consent of the Board of Directors. Upon approval of such alteration, the Board of Directors shall have the right to require approval of any contractor and/or sub-contractor employed by such Co-Owner for such purpose. Said parties shall comply with all Rules and Regulations adopted by

the Board of Directors. Further, such Co-Owner shall be liable for all damages to any other Apartment(s), Common Element(s) or Submitted Property caused by the Co-Owner's contractor, sub-contractor or employee whether such damage be caused by negligence, accident or otherwise.

(c) To allow the Board of Directors or its authorized representative, agent or employee to enter into his Apartment for the purpose of maintenance, inspection, repair or replacement of improvements within the Apartment and/or Common Elements; to determine and remedy in the case of emergency, circumstances threatening the Apartment and/or Common Elements; to determine compliance with the provisions of this Master Deed and/or any By-Law or Rule or Regulation of the Association; or to perform an authorized inspection of any Apartment at any reasonable time and without advance notice based upon concerns of safety and health. Furthermore, each Co-Owner shall provide the Board with a duplicate key to his Apartment in the event the Board shall elect to perform such inspections or if entry is otherwise needed or necessary.

XX. AMENDMENT TO ARTICLE XII, SECTION 4. Article XII, Section 4 is amended to include the following provision:

If the Board of Directors determines it necessary to perform certain maintenance or improvements on an Apartment and thereafter seeks reimbursement from the Co-Owner of such Apartment in the form of an assessment, such assessment shall have the same force and effect as all other special assessments, specifically including, but not limited to, the right of the Association to file a lien and then to foreclose such lien if the assessment is not paid.

XXI. AMENDMENT TO ARTICLE XII, SECTION 5. Article XII, Section 5 of the Master Deed is amended to include the following provision:

5. The Board of Directors has the authority to determine the exterior color scheme of the private balconies and it is the Association's responsibility to paint these balconies; provided, however, that any maintenance of the private balconies is the responsibility of the individual Co-Owner.

XXII. AMENDMENT TO ARTICLE XIV, PARAGRAPHS 2, 3, 4 AND 5. Article XIV, Paragraphs 2, 3, 4 and 5 of the Master Deed are amended and Paragraph 6 is added to read as follows:

The Property is subject to all conditions, limitations, restrictions, reservations and all other matters of record, the rights of the United States of America, the State of South Carolina and any governmental authority or agency, including those pertaining to the use and ownership of any submerged lands and any lands lying below the natural high water line of the surrounding bodies of water, any taxes, applicable zoning ordinances which now exist or are hereafter adopted and easements for ingress and egress, for pedestrian and vehicular purposes and for utility services

and drainage which now exist or are hereafter granted by the Association for the benefit of such persons as the Association designates. The Association shall have the right to grant easements and designate the beneficiaries thereof for such time as it determines in its sole discretion. Such rights include, but are not limited to, reservation unto itself, its successors and assigns, and the right to grant to third parties easements for access and ingress across the Property suitable for such purposes, for pedestrian and vehicular purposes and for utility services and drains, and easements and licenses of use of the amenities and facilities of the Regime, provided any such grant of use(s) shall require the grantee(s) thereof to pay fees commensurate with such use(s) for such use(s). The Association shall have the right to grant permits, licenses, and easements over the common areas for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the Property. No easement shall be granted by the Association if as a result thereof any buildings or other improvement in the Regime would be structurally weakened or the security of any mortgagee of record would be adversely affected without its written consent.

The Association, all present and future Co-Owners and Occupants, and their respective successors, assigns, designees, invitees, licensees and guests are hereby granted a perpetual easement over, through and across and a license to use the areas of the Common Elements in the manner for which such is ordinarily intended and are further granted a pedestrian easement over, through and across the Common Elements upon such paths and ways as are suitable for pedestrian traffic and a license to use the same.

The Association, all present and future Co-Owners and Occupants, and their respective successors, assigns, designees, invitees, licensees and guests are hereby granted a easement to certain property described in Exhibit One on which three (3) tennis courts are constructed. The Association grants a ten foot wide easement from the Property to said tennis courts for the sole purpose of providing a general access, ingress and egress to those courts across such area that is suitable for that purpose; provided, however, that the Association reserves the right to extinguish, narrow or broaden such easement, make it more specific and further reserves the right to relocate said easement across any other area that the Association deems suitable.

The Association specifically reserves unto itself, its successors and assigns a perpetual easement as shown in the Exhibits for the location, placement, construction and operation of cable TV equipment including but not limited to a TV satellite dish, lines, connectors, and such other equipment incidental thereto; provided, further, the Association reserves unto itself, its successors and assigns, in addition to any other easements of any nature or any kind, a perpetual general utility easement across, over and through the Property for the purpose of locating, placing and constructing such other equipment, lines or the like needed for operating, servicing and maintaining the above equipment and further for provided cable TV service to the Property, the Units, Common Elements or to any other units, property

or persons whether included within the Submitted Property or not.

The Association, acting through the Board of Directors, may prohibit the use of easements over the Common Elements granted to all Co-Owners, Occupants or guests who are found to be in violation of the Rules and Regulations.

XXIII. AMENDMENT TO ARTICLE XV. The existing provisions of Article XV are deleted and the following provision is substituted therefor:

The Declarant, and any successors or assigns of Declarant Resort Investment Corporation, has forfeited and assigned all rights as previously set forth within this article under the Master Deed at The Spa on Port Royal Sound.

XXIV. AMENDMENT TO ARTICLE XVI. The provisions of Article XVI are deleted and the following provision is included in Article XVI:

The Construction Lender or Construction Mortgagee has no further rights whatsoever regarding The Spa on Port Royal Sound.

XXV. AMENDMENT TO ARTICLE XVII. The provisions of Article XVIII are amended to read as follows:

The Regime is located within and is part of a certain 21.471 more or less, acres tract of land owned/or under option by Declarant lying between S.C. Highway No. 334 and the Atlantic Ocean, portions of which Declarant presently included within and has named The Spa on Port Royal Sound (herein "Resort"). Declarant has heretofore included within the Resort a horizontal property regime named The Spa on Port Royal Sound Horizontal Property Regime (which was established by Master Deed which is recorded in the Office of the Clerk of Court for Beaufort County, South Carolina, in Deed Book 402 at Page 629. Developer has forfeited and assigned to the Association all of its rights regarding The Spa on Port Royal Sound property, including, but not limited to, any and all rights to grant drainage and flow easements. The Developer has forfeited and assigned to the Association its right to grant non-exclusive easements and licenses of use of the pathways, streets and roads (together with roadside and entrance areas), paved areas and recreational facilities and amenities of the resort (herein "Resort Facilities"). Developer has forfeited and assigned to the Association its right to, at the sole discretion of the Association, add additional property up to the entire 21.471 acres tract, build additional streets and roads, pathways, develop certain portions for other multi-family complexes, tennis courts, parking facilities, recreational facilities and develop portions for commercial facilities within the Resort, provided any such development shall be in the Homeowners Association's sole discretion and no representations are made as to the same whatsoever. As a consequence, the Homeowners Association reserves unto itself, its successors and assigns in interest, and the present owner of the balance of the real property shown within the Resort in the Exhibits (herein "Present Owner"),

the right to include up to the entire tract within the Resort.

Declarant has forfeited and assigned to the Association its right to grant non-exclusive easements over, across and through, and right to use, the paved areas of the Resort (including within the Regime) and its paths and ways for normal pedestrian and vehicular access and ingress and egress from the public road and for parking and a license to use the areas of the Common Elements (including amenities) in the manner ordinarily intended, such easements and licenses to exist in perpetuity. Provided, further, such owners and occupants to whom such easements, licenses and rights are granted must, in order to preserve such easements and licenses, pay their pro rate share of upkeep, maintenance and repair of such Common Elements so used based upon a fair and equitable system.

Further, Declarant has forfeited and assigned to the Association its reservation unto itself and all present and future owners within the Resort a perpetual drainage and flowage easement for waters across the Property along the routes for drainage to connect with drains and drainage pipes located upon the Property, such easements to be in perpetuity.

Declarant has forfeited and assigned to the Association its power to grant unto all the Co-Owners and the Occupants of their Apartments non-exclusive easements over, across and through, and the right to use the paved areas of that regime and its paths and ways for normal pedestrian and vehicular access and ingress and egress from the public road and for parking and a license to use the areas of the common elements (including amenities) in the manner ordinarily intended, such easements and licenses to exist in perpetuity. Provided, further, the Co-Owners shall, as part of the Common Expenses and in order to preserve such easements and licenses, pay their pro rata share of upkeep, maintenance and repair of such common elements so used based upon a fair and equitable system.

Declarant has forfeited and assigned to the Association its rights to some or all of the recreational facilities included within the Resort Facilities.

Declarant has forfeited and assigned to the Association its right to, in its sole discretion, to include portions or all of the additional property shown in the Exhibits within the Resort and construct and develop additional Resort Facilities upon which the Council of Co-Owners, all present and future Co-Owners, all Occupants of the Apartments and their respective successors and assignees, shall be granted non-exclusive easements and licenses of use to use in common with all others whom the Homeowners Association shall designate. Said easements and licenses to use shall be established by one or more easements and licenses which shall be recorded in the public records of Beaufort County, South Carolina, and which shall require the Council of Co-Owners and the Co-Owners thereof to bear their pro-rata share of the costs associated with such facilities (including, but not limited to, insurance, taxes, maintenance, upkeep, repair and replacement), Such shall be recorded as an

amendment to this Master deed in the public records of Beaufort County, South Carolina. Such additional property and/or Resort Facilities shall become a part of the resort and all costs and expenses in connection therewith or associated therewith as determined and set by the Association or its designees shall, as aforesaid, become part of the Resort Expenses to be paid pro rata by the Council of Co-Owners and the Co-Owners thereof as an item of Common Expense (together with others having like rights of use) as is herein described.

Declarant has forfeited and assigned to the Association its right to, in its sole discretion, declare certain other areas upon inclusion within the Resort as natural marsh and forest areas and may, within such areas, create plantings, lagoons or such other features as it determines in its sole discretion add to the esthetic qualities of such areas, which areas shall, upon so declaring, be held by the Association (which declarations shall be filed in the public records of Beaufort County, South Carolina) in trust as areas of natural beauty and scenery for use and enjoyment of the Co-Owners and their occupants, such other owners of dwelling units, houses and apartments and occupants within the Resort and such third parties as the Association, its successors and assigns (of Present Owner) may select in its sole discretion (which shall become, upon so declaring, part of the Resort Facilities and the pro rata share of upkeep, maintenance, management and replacement of such areas as so set shall be part of the resort Expenses to be paid pro rate by the Council of Co-Owners and the Co-Owners thereof as an item of Common Expense as is herein described).

The Association further reserves unto itself, its successors and assigns, and Present Owner, the right to grant easements for ingress and egress across appropriate areas of the Submitted Property to the Atlantic Ocean and its beach (including that portion of the beach of the Atlantic Ocean which is included with the Submitted Property) and easements and licenses of use to use the beach area of the Submitted Property for uses consistent with the beach area of the Submitted Property for uses consistent with its being a natural beach and dune area and provided such does not unduly interfere with the activities and rights of the Co-Owners of the Regime.

XXVI. AMENDMENT TO ARTICLE XX, SECTION 1. Article XX, Section 1 of the Master Deed is deleted and Sections 2 through 18 are renumbered as Sections 1 through 17, respectively.

XXVII. AMENDMENT TO ARTICLE XX. Article XX of the Master Deed is amended to include the following section:

19. (a) Rules and Regulations. Subject to the provisions hereof, the Board of Directors may establish reasonable Rules and Regulations from time to time or amend and alter any Rules and Regulations therefore promulgated and issued as it may in its sole discretion determine necessary and desirable for the continuing safety, welfare and health of its owners and the continued maintenance and upkeep, use and enjoyment of any Apartments, Common Areas or facilities contained within the

Regime. In particular, but without limitation, the Board of Directors may promulgate from time to time Rules and Regulations which shall govern activities which may detrimentally affect the use and enjoyment of The Spa amenities and Common Areas. Such Rules and Regulations shall be binding upon the Owners, their families, tenants, guests, invitees, servants and agents, until and unless any such Rule or Regulation be specifically overruled, canceled, or modified by the Board of Directors or in a regular or special meeting of the Association, by the vote of the Owners, in person or by proxy, holding a majority of the total votes in the Association.

(b) Authority and Enforcement. Subject to the provisions of Section (a) hereof, upon the violation of this Master Deed, the By-Laws, or any Rules and Regulations duly adopted hereunder, including without limitation, the failure to timely pay any assessments, the Board shall have the power:

- (1) to impose reasonable monetary fines which shall constitute an equitable charge and a continuing lien upon the Apartment, the Owners, occupants, or guests of which are guilty of such violations;
- (2) To suspend an Owner's right to vote in the Association; or
- (3) To suspend an Owner's right (and the right of such Owner's family, guests, and tenants and of the Co-Owners of such Owner and their respective families, guests and tenants), to use any of the Common Areas or Recreational Amenities, and the Board shall have the power to impose all or any combination of these sanctions. An Owner shall be subject to the foregoing sanctions in the event of such a violation by such Owner, his family, guests or tenants or by his Co-Owners or the family, guests, or tenants of his Co-Owners. Any such suspension of rights may be for the duration of the infraction and for an additional period thereafter, not to exceed thirty (30) days.

(c) Procedure. Except with respect to the failure to pay assessments, the Board shall not impose a fine, suspend voting rights, or infringe upon or suspend any other rights of an Owner or other occupant of the Regime for violations of the Master Deed, the By-Laws or any Rules and Regulations of the Association, unless and until the following procedure is followed:

- (1) Written demand to cease and desist from an alleged violation shall be served upon the owner responsible for such violation specifying:
 - (a) The alleged violation;
 - (b) The action required to abate the violation; and
 - (c) A time period of not less than ten (10) days during which the violation may be abated without further sanction, if such violation is a continuing one, or if the violation is not a continuing one, a statement that any further violation of the same provision of this Master Deed, the By-Laws, or the Rules and Regulations of the Association may result in the imposition of

sanctions after notice and hearing.
 (2) Within twelve (12) months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty, or if the same violation subsequently occurs, the Board may serve such Owner with written notice of a hearing to be held by the Board in Executive Session. The Notice shall contain:

- (i) The nature of the alleged violation;
- (ii) The time and place of the hearing, which time shall be not less than ten (10) days from the giving of the Notice;
- (iii) An invitation to attend the Hearing and produce any statement, evidence, and witnesses on his or her behalf; and
- (iv) The proposed sanction to be imposed.

(d) The hearing shall be held in the Executive Session of the Board of Directors pursuant to the Notice and shall afford the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction, hereunder, proof of notice and the invitation to be heard shall be placed in the Minutes of the meeting. Such proof shall be placed in the Minutes of the meeting. Such proof shall be deemed adequate if a copy of the Notice hereof with a statement of the date and manner of delivery is entered by the officer, director or other individual who delivered such notice. The notice requirements shall be deemed satisfied if an alleged violator appears at the meeting. The Minutes of the meeting shall contain a written statement of the results of the hearing and the sanction imposed, if any.

XXVIII. AMENDMENT TO THE BY-LAWS. The By-Laws are amended to read as follows:

**BY-LAWS OF THE SPA ON PORT ROYAL SOUND
 HORIZONTAL PROPERTY REGIME COUNCIL OF CO-OWNERS**

ARTICLE I

Name

The name of the Association shall be The Spa On Port Royal Sound Horizontal Property Regime Council of Co-Owners.

ARTICLE II

Offices

The principal office of the Association shall be located at The Spa on Port Royal Sound Horizontal Property Regime, 239 Beach City Road, Hilton Head Island, South Carolina, Beaufort County, South Carolina. The Association may have other offices within and without the State of South Carolina as the Board of Directors may determine or as the affairs of the Association may require from time to time. The Association shall have and continuously maintain in the State of South Carolina, an agent who

shall maintain an office at the principal office. The address of the principal office may be changed from time to time by the Board of Directors.

ARTICLE III
Purpose

The purpose of this Association shall be to provide a collective government form of administration for the Co-Owners of The Spa On Port Royal Sound! Horizontal Property Regime (the "Regime"), to manage and control said Regime and the activities of the Co-Owners therein and of all persons using or occupying the facilities of the said Regime and all things pertinent to and/or related thereto and to carry out all activities, promulgate all Rules and Regulations and to have all responsibilities and purposes that are given to the Association in the Master Deed of The Spa On Port Royal Sound Horizontal Property Regime (hereinafter called the Master Deed), as amended, in The South Carolina Horizontal Property Act, Title 27, Chapter 31, Code of Laws of South Carolina, 1976, (hereinafter called The Act) and in these By-Laws, and to be the Association for this Regime as defined and called for in The Act and the Master Deed.

ARTICLE IV
Definitions

All terms and phrases used herein shall, unless the context otherwise requires, have the same definition and meaning as set forth in the Master Deed and/or in The Act, as the case may be.

ARTICLE V
Members

Each and every Co-Owner of an Apartment or an interest in a Unit in the Regime shall be a Member of this Association. Further, there shall be appurtenant to each Apartment in the Regime the number of votes assigned in the Master Deed, as amended, which shall be voted collectively by the Voting Member of that Apartment as set forth in the Master Deed. Upon the sale, conveyance, devise or other transfer of any kind or nature of any Apartment, such subsequent transferee shall automatically become a member hereof and likewise the vote appurtenant to the Apartment shall automatically pass and the membership of the transferor immediately terminated whether any membership certificate or voting certificate be transferred or not; provided, however, the Association shall for all purposes be entitled to rely upon the right to membership and voting rights of the person shown as Co-Owner of a Unit in its records until notified of such transfer by delivery of written notice thereof to the secretary of the Association. It is the affirmative obligation of the seller of an Apartment to notify the General Manager of the Association, in writing, of any such transfer.

ARTICLE VI
Application

All present and future Co-Owners, tenants, future tenants, agents, servants, employees, guests, invitees and any other person using the facilities of the Regime or occupying any Apartment thereof shall be and is hereby subject to all matters, Rules and Regulations set forth in these By-

Laws, Rules and Regulations promulgated by the Board of Directors hereof, and all things set forth in the Master Deed and in The Act. A copy of the current Rules and Regulations shall be available during regular business hours from the office of the General Manager.

A mere acquisition or rental of an Apartment or use of the facilities of the Regime shall signify these By-Laws and all Rules and Regulations and provisions contained within the Master Deed, The Act, or promulgated by the Board of Directors are accepted, ratified and shall be complied with.

ARTICLE VII **Voting Majority**

Section 1. There is hereby assigned to each Apartment the number of votes as described and assigned in the Master Deed which shall be voted by the Voting Member thereof as described in the Master Deed. The vote so assigned to each may not be split in any fashion. If one person is the Co-Owner of an Apartment, he shall be the Voting Member. If an Apartment is owned by more than one person, they shall designate one of them as the Voting Member and notify the Secretary in writing of such designation. In the event a corporation or trust owns an Apartment, the corporation or trust shall designate one agent thereof as the Voting Member and so notify the Secretary in writing. In the case of multiple ownership, corporate ownership, or ownership by a trust, of an Apartment, the vote appurtenant thereto shall not be exercised until written designation of the Voting Member has been delivered to the Secretary. The Voting Member so designated shall remain the Voting Member, entitled to cast the vote of that unit on all matters to come before the Association for vote until the General Manager be given written notice of change.

Section 2. As used in these By-Laws, the term Majority of Co-Owners shall mean those Co-Owners who are Voting Members holding fifty-one (51%) percent of the total vote of all the Co-Owners of the Regime as then constituted and thereby represent fifty-one (51%) percent of the basic value of the Submitted Property as a whole. Unless otherwise required herein, in the Master Deed of in The Act, "majority vote" shall constitute at least fifty-one (51%) percent of the total outstanding votes of all Co-Owners and shall be required to adopt any decisions affecting the Regime.

Section 3. Except as otherwise provided or required in these amended ByLaws, the Master Deed or The Act, the presence in person or by proxy of one-third of all Co-owners of record, shall be required to constitute a quorum.

Section 4. Votes may be cast in person or by proxy. Each proxy shall be in a form as determined by The Act and the Board of Directors, and must be filed with the Secretary at least fifteen (15) days before the appointed time for a regular meeting and at least one day before the appointed time for a special meeting.

Section 5. Membership in the Association is not transferable or assignable (except as the same may be assigned by way of proper proxy properly executed). Transfer of a Co-Owner's Apartment or his interest therein in any fashion shall automatically terminate his membership herein and all his voting rights.

ARTICLE VIII
Administration

Section 1. The Association shall be managed and governed by a Board of Directors (herein called the Board) consisting of seven (7) members. Directors shall serve staggered terms, of two (2) year lengths, with four (4) Directors being elected in odd numbered years and three (3) Directors being elected in even numbered years. Directors shall be elected for a terms of two years, and shall be elected at the regular Annual Meeting of the Association. At such regular Annual Meetings, the Voting Members shall vote for the number of Directors necessary as there are vacancies on the Board; provided, however, there shall be no cumulative voting unless required by law. The candidates receiving the most votes shall be declared elected as members of the Board to fill the Board positions vacant at that time. Board members shall serve until their successors are elected and qualified.

Section 2. Prior to seeking election, or being elected, as a Board member, each Co-Owner who seeks to be elected shall, in writing, disclose any business relationship he or she has with the Regime or any of its vendors.

Section 3. Any Director who shall cease to be a Co-Owner or who shall be delinquent in payment of any common expenses or Assessments (as defined in the Master Deed and/or in The Act) shall automatically cease to be a Member of the Board.

Section 4. Each Board member must be a Co-Owner (or the Voting Member for a corporate or trust Co-Owner) and in good standing, current in payment of all fees, Assessments and common expenses.

ARTICLE IX
Board Of Directors

Section 1. Consistent with these Amended By-Laws, the Board shall:

A. Transact all Association business and prescribe the Rules and Regulations for the use of the Regime and all facilities and property thereof and may appoint such officers, clerks, agents, servants or employees as it may deem necessary in its sole discretion and may fix their duties and compensation.

B. Annually set the Common Expenses for the operation of the Regime.

C. Fix, impose and remit penalties for violations of these By-Laws and Rules and Regulations of the Association.

D. Serve without compensation, except members of the Board may be reimbursed for expenses associated with official Board meetings, including travel.

E. Elect from the Board within thirty (30) days after each Annual Meeting, a

President, Vice President, Secretary and Treasurer, all of whom shall serve without recuperation. In the event of a vacancy in any one of these offices during the year, the Board shall have the power to elect a member of the Board in good standing to fill the vacancy for the unexpired term. In the event of a vacancy on the Board, the President shall have the power to appoint with the approval of the majority of the Board, a member in good standing to fill the vacancy until the next Annual Meeting. In the event a vacancy occurs with more than one year remaining to serve in a term, at the Annual Meeting, a special election shall be held to elect a Co-Owner to serve the remainder of that term.

F. Carry out all other duties and obligations imposed and exercise all rights granted it by the Master Deed and Exhibits thereto and The Act.

Section 2. There shall be at least one regular meeting of the Board quarterly at a time designated by the President. The President or two members of the Board may call special meetings of the Board as are deemed necessary or desirable and in the best interest of the Association.

Section 3. Except for special Board meetings provided for in Article XI, Section 3, notice of regular and any special meetings of the Board of Directors shall be given at least twenty-one (21) days previously thereto by written notice delivered personally or sent by mail to each Director at his or her address as shown in the records of the Association. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail in a sealed envelope so addressed with postage thereon prepaid. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice for such meeting, except for the express purpose of objection to the transaction or any business because the meeting is not lawfully called or convened. Neither the business to be transacted nor other purpose of any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting unless specifically required by law or by these By-Laws.

Section 4. Four (4) or more members of the Board shall constitute a quorum for the purposes of transacting Association business and the affirmative vote of at least four (4) members shall be necessary to pass any resolution or authorize any act of the Association, unless a different vote is required herein, in the Master Deed, its Exhibits and/or The Act. Voting by proxy at a Board meeting is permitted provided the Director giving his or her proxy notifies the Secretary in writing at least twenty-four (24) hours before the meeting.

Section 5. Any action required by law to be taken at any meeting of the Directors or any action which may be taken in 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 two-thirds of the Directors.

Section 6. The Board of Directors shall annually on or before November 15th of each year, prepare a budget for the up-coming calendar year to include such sums as it deems necessary and adequate to provide for the Common Expenses Of the Regime and such other expenses as are deemed necessary or appropriate expenses of the Regime. The Board of Directors shall thereafter on or before December 1, deliver (which delivery may by mail) the budget for the up-coming year together with a statement of the amount(s) due from each Co-Owner for that year, and the date or

dates upon which payment or payments are due, to the Co-Owners. Thereafter, should any increase or decrease be determined appropriate by the Board of Directors in Assessments to be paid by Co-Owners, the Board shall notify all Co-Owners so affected at least thirty (30) days prior to the time such Assessment so changed shall be due. The Association shall have a lien upon each Apartment together with the Common Elements and Common Surplus appurtenant thereto for payment of all Assessments not paid when due in the amount of such unpaid Assessments together with the interest thereon from the date due at fifteen (15%) percent per annum, together with the costs of collection thereof, including reasonable attorney's fees. The amounts due may be collected and/or lien foreclosed upon in the manner provided for in the Master Deed and Exhibits thereto and/or in The Act.

ARTICLE X **Officers**

Section 1. The principal officers of the Association shall be a President, Vice-President, Secretary and Treasurer, all of whom shall be elected by and from the Board. The Directors may appoint assistant treasurers and secretaries and such other officers as in their judgment may be necessary. No two offices (except for assistants) may be held by the same person, unless there be less directors than officers to be elected, in which case one may hold more than one (1) office.

Section 2. The officers of the Association shall be elected annually by the Board of Directors immediately following the Annual Meeting of the Association and shall serve for the twelve (12) month period next succeeding. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his or her successor shall be duly elected and shall qualify.

Section 3. The President shall be the principal executive officer of the Association, shall preside at all meetings of the Board and all meetings of the membership, shall appoint committees and shall have general charge of and shall control the affairs of the Association according to such Rules and Regulations as the Board shall determine. Further, the President shall be responsible for providing direction to and supervising the General Manager, should one be appointed.

Section 4. There shall be a Vice-President who shall perform such duties as may be assigned to him by the Board. In case of death, disability or absence of the President, he shall be vested with all the powers and perform all duties of the President. The Vice-President shall also be chairman of the Operations Committee, if an Operations Committee is appointed.

Section 5. There shall be a Secretary who shall record and keep possession of the minutes of the meetings of the Board and meetings of the Co-Owners and who shall perform or have performed the correspondence of the Board and shall have such further duties as may be assigned to the Secretary by the Board.

Section 6. There shall be a Treasurer who shall keep the funds of the Regime and disburse them to meet the ordinary and usual expenses of the Regime and for other purposes as required by the Master Deed, the Act and/or upon order of the Board of Directors after such disbursement order has

been entered in the minutes of the Board at a duly constituted meeting and shall have such other duties as may be assigned to him. He shall render a financial report at each regular meeting of the Board and to the Annual Meeting of the Association. Such reports shall be in writing and shall be available to any Co-Owner upon request.

Section 7. The President, the Treasurer, and the General Manager, if any, shall be bonded at the expense of the Association.

Section 8. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors upon a two-thirds majority vote whenever in its judgment the best interests of the Association will be served thereby, but such removal shall be without prejudice of the contract rights, if any, of the officers so removed.

Section 9. A vacancy in any officer because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term, except that in the event of a vacancy in the office of the President, the Vice President shall assume the office of the President and a new Vice President shall be elected to serve the unexpired term.

ARTICLE XI **Meetings of The Association**

Section 1. There shall be an annual meeting of the Association held during the first quarter of the calendar year and at a time and place designated by the President. Notice of the Annual Meeting shall be given to all Unit Owners by mail at least twenty-five (25) days prior to the date of the meeting.

Section 2. Special meetings of the Association may be called by the Board. Also, upon request of Voting Members totaling fifty (50%) percent of the total vote of the Association in writing made to the Secretary stating the purpose therefor, a special meeting shall be called by the Secretary of the Association to be held within forty (40) days thereafter. Special meetings of the Association may be held at the call of the President upon ten (10) days notice by mail to all members. Such notice shall state the purpose for which the special meeting is called and no other business shall be transacted at said meeting.

Section 3. Voting members holding at least thirty-four (34%) percent of the total votes of the Association must be present personally or by proxy to constitute a quorum at all annual and special meetings of the Association. Should voting members holding thirty-four (34%) percent of the vote not be present or constitute a quorum at an annual meeting of the membership, a special Board meeting may be called by the President or the Secretary and by action of two-thirds of the entire membership of the Board of Directors, a quorum may be declared, provided there are Voting Members holding at least one-quarter (1/4) of the total outstanding votes of the Association present and that the business to be conducted at such meeting does not require that a greater number of voting members be present.

Section 4. Any action required by law to be taken at a meeting of the Association or any

action which may be taken in a meeting of the Association, may be taken without a meeting if consent in writing, setting forth the action so taken, shall be signed by Voting Members holding not less than sixty-seven (67%) percent of the entire votes entitled to vote on the subject matter thereof and further provided the same is not otherwise prevented by these By-laws, the Master Deed or The Act.

Section 5. When notice to Co-Owners is required, the mailing of such notice to the last known address of the Co-Owner in the Association's records shall constitute notice.

ARTICLE XII **Obligations of Co-Owners**

Section 1. Each Co-Owner is obligated to pay all annual, monthly and special Assessments and charges levied or imposed by the Association through its Board of Directors for such purposes as are enumerated in the Master Deed, in The Act and in these By-Laws. Such charges or Assessments so levied shall be paid on or before the date(s) affixed by resolution of the Board. Written notice of the change in any Assessment and the date the payment shall be paid shall be sent to each Co-Owner at the address given by such Co-Owner to the Secretary of the Association. All Common Assessments shall be prorated dependent upon each Co-Owner's percentage of ownership in the Common Elements as is determined and set forth in the Master Deed and the Exhibits thereto. Such Assessments shall include a monthly payment determined by the Board at the time the Annual Budget is passed, to be paid into a reserve fund for replacements and all other things as required or set forth in the Master Deed, The Act and/or these By-Laws.

Section 2. The amount of Assessments levied shall be paid on or before the date due, If not so paid, the amount of such Assessments, plus interest at the rate of fifteen (15%) percent per annum, late fees of Fifty (\$50.00) Dollars at thirty (30) days and One Hundred (\$100.00) Dollars at sixty (60) days, and costs of collection, including reasonable attorney's fees, shall constitute and become a lien on the Co-Owner's Apartment and share of the Common Elements and Common Surplus appurtenant thereto. Such lien rights shall be as provided for and in accordance with the terms and provisions of the Master Deed and The Act. The notice of Assessment, which shall state the amount of such Assessment and other charges and give the number of the Apartment which has been assessed, shall be mailed to the Co-Owner thereof. Upon payment of such said Assessments and charges or other satisfaction thereof, if notice of a lien has been recorded, the Board shall, within a reasonable time, cause to be recorded a notice stating the satisfaction of said lien. The priority of the lien hereinabove set shall be as provided in the Master Deed and/or The Act.

Section 3. The lien provided herein may be foreclosed by suit by the Board acting on behalf of the Association in like manner as a mortgage and in accordance with the provisions of the Act and in such event, the Association may be a bidder at the foreclosure sale. The Association through its Board or any duly authorized agent or designee may file notice of and foreclose such lien and also pursue any other remedy against any Co-Owner owing money which is available by law or in equity for the collection of debt. Further, the Board, acting on behalf of the Association, may elect to forego its lien and simply sue for a personal judgment.

Section 4. Upon request and payment as provided in the Act, the Board shall, within a reasonable time, furnish a statement certifying that all Assessments then due have been paid, or indicating the amount then due.

Section 5. Each and every Co-Owner shall perform promptly all maintenance and repair work required of individual Co-Owners by the Master Deed, The Act or these By-Laws or which is within his own Apartment which, if omitted, would possibly affect the Regime in its entirety or in a part belonging to some other unit Owner(s). The Association shall be responsible for all maintenance and repair work required of the Association in the Master Deed, these By-Laws and/or The Act.

A Co-Owner shall reimburse the Association if there be any expenditures incurred in repairing and/or replacing any Common Elements or facilities damaged by such Co-Owner, his family, guests, invitees or lessees. Further, a Co-Owner shall reimburse the Association if the Association makes expenditures repairing property of another Co-Owner that was damaged as a result of the misconduct, negligence or failure to properly maintain the unit of another Co-Owner.

Section 6. Each Apartment shall be utilized for residential purposes only, provided, however, such shall not prevent rental or lease of an Apartment by a Co-Owner to a lessee or renter to use for residential purposes. However, the Board is specifically vested with the authority to enact reasonable Rules and Regulations relating to, or controlling long-term rentals if the Board determines that such Rules and Regulations are necessary to protect the health, safety and welfare of the Co-Owners.

Section 7. No Co-Owner shall make any structural modifications or alterations in his apartment or upon any Common Elements without the written approval of the Association through the Board of Directors.

Section 8. No Co-Owner, his family, guests, invitees, or lessees shall place or cause to be placed in any common area or facilities, any furniture, package(s) or object(s) of any kind. Such areas shall be used for no purpose other than normal transit through them and/or use of the facilities provided.

Section 9. Each Co-Owner shall and does hereby grant right of entry to his or her Apartment to the Board or its duly authorized agent in any case provided for in the Master Deed or The Act whether such Co-Owner is present at the time or not. Further, the Board or its agent is expressly authorized to enter any Apartment if it is reasonably determined that an emergency or potential emergency exists, where life or property is at stake. Further, the Board or its agent is expressly authorized to enter the Apartments on an unannounced basis to check for compliance with Rules and Regulations relating to safety, such as the changing of air filters.

Section 10. No occupant or any Apartment shall post any advertisements or posters of any kind in or on the Regime property except as authorized by the Board or as is permitted in the Master Deed.

Section 11. Occupants of Apartments shall use extreme care about making noises or the use of musical instruments, radio, television and/or amplifiers that may disturb other occupants and in

the event so notified by the Board or its duly ' authorized agent, such occupant shall immediately cease and desist such activity.

It is prohibited to hang garments, rugs, etc. from the windows or from any sides of from any of the buildings or parts thereof.

It is prohibited to dust rugs, etc. from the windows or to clean rugs, etc. by beating on the exterior part of any of the buildings.

It is prohibited to throw or place garbage or trash outside the disposal installation(s) provided for such purposes.

Section 12. For reasons of health and safety, one (1) bedroom Apartments may be inhabited by no more than four (4) persons (including children) and two (2) bedroom Apartments may be inhabited by no more than six (6) persons (including children).

Section 13. No Co-Owner, occupant or lessee or an Apartment shall install wiring for electrical or telephone installation, television antenna, machines or air conditioning units, etc. on the exterior of the buildings or that protrude through the walls or roof of any building except as authorized by the Board.

Section 14. Nothing herein contained shall limit in any manner the power of the Association and/or Board to issue or promulgate such Rules and Regulations as are deemed necessary or desirable for the use, occupancy and enjoyment of the Regime by the Co-Owners and/or occupants thereof. Further, all obligations imposed by the Master Deed, its Exhibits and/or The Act are hereby incorporated by reference as further obligations as fully as if herein set forth.

Section 15. The Board of Directors shall have the right to enter into such agreements as it deems reasonable to provide common services or to lease equipment for the use and enjoyment of the Co-Owners or any one or more Co-Owners. Such rights shall include but not be limited to the right to enter into lease and/or use and/or purchase agreements with third parties to provide recreational equipment and facilities and/or to install, sell and/or lease to the Regime a CATV system and/or cable television system (including satellite and/or pay-TV programming) and/or telephone systems and sets.

ARTICLE XIII **Mortgages**

Section 1. Any Co-Owner who mortgages his Apartment or any interest therein shall notify the Board of Directors of the name and address of his mortgagee and the Board shall maintain such information in a book entitled "*Mortgages of Condominium Units.*"

Section 2. The Board shall, at the request of such mortgagee, report any unpaid Assessments due from the Co-Owner of such Unit so mortgaged.

Section 3. Any and all Institutional Mortgagees (as that term is defined in The Act) shall have the rights and powers granted unto them by the Master Deed and/or The Act and nothing herein contained shall supersede such rights and powers. In the event any right or duty or power herein delegated or granted unto the Association or Board by these By-Laws is given to any Institutional Mortgagee by reason of the Master Deed and/or The Act or should that Institutional Mortgagee by reason of the Master Deed and/or The Act have any voice in such decisions, then such Institutional Mortgagee is hereby given and granted such rights and powers and vote in such decisions as are thereby granted.

ARTICLE XIV
Rules and Regulations

The Board of Directors shall be and is hereby empowered to promulgate and issue such Rules and Regulations from time to time and to amend and alter any Rules and Regulations theretofore promulgated and issued as it may be in its sole discretion determine necessary and desirable for the continued maintenance and upkeep, use and enjoyment of any Apartments, Common Areas or facilities contained within the Regime, subject, however, to such restrictions upon such as contained in the Master Deed, its Exhibits and The Act, together with any Rules and Regulations issued thereunder. Such Rules and Regulations shall be binding upon and enforceable upon all Co-Owners, their families, guests, invitees and/or lessees, and all occupants or Apartments.

ARTICLE XV
Contracts, Checks, Deposits, Agreements and Funds

Section 1. The Board of Directors may authorize any officer or officers or agent or agents of the Association to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association and/or the Co-Owners thereof. Such authority may be general or confined to specific instances.

Section 2. All checks, drafts or orders for the payment of notes or other evidences of indebtedness issued in the name of the Association shall be signed by such officer or officers, agent or agents of the Association in such manner as shall from time to time be determined by Resolution of the Board. In the absence of such determination by the Board, such instruments shall be signed by the Treasurer and by the President.

Section 3. All funds of the Association and/or funds received by-it from or on behalf of the Co-Owners, shall be deposited from time to time to the credit of the Association at such banks, insurance companies, trust companies or other depository as the Board may select exercising its good faith, business judgment.

Section 4. The Board may accept on behalf of the Association any contribution, gift, bequest or devise for general purpose or for any of the special purposes of the Association.

ARTICLE XVI
Certificates of Membership

Section 1. The Board may provide for the issuance of certificates evidencing membership in the Association of each Co-Owner which shall be in such form as may be determined by the Board. Such certificates shall be signed by the President and by the Secretary and shall be sealed with the seal of the Association, if any. All certificates shall be consecutively numbered. The name and address of each Co-Owner and the date of issuance of the certificates shall be entered on the records of the Association. If any certificate may become lost, mutilated or destroyed, a new certificate may be issued therefore upon such terms and conditions as the Board may determine.

Section 2. Upon purchase of the Unit, a Certificate of Membership may be issued in the name of the Co-Owner thereof and delivered to him or her by the Secretary. Such Certificate, if so issued, shall be non-transferable and shall be immediately surrendered to the Board upon termination of ownership for any reason. Further, should such Co-Owner fail to surrender such Certificate upon termination of ownership, such termination shall automatically terminate membership in the Association and such Membership Certificate shall become null and void.

Section 3. Any Co-Owner failing to pay Assessments when due may have his or her membership in the Association suspended by the Board. Any Co-Owner thus suspended shall immediately be notified in writing by the Secretary.

ARTICLE XVII
Books and Records

Section 1. The Association and the Board shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Association, of the Board and committees having any authority of the Board and/or the Association, and shall keep at the registered office a record giving the names and addresses of the Co-Owners who are voting members.

Section 2. For purposes of voting at all meetings of the Association, that person designated as the Voting Member for a particular Apartment shall be conclusively so presumed to be the Voting Member therefor until the Secretary be notified of a change in the Voting Member. The name of the Voting Members entitled to vote at any meeting may not be changed at such meeting without the express permission of the Board. For purposes of this section, deposit of notice in the United States Mail prepaid or personal delivery shall constitute delivery.

ARTICLE XVIII
Miscellaneous

Section 1. Each person elected and qualified as a Director or Officer shall be indemnified by the Association against expenses actually and necessarily incurred by and in connection with the defense by such person of any action, suit or proceeding in which he is made a party by reason of his being a Director or Officer except as to matters as to which he is adjudged to be liable for gross negligence or wilful misconduct. The right of indemnification shall inure to each Director or Officer

when such matter occurred during the time that such person was a Director or Officer even though such action takes place after such Director or Officer has been succeeded in office by someone else. Such payment by the Association to the extent not paid by insurance shall be included as a part of the Common Expenses.

Section 2. Any question as to the interpretation of these Amended By-Laws shall be determined by simple majority of the full Board.

Section 3. Robert's Rules of Order shall apply in any meeting of the Board or of the Association unless in conflict with the Amended By-Laws, Master Deed or The Act in which case these Amended By-Laws, the Master Deed and/or The Act shall control.

ARTICLE XIX **Compliance**

These Amended By-Laws are set forth to comply with the requirements of The Act. In case any of these By-laws conflict with the provisions of The Act, the Provisions of The Act shall apply unless variance is permitted, in which case the provisions of these Amended By-Laws shall apply. In the event of any conflict between these Amended By-Laws and the Master Deed, the provisions of the Master Deed shall control.

ARTICLE XX **Amendments**

These By-Laws may be amended by a vote of sixty-seven (67%) percent of the total vote of the Regime, which represents sixty-seven (67%) percent of the total value of the Submitted Property, unless some other or greater vote is required herein, in the Master Deed and/or in The Act. The percentages and vote set forth in the Master Deed and Exhibits thereto are based upon the value of each Apartment in relation to the entire Regime property.

ARTICLE XXI **Dissolution**

Termination of the Regime shall automatically dissolve this Association. It may also be dissolved in the manner provided by law. Upon dissolution, those funds held by the Association for the Co-Owners shall be turned over to the Association's successor as the governing entity of the Regime, or if the Regime be terminated, after payment of all debts and expenses, divided as provided according to the percentage ownership interests of the Co-Owners in the Common Elements and disbursed as provided in The Act and/or the Master Deed, provided, however, the residual of any property of any nature owned by the Association not held by it on behalf of the Co-Owners or any of them, shall, if appropriate, be turned over to one or more organizations which, themselves, are exempt from Federal Income Tax as organizations described in Sections 501 (e)(3) and 170(c) of the Internal Revenue Code and from South Carolina Income Tax, or to the Federal, State or Local Government for exclusively public purposes.

XXIX. EFFECTIVE DATE OF AMENDMENT. This Amendment shall be effective as of the date and time of recording in the Office of the Register of Deeds for Beaufort County, South Carolina and in accordance with the provisions of the Master Deed.

IN WITNESS WHEREOF, this Second Amendment is executed on the day and year first above written.

WITNESSES:

THE SPA ON PORT ROYAL SOUND OWNERS ASSOCIATION, INC.

Mamie Small
Risa C. Boardman

By: Harry T. Kemp
Name: Harry T. Kemp
Its: President

Attest: Paul DiBlasi
Name: PAUL DI BLASI
Its: SECRETARY

STATE OF SOUTH CAROLINA)
COUNTY OF BEAUFORT) ACKNOWLEDGMENT

I HEREBY CERTIFY that on 2/8/99, 1998, before me, the undersigned Notary Public of the State and County aforesaid, personally appeared Harry T. Kemp and Paul DiBlasi, the President and Secretary, respectively, of THE SPA ON PORT ROYAL SOUND OWNERS ASSOCIATION, INC., known to me (or satisfactorily proven) to be the persons whose names are subscribed to the within instrument, who acknowledged the same by signing their names.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above mentioned.

Risa C. Boardman [SEAL]
NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission Expires: December 31 2000

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FILED
JOHN A. SULLIVAN - REC.
BEAUFORT COUNTY, S.C. *osl*

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BK *1136* PG *2359*
FOLDER#

RECORDED THIS *24* DAY
OF *March* 19 *99*
IN BOOK *AF* PAGE *188*
Thom O. Burris
AUDITOR, BEAUFORT COUNTY, S.C.