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STATE OF SOUTH CAROLINA }  
COUNTY OF BEAUFORT }

1039

PALMETTO BAY DEVELOPMENT COMPANY, INC. }

MASTER DEED

TO

HORIZONTAL PROPERTY REGIME

PALMETTO BAY HORIZONTAL  
PROPERTY REGIME NO. 1 }

At Hilton Head Island, County of Beaufort, and State of South Carolina on this 14th day of May, 1975, PALMETTO BAY DEVELOPMENT COMPANY, INC., a South Carolina Corporation, whose principal office is situated on Hilton Head Island, State of South Carolina, hereinafter referred to as Grantor, does hereby declare

FIRST: That Grantor owns in fee simple real property situated at Hilton Head Island, County of Beaufort, State of South Carolina, which is described as follows:

"All that lot or parcel of land, situate, lying and being in Beaufort County, South Carolina, on Hilton Head Island in Palmetto Bay Community, containing five and forty-one-one hundredths (5.41) acres, and shown on a plat prepared by Thomas & Hutton, dated May 13, 1975, a copy of which plat is attached hereto, marked Exhibit "A", and, by reference, made a part hereof for a complete and accurate description of the metes, bounds, distances, and location of said property."

"And also a certain sixty-six (66') foot easement for ingress and egress to Palmetto Bay Road to and for the benefit of the above described 5.41 acre total property area of Palmetto Bay Villas Horizontal Property Regime No. 1, all as shown on the plat entitled Exhibit "A" of this Master Deed. Said plat, above referred to, being recorded in the Office of the Clerk of Court for Beaufort County in Plat Book 23 at Page 131."

SECOND: That Grantor (intending to create a horizontal property regime that shall be known as PALMETTO BAY HORIZONTAL PROPERTY REGIME NO. 1, hereinafter called the "Regime"), has constructed on the parcel of land described above certain buildings and other improvements (which, together with the land shown in Exhibit "A", all improvements and structures thereon, and all easements, rights, and appurtenances belonging thereto, are hereinafter usually referred to as the "Property"), according to the plans attached hereto and incorporated herein by reference and identified as Exhibit "B", which were certified to be Richard Collins, Jr. A. I. A., an architect duly authorized and licensed to practice in the State of South Carolina, having South Carolina Registration Number 1293, and which exhibits are made a part hereof and incorporated herein by reference.

THIRD: That the Property includes six (6) buildings, containing a total of sixty (60) individual dwelling units (hereinafter referred to as "dwelling units") shown on the plat identified as Exhibit "A", hereinbefore mentioned, all of which are to be used for residential purposes. The dwelling units are all capable of individual utilization due to their own exits to the common elements (either general or limited) of the Property, and they will be sold to one or more co-owners, each co-owner obtaining a particular and exclusive property right thereto, and also undivided interest in the general and limited common elements of the Property, as listed hereinafter in this Deed, necessary for their adequate use and enjoyment (hereinafter referred to as "Common Elements"), all of the above in accordance with the Horizontal Property Act of South Carolina.

FOURTH: That the Property has a total area of five and forty-one-one-hundredths (5.41) acres, of which 37,780 square feet will constitute Dwelling Units, and 197,880 square feet will constitute common elements.

FIFTH:

I. Dwelling Units

- A. General: That the Property includes six (6) buildings containing a total of sixty (60) individual dwelling units, as shown on the Plat of the Property, attached hereto and identified as Exhibit "A", and that the above-mentioned buildings and dwelling units are composed of the following:
1. Building No. 1: A building containing eight (8) single-floor dwelling units (hereinafter sometimes referred to as "Villas"), and two (2) townhouse units (hereinafter sometimes referred to as "Townhouses"). The portion of the building containing the Villas has two (2) floors, and contains Villas Units one (1) to eight (8), inclusive. The Townhouse Units are numbered nine (9) and ten (10).
  2. Building No. 2: A building containing eight (8) single-floor dwelling units (hereinafter sometimes referred to as "Villas"), and two (2) townhouse units (hereinafter sometimes referred to as "Townhouses"). The portion of the building containing the Villas has two (2) floors, and contains Villa units eleven (11) to eighteen (18), inclusive. The Townhouse Units are numbered nineteen (19) and twenty (20).
  3. Building No. 3: A building containing eight (8) single-floor dwelling units (hereinafter sometimes referred to as "Villas"), and two (2) townhouse units (hereinafter sometimes referred to as "Townhouses"). The portion of the building containing the Villas has two (2) floors, and contains Villas Units twenty-three (23) to thirty (30) inclusive. The Townhouse Units are numbered twenty-one (21) and twenty-two (22).
  4. Building No. 4: A building containing eight (8) single-floor dwelling units (hereinafter sometimes referred to as "Villas"), and two (2) townhouse units (hereinafter sometimes referred to as "Townhouses"). The portion of the building containing the Villas has two (2) floors, and contains Villa Units thirty-three (33) to forty (40), inclusive. The Townhouse Units are numbered thirty-one (31) and thirty-two (32).
  5. Building No. 5: A building containing eight (8) single-floor dwelling units (hereinafter sometimes referred to as "Villas"), and two (2) townhouse units (hereinafter sometimes referred to as "Townhouses"). The portion of the building containing the Villas has two (2) floors, and contains Villas Units forty-three (43) to fifty (50), inclusive. The Townhouse Units are numbered forty-one (41) and forty-two (42).

6. Building No. 6: A building containing eight (8) single-floor dwelling units (hereinafter sometimes referred to as "Villas"), and two (20) townhouse units (hereinafter sometimes referred to as "Townhouses"). The portion of the building containing the Villas has two (2) floors, and contains Villa Units fifty-three (53) to sixty (60), inclusive. The Townhouse Units are numbered fifty-one (51) and fifty-two (52).

B. That the units in each building consist of (a) eight (8) two-bedroom villas, and (b) two (2) three-bedroom townhouses.

1. Two-bedroom Villas: All villas are one level, two-bedroom units, and measure 44.67 feet wide and 23.67 feet deep in their maximum interior dimensions and contain an interior area of 950 square feet.

The villa enters directly off the common exterior stair located at each side of the structure into a living and dining area of 329.12 square feet, with a coat closet of 6 square feet adjacent to the entry door.

A hallway provides circulation to a kitchen of 58.64 square feet and a utility closet of 19.57 square feet. The kitchen is equipped with a single bowl sink with garbage disposal, a dishwasher, electric range, refrigerator-freezer, and ductless range hood. The utility closet contains space for a washer-dryer combination and a 52 gallon electric water heater.

The hallway, as referenced above, contains a 4 square foot linen closet with five shelves, and provides access to two bedrooms and a three (3) fixture bath.

One bedroom of 187.2 square feet contains a walk-in closet of 30 square feet and has direct access to the aforementioned three-fixture bath, and is adjacent to the second bedroom of 100 square feet which contains a closet of 11.65 square feet. A mechanical closet of 13.32 square feet is located adjacent to the living area and is accessible from a 66 square foot balcony.

All apartments shall be provided with individual heating, cooling, and water heating equipment, as shown on the Plans of the Property (attached hereto and identified as "Exhibit 'B'").

2. Three Bedroom Townhouse: Each townhouse is a two (2) story three (3) bedroom unit and measures 27.4 feet wide and 27.10 feet deep in their maximum interior dimension on two floors and contain an interior area of 1340 square feet. Individual entry is provided by a set of steps to a raised deck which is covered by the upper level of the townhouse which projects over the deck.

First Floor: An entrance door provides ingress to a foyer of 18 square feet, with a coat closet of 8 square feet.

The foyer leads directly to the living room of 225.4 square feet. At one end of the living room a double run enclosed stair provides access to the upper level. A storage closet occurs under the aforementioned stair. Opposite the stair is a powder room of 19.1 square feet with lavatory and water closet.

Across from the living room occurs a dining area of 113.3 square feet. The dining area provides access to a kitchen of 110 square feet. The kitchen provides an eat-in space, and is equipped with a refrigerator-freezer, a dishwasher, single bowl sink with garbage disposal, and electric range-oven and range hood.

Across from the kitchen, the dining area provides access to an exterior wood deck via a sliding aluminum and glass door.

Second Floor: The aforementioned stair lands at a hallway at the second floor. To one side of the hall is a laundry closet, containing space for a washer-dryer combination.

Directly opposite the stair landing is a three-fixture bath of 41.5 square feet, containing a lavatory in a vanity unit, a water closet, and a bathtub.

The aforementioned hallway continues and provides access to a mechanical closet of 15 square feet, and to three bedrooms.

Bedroom No. 1 is 157.3 square feet in area and has a closet of 12 square feet in a dressing area provided with a vanity unit 6'-0" long with a single lavatory. From the dressing area of 31.8 square feet, access is provided to the aforementioned three-fixture bath.

Bedroom No. 2 is 129.6 square feet in area with a closet of 12 square feet.

All townhouses shall be provided with individual heating, cooling, and water-heating equipment, as shown on the Plans of the Property (attached hereto, and identified as "Exhibit 'B'").

II. Common Elements

A. The General Common Elements are as follows:

1. The Property, excluding the limited common elements and the Dwelling Units, and including, but not limited to, the foundations, roofs, floors, ceilings, perimeter walls, load-bearing interior walls and partitions, slabs, stairways, pipes, wires, conduits, air ducts, and public utility lines, including the space actually occupied by the above.
2. Tanks, pumps, motors, fans, compressors, ducts, and in general, all apparatus and installation existing for common use, including any substitution of same or additional equipment which may be acquired by the Council of Co-Owners or the Regime.
3. Parking facilities located on the Property, which parking facilities consist of approximately 35,450 square feet, and are shown on the Plat of the Property (attached hereto and identified as Exhibit "A").
4. All roads, walkways, paths, trees, shrubs, yards, gardens, swimming pool, etc., located on the Property.
5. All other elements of the Property, constructed or to be constructed, rationally of common use or necessary or convenient to the existence, upkeep, safety of the Property, and, in general, all other devices or installations existing for common use.

B. The Limited Common Elements are as follows:

1. The Limited Common Elements are the front and rear yards and service areas (shown on the plat attached hereto and identified as Exhibit "A") adjacent to each apartment, the storage cabinets located in the service areas, and the fences screening the service areas, and are restricted to the use of the apartment adjacent to such limited common elements, respectively.

SIXTH:

1. That the title and interest of each Co-Owner of a Dwelling Unit in the common elements, listed under Letters "A" and "B" in Sub-paragraph 2 of Paragraph "FIFTH", and his proportionate share in the profits and expenses in the common elements (both general and limited), as well as the proportionate representation for voting purposes in the meeting of the Council of Co-Owners (hereinafter usually referred to as "Council") of the Regime is based on the proportionate value of each Dwelling Unit to the total value of the Property as follows:

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- A. Two-bedroom villas numbered 6, 8, 16, 18, 24, 26, 34, 36, 44, 46, 54, 56 and each valued at \$32,000 for purposes of this Regime; and such value for each unit is 1.527% of the total value of the Property in the Regime.
- B. Two-bedroom villas numbered 5, 7, 15, 17, 23, 25, 33, 35, 43, 45, 53, and 55 are each valued at \$33,000 for purposes of this Regime; and such value for each unit is 1.536% of the total value of the Property in the Regime.
- C. Two-bedroom villas numbered 2, 4, 12, 14, 28, 30, 38, 40, 48, 50, 58, and 60 and each valued at \$33,500 for purposes of this Regime; and such value for each unit is 1.559% of the total value of the Property in the Regime.
- D. Two-bedroom villas numbered 1, 3, 11, 13, 27, 29, 37, 39, 47, 49, 57, and 59 and each valued at \$33,700 for purposes of this Regime; and such value for each unit is 1.569% of the total value of the Property in the Regime.
- E. Three-bedroom Townhouses numbered 9T, 10T, 19T, 20T, 21T, 22T, 31T, 32T, 41T, 42T, 51T, and 52T and each valued at \$46,000 for purposes of this Regime; and such value for each unit is 2.145% of the total value of the Property in the Regime.

SEVENTH: That the administration of the Regime, consisting as aforesaid, of the Property described in Paragraphs "FIRST" and "FIFTH" of this Deed, shall be in accordance with the provisions of this Deed and the Bylaws, which are made a part hereof and incorporated herein by reference and are attached hereto as Exhibit "C".

EIGHTH: That, as appears above, a Horizontal Property Regime is hereby constituted under and subject to the provisions of the Horizontal Property Act of the State of South Carolina, so that Dwelling Units may be conveyed and recorded as individual properties capable of independent use, each having its own exit to the common elements of the Property, and each Dwelling Unit Co-Owner having and exclusive and particular right over his respective Dwelling Unit and, in addition, the specified undivided interest in the common elements of the Property.

NINTH: That so long as the Grantor owns one or more of the Dwelling Units, the Grantor shall be subject to the provisions of this Deed and of Exhibits "A", "B", and "C", attached hereto; and, the Grantor covenants to take no action which will adversely affect the rights of the Regime with respect to the assurances against latent defects in the Property or other rights assigned to the Regime by reason of the establishment of said Horizontal Property Regime.

TENTH: That the common elements shall remain undivided and no Co-Owner shall bring any action for partition and/or division.

ELEVENTH: That the percentage of the undivided interest in the common elements (both general and limited), established herein, shall not be changed except with the unanimous consent of all of the Co-Owners expressed in an amendment to this Deed, duly recorded.

TWELFTH: That the undivided interest in the common elements (both general and limited), shall not be separated from the Dwelling Unit to which it appertains, and shall be deemed conveyed or encumbered with the Dwelling Unit even though such interest is not expressly mentioned or described in the conveyance or other instrument.

THIRTEENTH: That each Co-Owner by acceptance of a deed to a Dwelling Unit in this Horizontal Property Regime ratifies and covenants to observe in behalf of himself, his Heirs, Successors, and Assigns the following:

1. All protective covenants, restrictions, etc. recorded in Deed Book 78 at Page 306 in the Office of the Clerk of Court for Beaufort County, South Carolina.

2. The Master Deed, the Declarations of Covenants, restrictions and affirmative obligations applicable to the Regime Bylaws, decisions and resolutions of the Council of Co-Owners, Board of Administration, and their representatives, as lawfully amended from time to time, and failure to comply with any such provisions, decisions or resolutions shall be grounds for an action to recover sums due for damages or for injunctive relief; provided that nothing contained herein shall limit the rights of the Palmetto Bay Development Company.

FOURTEENTH: That the dedication of the Property to the Horizontal Property Regime herein shall not be revoked, or the Property removed from the Horizontal Property Regime, or any of the provisions herein amended unless all of the Co-Owners and the mortgagees of all the mortgages covering the Dwelling Units unanimously agree to such revocation, or amendment, or removal of the Property from the Horizontal Property Regime by duly recorded instrument.

FIFTEENTH: That no Co-Owner of a Dwelling Unit may exempt himself from liability for his contribution toward the common expenses by waiver of the use of, or enjoyment of, any of the common elements or by the abandonment of his Dwelling Unit.

SIXTEENTH: That all present or future Co-Owners, tenants, future tenants, or any other person, who might use the facilities of the Property in any manner, are subject to the provisions of this Deed, and that the mere acquisition or rental of any of the Dwelling Units shall signify that the provisions of this Deed are accepted and ratified.

SEVENTEENTH: That, if the Property is totally or substantially damaged or destroyed, the repair, reconstruction, or disposition of the Property shall be as provided by the above-mentioned Statute of South Carolina.

EIGHTEENTH: That, where a mortgagee or other purchaser of a Dwelling Unit obtains title by reason of foreclosure of a mortgage covering a Dwelling Unit, such acquirer of title, his successors or assigns, shall not be liable for assessments by the Regime which became due prior to the acquisition of title by such acquirer, it being understood, however, that the above shall not be construed to prevent the Regime from filing and claiming liens for such assessments and enforcing same as provided by law, and that such assessment liens shall be subordinate to such mortgage.

NINETEENTH: That, in a voluntary conveyance of a Dwelling Unit, the Grantee of the Unit shall be jointly and severally liable with the Grantor for all unpaid assessments by the Regime against the latter for his share of the common expenses up until the time of the grant or conveyance without prejudice to the Grantee's right to recover from the Grantor the amounts paid by the Grantee therefor. However, any such Grantee shall be entitled to a statement from the manager or Council of Co-Owners, as the case may be, setting forth the amount of unpaid assessments against the Grantor due the Regime, and such Grantee shall not be liable for, nor shall the Dwelling Unit conveyed be subject to a lien for, any unpaid assessments made by the Council of Co-Owners against the Grantor in excess of the amount therein set forth.

TWENTIETH: That the Board of Administration of the Regime or the Management Agent, or Manager, shall obtain and continue in effect blanket property insurance in form and amounts satisfactory to mortgagees holding first mortgages covering Dwelling Units, but without prejudice to the right of the Co-Owners to obtain additional individual dwelling unit insurance.

TWENTY-FIRST: That insurance premiums for blanket insurance coverage of the Property shall be a common expense to be paid by periodic assessments levied by the Regime, and that such payments shall be held in a separate escrow account of the Regime and used solely for the payment of the Blanket Property Insurance premiums as such premiums become due.

TWENTY-SECOND: That the party wall referred to in Article Fifth hereof shall be governed by the Common Law relating to the ownership and maintenance of such walls, such ownership and maintenance to be shared by the Palmetto Bay Horizontal Property Regime No. 1, when established. Such wall shall be a part of the General Common Elements of this Regime.

TWENTY-THIRD: Miscellaneous provisions

Conflicts: This Master Deed is made and declared in compliance with the Horizontal Property Act. In the event of any conflict between the Master Deed and the provisions of the Horizontal Property Act, the provisions of the statute shall control.

Invalidity: The invalidity of any provisions of this Master Deed shall not impair the validity, enforceability, or effect of the remaining provisions; and in such event, all other provisions shall continue in full force as if the invalid provisions had not been included.

Gender and Number: The use of the masculine gender in this Master Deed shall also be deemed to refer to the feminine and neuter gender, and the use of the singular shall be deemed to refer to the plural and vice versa, whenever the context so requires.



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Exhibits: All exhibits to this Master Deed shall be an integral part of this instrument.

IN WITNESS WHEREOF, the Grantor has caused these presents to be executed by its duly authorized officers the day and year first above written.

PALMETTO BAY DEVELOPMENT COMPANY, INC.

SIGNED, SEALED, AND DELIVERED IN THE PRESENCE OF:

Phyllis M. Garrett  
[Signature]

By: [Signature]  
HAROLD DEPKIN, PRESIDENT

Attests: [Signature]  
JAMES GRIFFIN, SECRETARY

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STATE OF SOUTH CAROLINA }  
COUNTY OF BEAUFORT }

PERSONALLY appeared before me Peter L. Fuge  
who, on oath, says that (s)he saw the within named Palmetto Bay Development Co., Inc.  
by Harold Depkin its President sign the within  
Master Deed and James Griffin its Secretary  
attest the same, and the said corporation, by said officers, seal said  
Master Deed, and as its act and deed, deliver the same, and that (s)he with  
Phyllis M. Garrett witnessed the execution thereof.

[Signature]

SWORN TO and subscribed before me  
this 14th day of May, 1975.

[Signature] (SEAL)  
Notary Public for South Carolina

My Commission Expires: April 3, 1985

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COLLINS & KRONSTADT  
LEAHY • HOGAN • COLLINS  
1111 SPRING STREET  
TELEPHONE (301) 587 8642

SILVER SPRING, MARYLAND  
20910

TO WHOM IT MAY CONCERN:


This is to certify that the Palmetto Bay, Horizontal Property Regime,  
is built in accordance with the attached Exhibit B drawings numbered  
A-1, A-2, and A-6.

  
Richard E. Collins, Jr., A.I.A.

South Carolina Registration No. 1293

STATE OF MARYLAND  
COUNTY OF MONTGOMERY

Signed before me this 18th day of April 1975

  
Elizabeth R. Tabler  
Notary Public

My commission expires 1 July 1978

Exhibit "B"

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BY-LAWS OF PALMETTO BAY COMMUNITY VILLAS  
HORIZONTAL PROPERTY REGIME I

ARTICLE I  
PLAN OF APARTMENT OWNERSHIP

SECTION 1:

Horizontal Property Regime. The Property (the term "Property", as used herein, means and includes the land, the buildings, all improvements and structures thereto) located in Palmetto Bay Community, Hilton Head Island, Beaufort County, State of South Carolina, known as PALMETTO BAY COMMUNITY NO. I, has been, by Master Deed, submitted to the provisions of the Horizontal Property Act of South Carolina, and is to be henceforth known as "PALMETTO BAY COMMUNITY VILLAS HORIZONTAL PROPERTY REGIME I" (hereinafter referred to as the "Regime").

SECTION 2:

By-Laws Applicability. The provisions of these By-Laws are applicable to the Property and the Regime.

SECTION 3:

Personal Application. All present or future co-owners, tenants, future tenants, or their employees, or any other person that might use the facilities of the Property in any manner, are subject to the regulations set forth in these By-Laws and in the Master Deed establishing said Regime. The mere acquisition or rental of any of the Dwelling Units (hereinafter usually referred to as "Dwelling Unit") as defined in the Master Deed of the Property or the mere act of occupancy of any of said Dwelling Units will signify that these By-Laws, the provisions of the

Master Deed, and the provisions of any and all applicable Declaration of Covenants, Restrictions, and Affirmative Obligations and any applicable recorded additions thereto, are accepted and ratified, and will be complied with.

## ARTICLE II

### VOTING, MAJORITY OF CO-OWNERS, QUORUM, PROXIES

#### SECTION 1:

Voting. Voting shall be on a percentage basis and the percentage of the vote to which the co-owner is entitled is the percentage assigned to the Dwelling Unit or Dwelling Units in the Master Deed.

#### SECTION 2:

Majority of Co-Owner. As used in these By-Laws, the term "majority of co-owners" shall mean those co-owners holding fifty-one (51%) percent or more of the total value of the property, in accordance with the percentages assigned in the Master Deed.

#### SECTION 3:

Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of a majority of co-owners, as defined in Section 2 of this Article, shall constitute a quorum.

#### SECTION 4:

Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of each meeting.

ARTICLE III  
ADMINISTRATION

SECTION 1:

Council Responsibilities. The co-owners of the Dwelling Units will constitute the Council of Co-Owners (hereinafter usually referred to as "Council") who will have the responsibility of administering the Property, approving the annual budget, establishing and collecting periodic assessments and arranging for the management of the Property pursuant to an agreement, containing provisions relating to the duties, obligations, removal and compensation of the management agent. Except as otherwise provided, decisions and resolutions of the Council shall require approval by a majority of Co-Owners.

SECTION 2:

Place of Meetings. Meetings of the Council shall be held at such place, convenient to the Co-Owners, as may be designated by the Council.

SECTION 3:

Annual Meetings. The annual meetings of the Council shall be held at the call of the Regime President once a year between March fifteenth and April fifteenth. At such meetings, there shall be elected by ballot of the Co-Owners, a Board of Administration in accordance with the requirements of Section 5 of Article IV of these By-Laws. The Co-Owners may also transact such other business of the Council as may properly come before them.

SECTION 4:

Special Meetings. It shall be the duty of the President to call a special meeting of the Co-Owners as directed by resolution of the Board of Administration or upon a petition signed by a majority of Co-Owners and having been presented to the Secretary. Such notice of any

special meeting shall state the 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 unless by consent of four-fifths of the votes present, either in person or by proxy.

SECTION 5:

Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Co-Owner of record, at least five (5), but not more than ten (10), days prior to such meeting. The mailing of a notice in the manner provided in this Section shall be considered notice served.

SECTION 6:

Adjourned Meeting. If any meeting of the Council cannot be organized because a quorum has not attended, the Co-Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time for which the original meeting was called.

SECTION 7:

Order of Business. The order of business at all Annual Meetings of the Council shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meetings.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Election of inspectors of election.
- (g) Election of administrators.
- (h) Unfinished business.
- (i) New business.

The order of business of all Special meetings of the Council shall include items (a) through (d) above, and, thereafter, the agenda shall consist of the items specified in the notice of meeting.

ARTICLE IV  
BOARD OF ADMINISTRATION

SECTION 1:

Number and Qualification. The affairs of the Council shall be governed by a Board of Administration (hereinafter referred to as the "Board") comprised of five (5) persons, all of whom must be Co-Owners of Dwelling Units in the Property.

SECTION 2:

General Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Council and may do all such acts and things as are not by law or by these By-Laws directed to be executed and done by the Council or individual Co-Owners.

SECTION 3:

Other Duties. In addition to duties imposed by these By-Laws or by resolutions of the Council, the Board shall be responsible for the following:

- (a) Compliance with all of the terms and conditions of the Master Deed and enforcement of same.
- (b) Care, upkeep, and surveillance of the Property and the common elements.
- (c) Collection of assessments from the Co-Owners.
- (d) Employment, dismissal, and control of the personnel necessary for the maintenance and operation of the common elements.

SECTION 4:

Management Agent. The Board may employ a Management Agent at

a compensation established by the Board to perform such duties listed in Section 3 of this Article.

SECTION 5:

Election and Term of Office. At the first annual meeting of the Council, the initial term of office of two members of the Board shall be fixed at three (3) years. The term of office of two members of the Board shall be fixed at two (2) years, and the term of office of one member of the Board shall be fixed at one (1) year. At the expiration of the initial term of office of each member of the Board, his successor shall be elected to serve a term of three (3) years. The members of the Board shall hold office until their successors have been elected and hold their first meeting.

SECTION 6:

Vacancies. Vacancies in the Board of Administration caused by reason other than the removal of a member of the Board by a vote of the Council shall be filled by vote of the majority of the remaining members, even though they may constitute less than a quorum; and each person so elected shall be a member of the Board until a successor is elected at the next meeting of the Council.

SECTION 7:

Removal of Members of the Board. At any regular or special meeting of the Council duly called, any one or more of the members of the Board may be removed with or without cause by a majority of Co-Owners and a successor may then and there be elected to fill the vacancy thus created. Any member of the Board whose removal has been proposed to the Council shall be given an opportunity to be heard at the meeting.

SECTION 8:

Organization Meeting. The first meeting of a newly elected



Board shall be held within ten (10) days of election at such place as shall be fixed by the Board at the meeting at which such Board members were elected by the Council, and no notice shall be necessary to the newly elected Board members in order legally to constitute such meeting, providing a majority of the Board shall be present.

SECTION 9:

Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Board, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board shall be given by the Secretary-Treasurer, or other designated person, to each Board member, personally or by mail, telephone or telegraph, at least ten (10) days prior to the day named for such meeting.

SECTION 10:

Special Meetings. Special meetings of the Board may be called by the President on three (3) days notice to each Board member, given personally or by mail, telephone, or telegraph, which notice shall state the time, place (as hereinabove provided), and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary-Treasurer in like manner and on like notice on the written request of at least two (2) Board members.

SECTION 11:

Waiver of Notice. Before or at any meeting of the Board, any Board member may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Board member at any meeting of the Board shall be a waiver of notice by him of the time, place, and purpose thereof. If all the members are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

## SECTION 12:

Board Quorum. At all meetings of the Board, a majority of the Board members shall constitute a quorum for the transaction of business, and the acts of the majority of the members present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board, there is less than a quorum present, the majority of the Board members present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

## SECTION 13:

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

## ARTICLE V

## OFFICERS

## SECTION 1:

Designation. The principal officers of the Regime shall be a President, a Vice President, and a Secretary-Treasurer, all of whom shall be elected by and from the Board. The Board may appoint an Assistant Treasurer and an Assistant Secretary, and such other officers as in their judgment may be necessary.

## SECTION 2:

Election of Officers. The officers of the Regime shall be elected annually by the Board at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

SECTION 2:  
Business of Board. Except on an emergency vote of a majority of the members of the Board, any business may be transacted only at a regular meeting and not at any special meeting of the Board called for such purpose.

SECTION 4:  
President. The President shall be the chief executive officer of the Regime. He shall preside at all Council meetings of the Regime and of the Board. He shall have all of the general powers and duties which are usually vested in the office of President of a Regime, including, but not limited to, the power to appoint committees from among the Co-Owners from time to time as he may, in his discretion, decide are appropriate to assist in the conduct of the affairs of the Regime.

SECTION 5:  
Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board.

SECTION 6:  
Secretary-Treasurer. The Secretary-Treasurer shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Council; he shall have charge of such books and papers as the Board may direct; and he shall have responsibility for Regime funds and securities, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Regime. He shall be responsible for the deposit of all moneys and other valuable effects

in the name, and to the credit, of the Regime in such depositories as may from time to time be designated by the Board. He shall, in general, perform all the duties incident to the offices of Secretary and Treasurer.

ARTICLE VI  
OBLIGATIONS OF THE CO-OWNERS

SECTION 1:

Assessments. All Co-Owners are obligated to pay periodic assessments imposed by the Regime to meet all Regime expenses, which shall include a liability insurance policy premium and an insurance premium for a policy to cover repair and reconstruction work in case of hurricane, fire, earthquake, and other hazards. The assessments shall be made pro-rata according to the value of the Dwelling Unit owned, as stipulated in the Master Deed.

Escrow Account. The transfer of ownership of an individual villa within the Regime carries with it the proportionate equity of that villa ownership in the Regime Escrow Account. Each villa owner will be assessed for the Regime Escrow Account in accordance with a set schedule in order to provide for a contingency fund for maintenance and repair of Regime Property.

SECTION 2:

Maintenance and Repair.

(a) Every Co-Owner must perform promptly all maintenance and repair work within his own Dwelling Unit, which, if omitted, would affect the property in its entirety or in part belonging to other Co-Owners, being expressly responsible for the damages and liabilities that his failure to do so may engender.

(b) All the repairs of internal installations of the Apartment, such as water, light, gas, power, sewage, telephones, air conditions,

sanitary installations, doors, lamps, and all other accessories belonging to the Apartment shall be at the expense of the Co-Owner.

(c) A Co-Owner shall reimburse the Regime for any expenditures incurred in repairing or replacing any common elements damaged through his fault.

SECTION 3:

Use of Dwelling Unit - Internal Changes.

(a) All Dwelling Units shall be utilized for residential purposes only.

(b) A Co-Owner shall not make structural modifications or alterations in his Dwelling Unit or installations located therein without previously notifying the Regime in writing, through the management agent, if any, or through the President if no management agent is employed. The Regime shall have the obligations to answer within thirty (30) days, and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration.

SECTION 4:

Use of Common Elements. A Co-Owner shall not place or cause to be placed in the passages or roads any furniture, packages, or obstructions of any kind. Such areas shall be used for no other purposes than for normal transit through them.

SECTION 5:

Right of Entry.

(a) A Co-Owner shall grant right of entry to the management agent, or to any person authorized by the Board, in case of any emergency originating in or threatening his Dwelling unit, whether the Co-Owner is present at the time or not.

(b) A Co-Owner shall permit other Co-Owners, or their representatives, when so required, to enter his Dwelling Unit for the purpose of performing installations, alterations, or repairs to the mechanical or electrical services, provided that requests for entry are made in advance and that such entry is at a time convenient to the Co-Owner. In case of emergency, such right of entry shall be immediate.

#### SECTION 6:

##### Rules of Conduct.

(a) Residents shall exercise extreme care to avoid unnecessary noise or the use of musical instruments, radios, television, and amplifiers that may disturb other residents.

(b) No residents of the Property shall:

1. Post any advertisements, or posters of any kind, in or on the Property except as authorized by the Regime;
2. Hang garments, rugs, or similar objects, from the windows or from any of the facades of the Property;
3. Dust rugs, mops, or similar objects from the windows, or clean rugs, or similar objects by beating, on the exterior part of the Property;
4. Throw garbage or trash outside the disposal installations provided for such purposes in the service areas; or
5. Act so as to interfere unreasonably with the peace and enjoyment of the residents of the other Apartments in the Property.

(c) No Co-Owner, resident, or lessee shall install wiring for electrical or telephone installations, television antennae, machines, or air conditioning units, or similar objects outside of his dwelling or which protrude through the walls or the roof of his dwelling unit except as authorized by the Board.

#### ARTICLE VII

##### AMENDMENTS

#### SECTION 1:

By-Laws. These By-Laws may be amended by the Council in a duly constituted meeting held for such purposes, and no amendment shall

take effect unless approved by Co-Owners representing at least two-thirds of the total value of the Property as shown in the Master Deed.

ARTICLE VIII

MORTGAGES

SECTION 1:

Notice to the Board. A Co-Owner who mortgages his Dwelling Unit shall notify the Board through the management agent, if any, or the President if there is no management agent, of the name and address of his mortgagee; and the Regime shall maintain such information in a book entitled "Mortgagees of Dwelling Units".

SECTION 2:

Notice of Unpaid Assessments. The Board shall at the request of a mortgagee of a Dwelling Unit report any unpaid assessments due to the Regime from the Co-Owner of such Apartment.

ARTICLE IX

COMPLIANCE

These By-Laws are intended to comply with the requirements of the Horizontal Property Regime Act of South Carolina. In case any of these By-Laws conflict with the provisions of said Statute, it is hereby agreed and accepted that the provisions of the Statute will control.

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## BY-LAWS OF PALMETTO BAY COMMUNITY VILLAS

## HORIZONTAL PROPERTY REGIME I

## ARTICLE I

## PLAN OF APARTMENT OWNERSHIP

## SECTION 1:

Horizontal Property Regime. The Property (the term "Property", as used herein, means and includes the land, the buildings, all improvements and structures thereto) located in Palmetto Bay Community, Hilton Head Island, Beaufort County, State of South Carolina, known as PALMETTO BAY COMMUNITY NO. 1, has been, by Master Deed, submitted to the provisions of the Horizontal Property Act of South Carolina, and is to be henceforth known as "PALMETTO BAY COMMUNITY VILLAS HORIZONTAL PROPERTY REGIME I" (hereinafter referred to as the "Regime").

## SECTION 2:

By-Laws Applicability. The provisions of these By-Laws are applicable to the Property and the Regime.

## SECTION 3:

Personal Application. All present or future co-owners, tenants, future tenants, or their employees, or any other person that might use the facilities of the Property in any manner, are subject to the regulations set forth in these By-Laws and in the Master Deed establishing said Regime. The mere acquisition or rental of any of the Dwelling Units (hereinafter usually referred to as "Dwelling Unit") as defined in the Master Deed of the Property or the mere act of occupancy of any of said Dwelling Units will signify that these By-Laws, the provisions of the



Master Deed, and the provisions of any and all applicable Declaration of Covenants, Restrictions, and Affirmative Obligations and any applicable recorded additions thereto, are accepted and ratified, and will be complied with.

## ARTICLE II

### VOTING, MAJORITY OF CO-OWNERS, QUORUM, PROXIES

#### SECTION 1:

Voting. Voting shall be on a percentage basis and the percentage of the vote to which the co-owner is entitled is the percentage assigned to the Dwelling Unit or Dwelling Units in the Master Deed.

#### SECTION 2:

Majority of Co-Owner. As used in these By-Laws, the term "majority of co-owners" shall mean those co-owners holding fifty-one (51%) percent or more of the total value of the property, in accordance with the percentages assigned in the Master Deed.

#### SECTION 3:

Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of a majority of co-owners, as defined in Section 2 of this Article, shall constitute a quorum.

#### SECTION 4:

Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of each meeting.

ARTICLE III  
ADMINISTRATION

SECTION 1:

Council Responsibilities. The co-owners of the Dwelling Units will constitute the Council of Co-Owners (hereinafter usually referred to as "Council") who will have the responsibility of administering the Property, approving the annual budget, establishing and collecting periodic assessments and arranging for the management of the Property pursuant to an agreement, containing provisions relating to the duties, obligations, removal and compensation of the management agent. Except as otherwise provided, decisions and resolutions of the Council shall require approval by a majority of Co-Owners.

SECTION 2:

Place of Meetings. Meetings of the Council shall be held at such place, convenient to the Co-Owners, as may be designated by the Council.

SECTION 3:

Annual Meetings. The annual meetings of the Council shall be held at the call of the Regime President once a year between March fifteenth and April fifteenth. At such meetings, there shall be elected by ballot of the Co-Owners, a Board of Administration in accordance with the requirements of Section 5 of Article IV of these By-Laws. The Co-Owners may also transact such other business of the Council as may properly come before them.

SECTION 4:

Special Meetings. It shall be the duty of the President to call a special meeting of the Co-Owners as directed by resolution of the Board of Administration or upon a petition signed by a majority of Co-Owners and having been presented to the Secretary. Such notice of any

special meeting shall state the 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 unless by consent of four-fifths of the votes present, either in person or by proxy.

SECTION 5:

Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Co-Owner of record, at least five (5), but not more than ten (10), days prior to such meeting. The mailing of a notice in the manner provided in this Section shall be considered notice served.

SECTION 6:

Adjourned Meeting. If any meeting of the Council cannot be organized because a quorum has not attended, the Co-Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time for which the original meeting was called.

SECTION 7:

Order of Business. The order of business at all Annual Meetings of the Council shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meetings.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Election of inspectors of election.
- (g) Election of administrators.
- (h) Unfinished business.
- (i) New business.

The order of business of all Special meetings of the Council shall include items (a) through (d) above, and, thereafter, the agenda shall consist of the items specified in the notice of meeting.

ARTICLE IV  
BOARD OF ADMINISTRATION

SECTION 1:

Number and Qualification. The affairs of the Council shall be governed by a Board of Administration (hereinafter referred to as the "Board") comprised of five (5) persons, all of whom must be Co-Owners of Dwelling Units in the Property.

SECTION 2:

General Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Council and may do all such acts and things as are not by law or by these By-Laws directed to be executed and done by the Council or individual Co-Owners.

SECTION 3:

Other Duties. In addition to duties imposed by these By-Laws or by resolutions of the Council, the Board shall be responsible for the following:

- (a) Compliance with all of the terms and conditions of the Master Deed and enforcement of same.
- (b) Care, upkeep, and surveillance of the Property and the common elements.
- (c) Collection of assessments from the Co-Owners.
- (d) Employment, dismissal, and control of the personnel necessary for the maintenance and operation of the common elements.

SECTION 4:

Management Agent. The Board may employ a Management Agent at

a compensation established by the Board to perform such duties listed in Section 3 of this Article.

SECTION 5:

Election and Term of Office. At the first annual meeting of the Council, the initial term of office of two members of the Board shall be fixed at three (3) years. The term of office of two members of the Board shall be fixed at two (2) years, and the term of office of one member of the Board shall be fixed at one (1) year. At the expiration of the initial term of office of each member of the Board, his successor shall be elected to serve a term of three (3) years. The members of the Board shall hold office until their successors have been elected and hold their first meeting.

SECTION 6:

Vacancies. Vacancies in the Board of Administration caused by reason other than the removal of a member of the Board by a vote of the Council shall be filled by vote of the majority of the remaining members, even though they may constitute less than a quorum; and each person so elected shall be a member of the Board until a successor is elected at the next meeting of the Council.

SECTION 7:

Removal of Members of the Board. At any regular or special meeting of the Council duly called, any one or more of the members of the Board may be removed with or without cause by a majority of Co-Owners and a successor may then and there be elected to fill the vacancy thus created. Any member of the Board whose removal has been proposed to the Council shall be given an opportunity to be heard at the meeting.

SECTION 8:

Organization Meeting. The first meeting of a newly elected

Board shall be held within ten (10) days of election at such place as shall be fixed by the Board at the meeting at which such Board members were elected by the Council, and no notice shall be necessary to the newly elected Board members in order legally to constitute such meeting, providing a majority of the Board shall be present.

SECTION 9:

Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Board, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board shall be given by the Secretary-Treasurer, or other designated person, to each Board member, personally or by mail, telephone or telegraph, at least ten (10) days prior to the day named for such meeting.

SECTION 10:

Special Meetings. Special meetings of the Board may be called by the President on three (3) days notice to each Board member, given personally or by mail, telephone, or telegraph, which notice shall state the time, place (as hereinabove provided), and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary-Treasurer in like manner and on like notice on the written request of at least two (2) Board members.

SECTION 11:

Waiver of Notice. Before or at any meeting of the Board, any Board member may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Board member at any meeting of the Board shall be a waiver of notice by him of the time, place, and purpose thereof. If all the members are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

## SECTION 12:

Board Quorum. At all meetings of the Board, a majority of the Board members shall constitute a quorum for the transaction of business, and the acts of the majority of the members present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board, there is less than a quorum present, the majority of the Board members present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

## SECTION 13:

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

## ARTICLE V

## OFFICERS

## SECTION 1:

Designation. The principal officers of the Regime shall be a President, a Vice President, and a Secretary-Treasurer, all of whom shall be elected by and from the Board. The Board may appoint an Assistant Treasurer and an Assistant Secretary, and such other officers as in their judgment may be necessary.

## SECTION 2:

Election of Officers. The officers of the Regime shall be elected annually by the Board at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

## SECTION 3:

Removal of Officers. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose.

## SECTION 4:

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

## SECTION 5:

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

## SECTION 6:

Secretary-Treasurer. The Secretary-Treasurer shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Council; he shall have charge of such books and papers as the Board may direct; and he shall have responsibility for Regime funds and securities, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Regime. He shall be responsible for the deposit of all moneys and other valuable effects



In the name, and to the credit, of the Regime in such depositories as may from time to time be designated by the Board. He shall, in general, perform all the duties incident to the offices of Secretary and Treasurer.

ARTICLE VI  
OBLIGATIONS OF THE CO-OWNERS

SECTION 1:

Assessments. All Co-Owners are obligated to pay periodic assessments imposed by the Regime to meet all Regime expenses, which shall include a liability insurance policy premium and an insurance premium for a policy to cover repair and reconstruction work in case of hurricane, fire, earthquake, and other hazards. The assessments shall be made pro-rata according to the value of the Dwelling Unit owned, as stipulated in the Master Deed.

Escrow Account. The transfer of ownership of an individual villa within the Regime carries with it the proportionate equity of that villa ownership in the Regime Escrow Account. Each villa owner will be assessed for the Regime Escrow Account in accordance with a set schedule in order to provide for a contingency fund for maintenance and repair of Regime Property.

SECTION 2:

Maintenance and Repair.

(a) Every Co-Owner must perform promptly all maintenance and repair work within his own Dwelling Unit, which, if omitted, would affect the property in its entirety or in part belonging to other Co-Owners, being expressly responsible for the damages and liabilities that his failure to do so may engender.

(b) All the repairs of internal installations of the Apartment, such as water, light, gas, power, sewage, telephones, air conditions,

sanitary installations, doors, lamps, and all other accessories belonging to the Apartment shall be at the expense of the Co-Owner.

(c) A Co-Owner shall reimburse the Regime for any expenditures incurred in repairing or replacing any common elements damaged through his fault.

SECTION 3:

Use of Dwelling Unit - Internal Changes.

(a) All Dwelling Units shall be utilized for residential purposes only.

(b) A Co-Owner shall not make structural modifications or alterations in his Dwelling Unit or installations located therein without previously notifying the Regime in writing, through the management agent, if any, or through the President if no management agent is employed. The Regime shall have the obligations to answer within thirty (30) days, and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration.

SECTION 4:

Use of Common Elements. A Co-Owner shall not place or cause to be placed in the passages or roads any furniture, packages, or obstructions of any kind. Such areas shall be used for no other purposes than for normal transit through them.

SECTION 5:

Right of Entry.

(a) A Co-Owner shall grant right of entry to the management agent, or to any person authorized by the Board, in case of any emergency originating in or threatening his Dwelling unit, whether the Co-Owner is present at the time or not.

(b) A Co-Owner shall permit other Co-Owners, or their representatives, when so required, to enter his Dwelling Unit for the purpose of performing installations, alterations, or repairs to the mechanical or electrical services, provided that requests for entry are made in advance and that such entry is at a time convenient to the Co-Owner. In case of emergency, such right of entry shall be immediate.

SECTION 6:

Rules of Conduct.

(a) Residents shall exercise extreme care to avoid unnecessary noise or the use of musical instruments, radios, television, and amplifiers that may disturb other residents.

(b) No residents of the Property shall:

1. Post any advertisements, or posters of any kind, in or on the Property except as authorized by the Regime;
2. Hang garments, rugs, or similar objects, from the windows or from any of the facades of the Property;
3. Dust rugs, mops, or similar objects from the windows, or clean rugs, or similar objects by beating, on the exterior part of the Property;
4. Throw garbage or trash outside the disposal installations provided for such purposes in the service areas; or
5. Act so as to interfere unreasonably with the peace and enjoyment of the residents of the other Apartments in the Property.

(c) No Co-Owner, resident, or lessee shall install wiring for electrical or telephone installations, television antennae, machines, or air conditioning units, or similar objects outside of his dwelling or which protrude through the walls or the roof of his dwelling unit except as authorized by the Board.

ARTICLE VII

AMENDMENTS

SECTION 1:

By-Laws. These By-Laws may be amended by the Council in a duly constituted meeting held for such purposes, and no amendment shall

take effect unless approved by Co-Owners representing at least two-thirds of the total value of the Property as shown in the Master Deed.

ARTICLE VIII  
MORTGAGES

SECTION 1:

Notice to the Board. A Co-Owner who mortgages his Dwelling Unit shall notify the Board through the management agent, if any, or the President if there is no management agent, of the name and address of his mortgagee; and the Regime shall maintain such information in a book entitled "Mortgagees of Dwelling Units".

SECTION 2:

Notice of Unpaid Assessments. The Board shall at the request of a mortgagee of a Dwelling Unit report any unpaid assessments due to the Regime from the Co-Owner of such Apartment.

ARTICLE IX  
COMPLIANCE

These By-Laws are intended to comply with the requirements of the Horizontal Property Regime Act of South Carolina. In case any of these By-Laws conflict with the provisions of said Statute, it is hereby agreed and accepted that the provisions of the Statute will control.

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CLERK OF COURT OF COMMON PLEAS		

STATE OF SOUTH CAROLINA            )  
  )  
COUNTY OF BEAUFORT                )        AMENDMENT TO BY-LAWS OF PALMETTO  
  )        BAY HORIZONTAL PROPERTY REGIME NO. I

This First Amendment to the By-Laws, made this 1<sup>st</sup> day of August, 1998, by PALMETTO BAY OWNERS ASSOCIATION, INC. (hereinafter referred to as the "Regime") and existing under the laws of the State of South Carolina for the purpose of administering the Regime.

WITNESSETH:

WHEREAS, the Regime was established by Master Deed duly recorded in the Office of the Register of Mesne Conveyances for Beaufort County, South Carolina in Deed Book 228 at Page 1039 with the By-Laws for the said Regime attached thereto and recorded in said Office in Deed Book 228 at Page 1049; and

WHEREAS, Article VII, entitles Amendments, states that the By-Laws may be amended in a duly constituted meeting held for such purposes with approval of co-owners representing at least two-thirds (2/3) of the total value of the property as shown in the Master Deed; and

WHEREAS, the Co-owners at a duly constituted meeting held on the 27<sup>th</sup> day of June 1998, voted to amend the By-Laws and have authorized the Officers of the Corporation to execute the within Amendment.

NOW, THEREFORE, the Association hereby amends the By-Laws of the Regime as follows:

1. That the above "Whereas" clauses are hereby incorporated herein by this reference thereto as if restated.
2. Name of Regime. The By-Laws incorrectly state that the name of the Regime is "Palmetto Bay Community Villas Horizontal Property Regime I." The By-Laws are amended to reflect that the correct title is:

BY-LAWS OF PALMETTO BAY HORIZONTAL PROPERTY REGIME NO. 1 AND  
PALMETTO BAY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA NON-  
PROFIT CORPORATION

ARTICLE 1  
PLAN OF VILLA OWNERSHIP

Section 1:

Horizontal Property Regime. The Property (the term "Property", as used herein, means and includes the land, buildings, all improvements and structures thereto) located in Palmetto Bay Community, Hilton Head Island, Beaufort County, South Carolina, known as PALMETTO BAY HORIZONTAL PROPERTY REGIME NO. 1, has been, by Master Deed, submitted to the provisions of the Horizontal Property Act of South Carolina, and is to be henceforth known as "PALMETTO BAY HORIZONTAL PROPERTY REGIME I" (hereinafter referred to as the "Regime").

Section 2:

By-Laws Applicability. The provisions of these By-Laws are applicable to the Property and the Regime.

Section 3:

Personal Application. All present or future co-owners, tenants, future tenants, or their employees, or any other person that might use the facilities of the Property in any manner, are subject to the regulations set forth in these By-Laws and in the Master Deed establishing said Regime. The mere acquisition or rental of any of the Dwelling Units (hereinafter usually referred to as "Dwelling Unit") as defined in the Master Deed of the Property or the mere act of occupancy of any of said Dwelling Units will signify that these By-Laws, the provisions of the Master Deed, and the provisions of any and all applicable Declarations of Covenants, Restrictions, and Affirmative Obligations and any applicable recorded additions thereto, are accepted and ratified, and will be complied with.

ARTICLE II  
VOTING, MAJORITY OF CO-OWNERS, PROXIES

SECTION 1:

Voting. Voting shall be on a percentage basis and the percentage of the vote to which the co-owner is entitled is the percentage assigned to the Dwelling Units in the Master Deed. A majority of the co-owners total votes shall decide any questions, unless the Master Deed, By-Laws or Articles of Incorporation of the Association provide otherwise.

SECTION 2:

Majority of Co-Owner. As used in these By-Laws, the term "majority of co-owners" shall mean those co-owners holding fifty-one (51%) percent or more of the total value of the property, in accordance with the percentages assigned in the Master deed.

SECTION 3:

Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of a majority of co-owners, as defined in Section 2 of this Article, shall constitute a quorum.

SECTION 4:

Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of each meeting.

ARTICLE III  
ADMINISTRATION

SECTION 1:

Council Responsibilities. The co-owners of the Dwelling Units will constitute the Council of Co-Owners (hereinafter usually referred to as "Council") who will have the responsibility of administering the Property, approving the annual budget, establishing and collecting periodic assessments and arranging for the management of the Property pursuant to an agreement, containing provisions relating to the duties, obligations, removal and compensation of the management agent. Except as otherwise provided, decisions and resolutions of the Council shall require approval by a majority of Co-Owners.

SECTION 2:

Place of Meetings. Meetings of the Council shall be held at such place, convenient to the Co-Owners, as may be designated by the Council.

SECTION 3:

Annual Meetings. The annual meeting of the Council shall be held at the call of the Regime President once a year in June. At such meeting, there shall be elected by ballot of the Co-Owners, a Board of Administration in accordance with the requirements of Section 5 of Article IV of these By-Laws. The Co-Owners may also transact such other business of the Council as may properly come before them.

SECTION 4:

Special Meetings. It shall be the duty of the President to call a special meeting of the Co-Owners as directed by resolution of the Board of Administration or upon a petition signed by a majority of Co-Owners and having been presented to the Secretary. Such notice of any special meeting shall state the 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 unless by consent of four-fifths of the votes present, either in person or by proxy.

SECTION 5:

Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Co-Owner of record, at least five (5), but not more than ten (10), days prior to such meeting. The mailing of a notice in the manner provided in this Section shall be considered notice served.

SECTION 6:

Adjourned Meeting. If any meeting of the Council cannot be organized because a quorum has not attended, the Co-Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time for which the original meeting was called.

SECTION 7:

Order of Business. The order of business at all Annual Meetings of the Council shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meetings.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Review of Financial Statement & monthly regime charges.
- (g) Election of inspectors of election.
- (h) Election of administrators.
- (i) Unfinished business.
- (j) New business.

The order of business of all Special Meetings of the Council shall include items (a) through (d) above, and, thereafter, the agenda shall consist of the items specified in the notice of meeting.

ARTICLE IV  
BOARD OF ADMINISTRATION

SECTION 1:

Number and Qualification. The affairs of the Council shall be governed by a Board of Administration (hereinafter referred to as the "Board") comprised of five (5) persons, all of whom must be resident Co-Owners of Dwelling Units in the Property.



SECTION 2:

General Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Council and may do all such acts and things as are not by law or by these By-Laws directed to be executed and done by the Council or individual Co-Owners.

SECTION 3:

Other Duties. In addition to duties imposed by these By-Laws or by resolutions of the Council, the Board shall be responsible for the following:

- (a) Compliance with all of the terms and conditions of the Master Deed and enforcement of same.
- (b) Care, upkeep, and surveillance of the Property and the common elements.
- (c) Collection of assessments from the Co-Owners.
- (d) Employment, dismissal, and control of the personnel necessary for the maintenance and operation of the common elements.

SECTION 4:

Management Agent. The Board may employ a Management Agent at a compensation established by the Board to perform such duties listed in Section 3 of this Article.

SECTION 5:

Election and Term of Office. At the first annual meeting of the Council, the initial term of office of two members of the Board shall be fixed at three (3) years. The term of office of two members of the Board shall be fixed at two (2) years, and the term of office of one member of the Board shall be fixed at one (1) year. At the expiration of the initial term of office of each member of the Board, his successor shall be elected to serve a term of three (3) years. The members of the Board shall hold office until their successors have been elected and hold their first meeting.

SECTION 6:

Vacancies. Vacancies in the Board of Administration caused by reason other than the removal of a member of the Board by a vote of the Council shall be filled by vote of the majority of the remaining members, even though they may constitute less than a quorum; and each person so elected shall be a member of the Board.

SECTION 7:

Removal of Members of the Board. At any regular or special meeting of the Council duly called, any one or more of the members of the Board may be removed with or without cause by a majority of Co-Owners and a successor may then and there be elected to fill the vacancy thus created. Any member of the Board whose removal has been proposed to the Council shall be given an opportunity to be heard at the meeting.

SECTION 8:

Organization Meeting. The first meeting of a newly elected Board shall be held within ten (10) days of election at such place as shall be fixed by the Board at the meeting at which such Board members were elected by the Council, and no notice shall be necessary to the newly elected Board members in order legally to constitute such meeting, providing a majority of the Board shall be present.

SECTION 9:

Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Board, but at least ten such meetings shall be held during each fiscal year. Notice of regular meetings of the Board shall be given by the Secretary, or other designated person, to each Board member, personally or by mail, telephone or telegraph, at least ten (10) days prior to the day named for such meeting.

SECTION 10:

Special Meetings. Special Meetings of the Board may be called by the President on three (3) days notice to each Board member, given personally or by mail, telephone, or telegraph, which notice shall state the time, place (as hereinabove provided), and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) Board members.

SECTION 11:

Waiver of Notice. Before or at any meeting of the Board, any Board member may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Board member at any meeting of the Board shall be a waiver of notice by him or her of the time, place, and purpose thereof. If all the members are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

SECTION 12:

Board Quorum. At all meetings of the Board, a majority of the Board members shall constitute a quorum for the transaction of business, and the acts of the majority of the members present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board, there is less than a quorum present, the majority of the Board members present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

SECTION 13:

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

SECTION 14:

Liability of the Board of Directors. The members of the Board of Directors shall not be liable to the Co-Owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Association and the Co-Owners shall indemnify and hold harmless each of the members of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Master Deed or of the By-Laws. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Regime or Association. It is also intended that the liability of any Co-Owner arising out of any contract made by the Board of Directors or out of the aforesaid indemnity in favor of the members of the Board of Directors shall be limited to such proportions of the total liability thereunder as his interest in the Common Elements bears to the interest of all Co-Owners in the Common Elements. Every agreement made by the Board of Directors, or by a designated Managing Firm or manager on behalf of the Association shall provide that the members of the Board of Directors, or the Managing Agent, as the case may be, are acting only as agent for the Co-Owners and shall have no personal liability thereunder (except as Co-Owners), and that each Co-Owners' liability thereunder shall be limited to such proportion of the total liability thereunder as his interest in the Common Elements bears to the interest of all Unit owners in the Common Elements.

ARTICLE V  
OFFICERS

SECTION 1:

Designation. The principal officers of the Regime shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by and from the Board. The Board may appoint an Assistant to the Secretary and Treasurer, and such other officers as in their judgment may be necessary.

SECTION 2:

Election of Officers. The Officers of the Regime shall be elected annually by the Board at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

SECTION 3:

Removal of Officers. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed with just cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose.

SECTION 4:

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

SECTION 5:

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

SECTION 6:

Secretary. The Secretary shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Council; he or she shall have charge of such books and papers as the Board may direct. He or she shall, in general, perform all the duties incident to the offices of Secretary and Treasurer.

SECTION 7:

Treasurer. The Treasurer shall have the responsibility for Regime funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Regime. He or she shall be responsible for the deposit of all moneys and other valuable effects in the name, and to the credit, of the Regime in such depositories as may from time to time be designated by the Board. He or she shall, in general, perform all the duties incident to the offices of Secretary and Treasurer.

ARTICLE VI  
OBLIGATIONS OF THE CO-OWNERS

SECTION 1:

Assessments. All Co-Owners are obligated to pay periodic assessments imposed by the Regime to meet all Regime expenses, which shall include a liability insurance policy premium and an insurance premium for a policy to cover repair and reconstruction work in case of hurricane, fire, earthquake, and other hazards. The assessments shall be made pro-rata according to the value of the Dwelling Unit owned, as stipulated in the Master Deed.

(a) Determination of Assessments.

- (I) The Board of Directors of the Association shall fix and determine from time to time the sum or sums necessary and adequate for the Common Expenses of the Association. Common Expenses shall include expenses

for the operation, maintenance, repair or replacement of the Common Elements and the Limited Common Elements, costs of carrying out the powers and duties of the Association, all insurance premiums and expenses relating thereto, including fire insurance and extended coverage, and any other expenses designated as common expenses from time to time by the Board of Directors of

(II) the Association, or under the provisions of the Master Deed to which these By-Laws are attached. The Board of Directors is specifically empowered, on behalf of the Association, to make and collect assessments and to lease, maintain, repair, and replace the Common Elements and the Limited Common Elements of the Condominium. Funds for the payment of common expenses shall be assessed against the Co-Owners in the proportions or percentages of sharing common expenses, as provided in the Master Deed, etc. Special assessments, should such be required by the Board of Directors, shall be levied in the same manner as hereinbefore provided for regular assessments, and shall be payable in the manner determined by the Board of Directors.

(ii) A copy of the proposed annual budget of Common Expenses shall be mailed to the Co-Owners not less than thirty (30) days prior to the meeting at which the budget will be considered, together with a notice of that meeting. The Co-Owners shall be given written notice of the time and place at which the meeting of the Board of Directors shall be held to consider the proposed annual budget of the Association, and such meeting shall be open to the Co-Owners.

(b) Application of Payments and Co-Mingling of Funds. All sums collected by the Association from assessments and maintenance fees may be co-mingled in a single fund or divided into more than one fund, as determined by the Board of Directors of the Association. All assessment payments and maintenance fees by a Co-Owner shall be applied as to interest, delinquencies, costs and attorney's fees, other charges, expenses and advances as provided herein and in the Master Deed and general or special assessments, in such manner and amounts as the Board of Directors determines in its sole discretion.

(c) Application of Surplus. Any payments or receipts to the Association, whether from Co-Owners or otherwise, paid during the year in excess of the operating expenses and other Common Expenses of the Association shall be kept by the Association and applied against the Association's expenses for the following year and shall constitute the Association's reserve fund for periodic maintenance, repair and replacement of improvements which the Association may be obligated to maintain.

(d) Fines. In the event that the Board of Directors determines that any occupant is in violation of any provisions of the Act, the Master Deed, the By-Laws or any rules and regulations, the Board of Directors, or an agent of the Board of Directors designated for that purpose, shall notify the occupant of the nature of the violation. If said violation is not cured within five (5) days of such notice or if said violation consists of acts or conduct by the occupant and such acts or

conduct by the occupant are repeated, the Board of Directors may levy a fine of up to \$50.00 per offense against the Co-Owner or occupant. Each day during which the violation continues shall be a separate offense. Such fines shall be assessed as a special assessment against the occupant, shall constitute a lien upon the Unit occupied by such occupant and may be foreclosed by the Association in the same manner as any other lien, provided that such occupant shall be entitled to a hearing before the Board of Directors, upon reasonable written notice specifying the violations charged, and may be represented by counsel, provided, further, however, that no fine may be levied in any event against the Grantor.

(e) Lien for Unpaid Assessments. All funds due under these By-Laws are common expenses of the Regime. All Regime fees, special assessments, installations, and maintenance fees that remain unpaid shall be delinquent and shall constitute a lien against the Unit. Co-Owners of Two-Bedroom Units with Unpaid balance of \$1,000 shall constitute a lien against the Unit. Co-Owners of Three-Bedroom Units with Unpaid balance of \$1,200 shall constitute a lien against the Unit. Interest shall be assessed at the rate of one and a half percent (1.5%) percent per month thereafter until paid. The Co-Owners shall be responsible also for the payment of the cost of any proceedings necessary to collect the same, or to foreclose the lien, together with attorney's fees.

(f) Escrow Account. The transfer of ownership of an individual unit within the Regime carries with it the proportionate equity of that unit ownership in the Regime Escrow Account. Each unit owner will be assessed for the Regime Escrow Account in accordance with a set schedule in order to provide for a contingency fund for maintenance and repair of Regime Property.

## SECTION 2:

### Maintenance and Repair.

(a) Every Co-Owner must perform promptly all maintenance and repair work within his own Dwelling Unit, which, if omitted, would affect the property in its entirety or in part belonging to other Co-Owners, being expressly responsible for the damages and liabilities that his failure to do so may engender.

(b) All the repairs of internal installations of the Apartment, such as water, light, gas, power, sewage, telephones, air conditions, sanitary installations, doors, windows, lamps, and all other accessories belonging to the Unit shall be at the expense of the Co-Owner.

(c) A Co-Owner shall reimburse the Regime for any expenditures incurred in repairing or replacing any common elements damaged through his fault.

## SECTION 3:

### Use of Dwelling Unit - Internal Changes.

(a) All Dwelling Units shall be utilized for residential purposes only.

(b) A Co-Owner shall not make structural modifications or alterations in his Dwelling Unit or installations located therein without previously notifying the Regime in writing, through the management agent, if any, or through the President if no management

agent is employed. The Regime shall have the obligations to answer within thirty (30) days, and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration.

SECTION 4:

Use of Common Elements. A Co-Owner shall not place or cause to be placed in the passages or roads any furniture, packages, or obstructions of any kind. Such areas shall be used for no other purposes than for normal transit through them.

SECTION 5:

Right of Entry.

(a) A Co-Owner shall grant right of entry to the management agent, or to any person authorized by the Board, in case of any emergency originating in or threatening his Dwelling Unit, whether the Co-Owner is present at the time or not.

(b) A Co-Owner shall permit other Co-Owners, or their representatives, when so required, to enter his Dwelling Unit for the purpose of performing installations, alterations, or repairs to the mechanical or electrical services, provided that requests for entry are made in advance and that such entry is at a time convenient to the Co-Owner. In case of emergency, such right of entry shall be immediate.

SECTION 6:

Rules of Conduct.

(a) Residents shall exercise extreme care to avoid unnecessary noise or the use of musical instruments, radios, television, and amplifiers that may disturb other residents.

(b) No residents of the Property shall:

1. Post any advertisements, or posters of any kind, in or on the Property except as authorized by the Regime.
2. Hang garments, rugs, or similar objects, from the windows or from any of the facades of the Property.
3. Dust rugs, mops, or similar objects from the windows, or clean rugs, or similar objects by beating, on the exterior part of the Property;
4. Throw garbage or trash outside the disposal installations provided for such purposes in the service areas; or
5. Act so as to interfere unreasonably with the peace and enjoyment of the residents of the other units in the Property.

(c) No Co-Owner, resident, or lessee shall install wiring for electrical or telephone installations, television antennae, machines, or air conditioning units, or similar objects outside of his dwelling or which protrude through the walls or the roof of his dwelling unit except as authorized by the Board.

SECTION 7:

Violations. In the event of a violation (other than the non-payment of an assessment) by the Co-Owner in any of the provisions of the Master Deed of these By-Laws, or of the applicable portions of the Horizontal Property Regime Act, the Association, by direction of its Board of Directors, may notify the Co-Owner by written

notice of said breach, transmitted by mail, and if such violation shall continue for a period of seven (7) days from date of notice, the Association, through its Board of Directors, shall have the right to treat such violation as an intentional and inexcusable and material breach of the Master Deed, the By-Laws, or of the pertinent provisions of the Horizontal Property Act, and the Association may then, at its option, have the following elections:

- (a) An action at law to recover for its damage, on behalf of the Association or on behalf of the other Co-Owners.
- (b) An action in equity to enforce performance on the part of the Co-Owner; or
- (c) An action in equity for such equitable relief as may be necessary under the circumstances, including injunctive relief.

Any violations which are deemed by the Board of Directors to be a hazard to public health may be corrected immediately as an emergency matter by the Association, and the cost thereof shall be charged to the Co-Owner as a specific item, which shall be a lien against the said Unit with the same force and effect as if the charge were a part of the Common Expenses.

#### SECTION 8:

Negligence or Carelessness of Unit Owner, etc. All Co-Owners shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, or by that of any member of his family, or his or their guests, employees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the association. Such liability shall include any increase in insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing herein contained, however, shall be construed so as to modify any waiver by any insurance company of its rights of subrogation. The expense for any maintenance, repair or replacement required, as provided in this Section, shall be charged to said Co-Owner as a specific item which shall be a lien against said Unit with the same force and effect as if the charge were a part of the Common Expenses.

#### SECTION 9:

Costs and Attorneys' Fees. In any proceeding arising because of an alleged fault by a Co-Owner, the prevailing party shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees as may be determined by the Court.

#### SECTION 10:

No Waiver of Rights. The failure of the Association or of a Co-Owner to enforce any right, provision, covenant or condition which may be granted by the Condominium documents shall not constitute a waiver of the right of the Association or Co-Owner to enforce such right, provision, covenant or condition in the future.

#### SECTION 11:

Election of Remedies. All rights, remedies, and privileges granted to the Association or Co-Owner, pursuant to any terms, provisions, covenants or conditions of the Master Deed, Articles of Incorporation, or these By-Laws, shall be deemed to be



cumulative and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies or privileges as may be granted to such other party by Condominium documents, or at law or in equity.

## ARTICLE VII AMENDMENTS

### SECTION 1:

By-Laws. These By-Laws may be amended by the Council in a duly constituted meeting held for such purposes, and no amendment shall take effect unless approved by Co-Owners representing at least two-thirds of the total value of the Property as shown in the Master Deed.

## ARTICLE VIII MORTGAGES

### SECTION 1:

Notice to the Board. A Co-Owner who mortgages his Dwelling Unit shall notify the Board through the management agent, if any, or the President if there is no management agent, of the name and address of his mortgagee; and the Regime shall maintain such information in a book entitled "Mortgagees of Dwelling Units".

### SECTION 2:

Notice of Unpaid Assessments. The Board shall at the request of a mortgagee of a Dwelling Unit report any unpaid assessments due to the Regime from the Co-Owner of such Unit.

## ARTICLE IX COMPLIANCE

These By-Laws are intended to comply with the requirements of the Horizontal Property Regime Act of South Carolina. In case of any of these By-Laws conflict with the provisions of said Statute, it is hereby agreed and accepted that the provisions of the Statute will control.

## ARTICLE X LIENS

### SECTION 1:

Protection of Property. All liens against a Condominium Unit, other than for mortgages, taxes or assessments shall be satisfied or otherwise removed within thirty (30) days of the date the lien was attached. All taxes, mortgage payments, and special assessments upon a Condominium Unit shall be paid before becoming delinquent, as

provided in the Master Deed, Articles of Incorporation and these By-Laws, or by law, whichever is sooner.

SECTION 2:

Notice of Lien. A Co-Owner shall give Notice to the Association of every lien upon his Unit, within five (5) days after the attaching of the lien.

SECTION 3:

Notice of Suit. Co-Owners shall give notice to the Association of every suit or other proceeding which will or may effect title to his Unit or any part of the Condominium Property, such notice to be given within five (5) days after the Co-Owner received notice of such suit or proceeding.

SECTION 4:

Failure to Comply. Failure to comply with this Article concerning liens will not effect the validity of any judicial sale.

RULES AND REGULATIONS

ARTICLE XI

SECTION 1:

Adoption. The Board of Directors may, from time to time, adopt or amend previously adopted administrative Rules and Regulations governing the details of the operation, use, maintenance, management and control of the association properties, the Common Elements and Limited Common Elements of the Condominiums and any facilities or services made available to the Unit Owners. A copy of the Rules and Regulations adopted from time to time as herein provided shall from time to time be posted in a conspicuous place and/or copies of same shall be furnished to each Co-Owner.

SECTION 2:

As to Condominium Units. The Board of Directors, may from time to time, adopt or amend previously adopted Rules and Regulations governing and restricting the use and maintenance of the Condominium Unit(s) provided, however, that copies of such Rules and Regulations, prior to the time the same become effective, shall be posted in a conspicuous place and/or copies of same shall be furnished to each Co-Owner.

SECTION 3:

Right of Entry.

(a) A Co-Owner shall grant the right of entry to the Management Agent or to any person authorized by the Board in case of any emergency originating in or threatening his Unit, whether the Co-Owner is present at the time or not.

(b) A Co-Owner shall permit other Co-Owners or their representatives when so required, to enter his Unit for the purpose of performing installations, alterations, or repairs to the mechanical or electrical services, provided that such requests for entry are made in

- (c) advance and that such entry is at a time convenient to the Co-Owner. In case of emergency, the right of entry shall be immediate.

## ARTICLE XII INSURANCE

### SECTION 1:

Coverage. The Association shall be required to obtain and maintain, to the extent reasonably obtainable the following, all in form, content, and amount satisfactory to Institutional Mortgagees, insurance:

(a) Flood and fire insurance with extended coverage insuring the building containing the Units (including all of the Units, the interior partitions and painted surfaces, the carpeting within the Units, and the bathroom and kitchen fixtures initially installed therein but not including drapes, wall covering, fixtures, furniture, furnishings, or other personal property supplied or installed by the co-Owners in the Unit), together with all air conditioning equipment and other service machinery contained therein and covering the interests of the Association, the Board of Directors, each of which policies shall contain a standard mortgage clause in favor of each mortgagee of the Unit which shall provide that the loss, if any, thereunder shall be payable to such mortgagee as its interest may appear, subject, however, to the loss payment provisions in favor of the Association; and

(b) Worker's compensation insurance; and

(c) Public liability insurance in such amounts and with such coverage as the Board of Directors shall from time to time determine, but at least covering each member of the Board of Directors, the Managing Agent, the manager and each Unit Owner with cross liability and endorsements to cover liabilities of the Co-Owners as a group to a Unit Owner if reasonably obtainable; and such other insurance as the Board of Directors may determine including but not limited to casualty insurance and liability insurance.

### SECTION 2:

Waivers. All policies of physical damage insurance shall contain, if reasonably available, waivers of subrogation and waivers of any reduction of pro rata liability of the insure as a result of any insurance carried by Co-Owners or of invalidity arising from any acts of the insured or any co-Owners, and shall provide that such policies may not be altered or substantially modified without at least ten (10) days written notice to all of the insureds, including all mortgages of Units. Duplicate originals of all policies of physical damage insurance and of all renewals thereof, together with proof of payment of premiums, shall be delivered to all mortgagees of Units at least ten (10) days prior to the expiration of the then current policies.

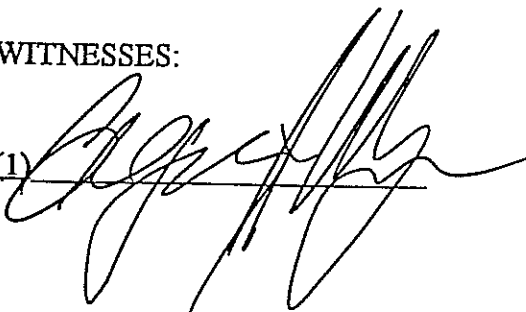
### SECTION 3:

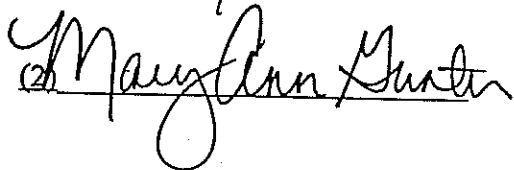
Owners Insurance. Co-Owners should carry insurance for their own benefit insuring their wallcovering, fixtures, furniture, furnishings and other personal property in the Units not covered by the Association Insurance provided that all such policies shall

contain waivers of subrogation and further provided that the liability of the carriers issuing insurance obtained by the Board of Directors shall not be affected or diminished by reason of any such additional insurance carried by an Unit Owner.


IN WITNESS WHEREOF, the Regime has caused this instrument to be executed as of the day and year first above written by its authorized officers.

WITNESSES:

(1) 



PALMETTO BAY OWNERS  
ASSOCIATION, INC.

By:   
President of Board

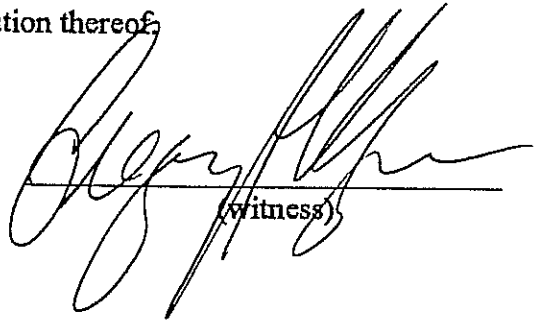
Attest: N/A

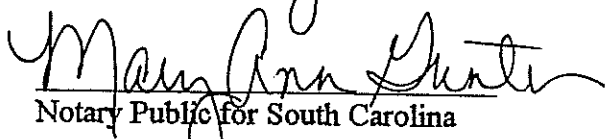
STATE OF SOUTH CAROLINA )  
 )  
COUNTY OF BEAUFORT )

PROBATE

PERSONALLY appeared before me Gregory A. Wynn,  
who, on oath, says that (s)he saw the within named PALMETTO BAY OWNERS  
ASSOCIATION, INC. by Eugene Kraszeski, its  
President of the Board of Directors, sign the within document, and N/A  
\_\_\_\_\_, its \_\_\_\_\_, attest the same, and that (s)he with  
Mary Ann Guter witnessed the execution thereof.

SWORN to before me this 11<sup>th</sup>  
day of January, 2000

  
\_\_\_\_\_  
(witness)

  
Notary Public for South Carolina

My Commission expires 4-11-2004