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MASTER DEED ESTABLISHING
THE TOWNHOMES AT
SOUTH SHORE HORIZONTAL
PROPERTY REGIME

BY
GREENWOOD DEVELOPMENT CORPORATION

June 30, 1999

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STATE OF SOUTH CAROLINA)

COUNTY OF BEAUFORT)

GREENWOOD DEVELOPMENT
CORPORATION)

TO)

MASTER DEED ESTABLISHING
THE TOWNHOMES AT
SOUTH SHORE HORIZONTAL
PROPERTY REGIME

(PHASE I)

THE TOWNHOMES AT SOUTH SHORE
HORIZONTAL PROPERTY REGIME)

At Hilton Head Island, County of Beaufort, State of South Carolina, on this 30th day of June, in the year of our Lord One Thousand Nine Hundred and Ninety-Nine, Greenwood Development Corporation, a South Carolina Corporation organized under the laws of South Carolina, with its principal place of business in Greenwood and Hilton Head Island, South Carolina, hereinafter referred to as "Declarant", does hereby declare:

1. **LAND.** Declarant is the sole owner of the land described in Exhibit "A" attached hereto and made a part hereof which is more particularly shown on the plat thereof, said plat being described in Exhibit "A" and being recorded in the Beaufort County Land Records Office, South Carolina, in Plat Book 70 at Page 142.

2. **PROPERTY; REGIME; ASSOCIATION.** Declarant does hereby, by duly executing this Master Deed, submit the land referred to in Section 1, together with the buildings and improvements erected thereon, and all easements, rights and appurtenances belonging thereto (hereinafter referred to as the "Property") to the provisions of the Horizontal Property Act of South Carolina (the "Act"), and does hereby state that it proposes to create and does hereby create, with respect to the Property, a Horizontal Property Regime that shall be known as The Townhomes at South Shore Horizontal Property Regime (hereinafter sometimes referred to as the "Regime") to be governed by and be subject to the provisions of this Master Deed and the provisions of the Act. Declarant does further declare that it has caused to be incorporated under the laws of the State of South Carolina an association known as The Townhomes at South Shore Owners' Association, Inc. which shall, pursuant to the provisions of Section 27-31-90 of the Act, constitute the incorporated Council of Co-Owners of the Regime and shall be governed by this Master Deed and the By-Laws attached hereto.

3. **IMPROVEMENTS.** The improvements constructed on and forming a part of the Property are constructed in accordance with the as built survey referenced on Exhibit "A" hereto (the "Plat") and the floor plans referenced on Exhibit "B" hereto (the "Plans"), which survey was prepared by Hussey, Gay, Bell & DeYoung, Consulting Engineers, James M. Sims, R.L.S. No. 13169, and which floor plans which were prepared by Group III Architecture, architects duly licensed to practice in the State of South Carolina under Registration Certificate Number C-3015. Attached to this Master Deed as Exhibit "C" is a certificate by said architect that the condominium Units constructed on the Property were constructed substantially in compliance with said plans.

4. **DEFINITIONS.** The terms used in this Master Deed and in the Exhibits hereto shall have the meanings stated in the Horizontal Property Act and as follows, unless the context otherwise requires:

(a) **Act** means the Horizontal Property Act as currently set forth in Title 27, Chapter 31 of the Code of Laws of South Carolina, 1976, as amended.

(b) **Assessment** means a Co-Owner's pro rata share of the Common Expenses which from time to time is assessed against a Co-Owner by the Association.

(c) Association means the Council of Co-Owners as defined by the Act, and also means The Townhomes at South Shore Owners' Association, Inc., the corporate form by which the Council of Co-Owners shall operate the Regime.

(d) Board of Directors or Board means the group of persons selected, authorized and directed to manage and operate the Association as provided by the Act, this Master Deed and the By-Laws.

(e) Buildings means a structure or structures, containing in the aggregate two or more Units, comprising a part of the Property.

(f) Common Elements means the general and limited Common Elements, as defined herein in Section 7 and in the Act.

(g) Common Expenses means the expenses for which the Co-Owners are liable to the Association and include:

(1) Expenses of administration, expenses of maintenance, insurance, operation, repair or replacement of the Common Elements, and of the portions of Units which are the responsibility of the Association;

(2) Expenses declared Common Expenses by provisions of this Master Deed and/or the Exhibit D Bylaws.

(h) Common Surplus means the excess of all receipts of the Association, including but not limited to Assessments over the amount of Common Expenses.

(i) Co-Owner means a person, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof, who owns a Unit.

(j) Condominium means a Unit in The Townhomes at South Shore Horizontal Property Regime.

(k) Condominium ownership means the individual ownership of a particular Unit in a building and the common right to a share, with other Co-Owners, in the General and Limited Common Elements of the Property.

(l) Council of Co-Owners means all the Co-Owners as defined herein and it shall also refer to the Association as herein defined.

(m) Covenants means those certain covenants, conditions and restrictions commonly known as the Learnington Covenants as recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Deed Book 424 at Page 1642, as amended by those Supplemental Declarations recorded in Deed Book 502 at Page 1138, Deed Book 512 at Page 610, Deed Book 529 at Page 1290, Deed Book 541 at Page 1782, Deed Book 552 at Page 907, Deed Book 793 at Page 1202 and by Amendment recorded in Deed Book 550 at Page 321, and by First Amendment to Supplemental Declaration recorded in Deed Book 982, Page 148, and by those documents recorded in Book 996, Page 1743 and Book 996, Page 1754, and as further amended from time to time.

(n) Declarant means Greenwood Development Corporation, a South Carolina Corporation with its principal places of business located on Hilton Head Island and in Greenwood, South Carolina, and its successors and assigns.

(o) Majority of Co-Owners means the Co-Owners owning fifty-one (51%) percent or more of the statutory value of the Property as a whole as referenced in Section 11.

(p) Master Deed means this deed or declaration establishing and recording the property of the Regime and all exhibits hereto.

- (q) Owner (See "Co-Owner" above in Section 4(i)).
- (r) Person means an individual, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof.
- (s) Property means and includes the land, the Buildings, all improvements and structures thereon, as shown and described on Exhibits "A" and "B" and all easements, rights and appurtenances belonging thereto.
- (t) Regime means The Townhomes at South Shore Horizontal Property Regime created by the Master Deed and reference to the Association, as herein defined, shall likewise include reference to the Regime and vice versa.
- (u) Unit as used herein has the same connotation as the term "Apartment" as used in the Act and means a part of the Property intended for any independent residential use including one or more rooms or enclosed spaces located in a Building, and with a direct exit to a public street or highway, or to a common area or areas leading to such street or highway. (Note: In some of the project documentation the Units are referred to as "residences" or "townhomes").
- (v) Utility services means and shall include, but shall not be limited to, electric power, hot and cold water, heating, refrigeration, air conditioning, telephone, cable or satellite television, gas, garbage and sewage disposal.

5. DESCRIPTION OF UNITS; USE; REPAIRS; ALTERATIONS

5.1 GENERAL DESCRIPTION OF UNITS The Property includes one (1) Building of three residential stories over a parking level, containing six (6) individual Units, all of which are to be used for residential purposes only. The Units are capable of individual utilization on account of having their own exits to the common elements of the Property and a particular and exclusive property right thereto, and also an undivided interest in the general and limited Common Elements of the Property, as hereinafter listed in this Master Deed, necessary for their adequate use and enjoyment all of the above in accordance with the Horizontal Property Act of South Carolina.

5.2 INDIVIDUAL UNIT TYPES There are three (3) basic types of Units in The Townhomes at South Shore Horizontal Property Regime all of which are on three (3) floors, said types described as follows:

| Type | Floors | No. of Bedrooms | No. of Bathrooms | Approx. Sq. Ft. |
|----------------|--------|-----------------|------------------|-----------------|
| Kensington (B) | 3 | 3 | 4 | 3976 |
| Ashborough (C) | 3 | 3 or 4 | 4 | 4556 to 4607 |
| Berkeley (M) | 3 | 3 | 3½ | 3912 to 4109 |

The promotional literature, and certain references herein, refer to the floor plans as the Kensington, the Ashborough, and the Berkeley. The construction drawings may refer to these plans as the B, C, and M, respectively and with each Type there are reverse plans, e.g. sometimes referred to as B-1 and B-2; C-1 and C-2; and M-1 and M-2.

5.3 DESCRIPTION OF UNITS The three (3) basic floor plans of Phase I of The Townhomes at South Shore are as follows:

- (a) The Kensington Type (B-1 and B-2) - Each Unit contains a total gross heated area of approximately 3,976 square feet on three floors.

(b) The Ashborough Type (C-1 and C-2) - Each Unit contains a total gross heated area of approximately 4,556 to 4607 square feet on three floors.

(c) The Berkeley Type (M-1 and M-2) - Each Unit contains a total gross heated area of approximately 3,912 to 4109 square feet on three floors.

Reference is made to Exhibit "E" attached hereto and incorporated herein for specific "walk through" descriptions of each of the Unit Types.

5.4 UNITS/NUMBERING SYSTEM/TYPE. The six (6) Units contained in one (1) Building (known as the Phase I or northernmost Building) are located and numbered, from south to north, as follows:

Unit No/Type

| | |
|-----------------------|------------------|
| 150 South Shore Drive | Ashborough (C-2) |
| 152 South Shore Drive | Kensington (B-2) |
| 154 South Shore Drive | Berkeley (M-2) |
| 156 South Shore Drive | Kensington (B-1) |
| 158 South Shore Drive | Ashborough (C-1) |
| 160 South Shore Drive | Berkeley (M-1) |

Note:

The mailing address for each of The Townhomes at South Shore is the same as the condominium Unit description, e.g., 150 South Shore Drive, Hilton Head Island, South Carolina 29928.

As described below in Section 8, the Building and Unit types for Future Phases, if applicable, of the Regime may vary from the Building and Unit types in Phase I as herein provided.

All of the aforementioned Units are more particularly shown on the Plans thereof referenced on Exhibit "B" which Plans are incorporated herein in the same manner as if expressly set forth in this Section 5.4 and said Plans, together with the Unit numbers and square footage of area in each Unit, and likewise together with the description of Unit boundaries as hereinafter set forth in Section 5.5, shall constitute a complete description of the Units within the Regime.

5.5 BOUNDARIES: GENERAL RULE

(a) The upper and lower boundaries of each Unit are the interior unfinished surfaces of the garage floors and ceilings of each Unit. The perimeter boundaries of each Unit, extended to an intersection with the upper and lower boundaries are as follows:

(1) As to all Unit exterior walls which physically divide the Unit from Common Elements of the Building, or from another Unit, it shall be the vertical plane of the unfinished surface of the interior wallboard subject to such encroachments as now exist or may be caused or created by the construction, settlement or movement of the Building or by permissible repairs, construction or alterations. All insulated glass windows and all doors directly accessing the Unit are part of the Unit.

(2) All vertical planes of each Unit shall extend to intersections with each other.

(b) All lath, wallboard, tiles, paint, finished flooring, carpet, and any other materials constituting any part of the finished surfaces of the walls, floors, and ceilings which are within the boundaries of a Unit, together with all telephones, and all built-in light fixtures, wires, service outlets, vent outlets, heating and cooling equipment and duct work, electrical switches, thermostats, toilet and other bathroom fixtures, elevator and any and

all other similar mechanical or physical fixtures which are within the perimeter walls or ceilings and serving a single Unit or within the space above the ceiling and below the floor of the Unit or, in the case of the heating, air conditioning and ventilation system, located in the service area are a part of the Unit.

(c) Any chute, flue, duct, chase, conduit, bearing wall, bearing column, joists, rafters, and all other similar mechanical or physical fixtures except those designated in paragraph (b) above, whether or not it lies partially within and partially outside the designated boundaries of a Unit, is a Common Element.

(d) Subject to the provisions of paragraph (c), all spaces, interior bearing and non-bearing partitions and walls, and other fixtures and improvements within the boundaries of a Unit installed within the perimeter walls or ceilings whether, as a part of the original construction or as a part of subsequent construction, are a part of the Unit.

5.6 OWNER'S RESPONSIBILITIES FOR MAINTENANCE AND REPAIR

(a) While generally an Owner is responsible for the maintenance and repair of the area described above in Section 5.3 as being included in a Unit, notwithstanding the generality of the foregoing description of Unit boundaries, each Unit Owner shall also be responsible for maintenance and repair of the following, whether it shall be defined as within a Unit or not:

- (1) the doorways, windows, vents, and other structural elements in the walls, floors, and ceilings of the Unit which are regarded as enclosures of space;
- (2) doors opening into the Unit and into any mechanical area integral to the Unit, including the frames, casings, hinges, handles, and other fixtures which are part of the doors;
- (3) the window glasses, screens, frames, wells, and casings which are part of the windows opening from the Unit;
- (4) the plumbing and mechanical vents which exclusively serve the Unit;
- (5) the appliances, air conditioning and heat systems, (compressors, air handlers and condensers and specifically including the ground source looped system underground piping serving the Unit), water heaters, lavatories, bath tubs, toilets, carpeting, floor covering, flooring, trim, ceilings, walls, insulation, elevators and other fixtures, furnishings, and building materials which are part of the Unit at the time of initial closing from Declarant to the Unit Owner, and any subsequent replacements thereof;
- (6) the screens enclosing any deck, walkways or porch that is integral and exclusive to the Unit, and the concrete surface, and/or covering or topping within any such area;
- (7) all pipes, wires, ducts, and other plumbing, mechanical, and electrical appurtenances which are integral and exclusive to the Unit, including gutters and lamps attached to the exterior of the Unit;
- (8) the unheated but covered areas such as the decks, patios and entry areas;
- (9) the ground floor level which serves as the parking and storage area;
- (10) all areas which constitute Limited Common Elements as described below in Section 7.2, and:
- (11) any damage to the Unit itself or to a contiguous (i.e. either adjacent) Unit caused by a negligent action or inaction within the Owner's Unit, which directly or indirectly causes damage to the other Unit or to the Unit itself.

Notwithstanding the foregoing, by allocating responsibilities of maintenance and repair to Owners, it is not the intention of Declarant to affect the ultimate insurance obligations as well as the reconstruction obligations of the Regime.

(b) Except in the event of an emergency situation, in the event that the Association determines that any Owner has failed or refused to properly discharge his obligations with respect to the maintenance, cleaning, repair, or replacement of items for which he is responsible under this Master Deed, then the Association shall give such Owner written notice of the Association's intent to provide such necessary maintenance, cleaning, repair, or replacement at such Owner's sole cost and expense, and setting forth with reasonable particularity the maintenance, cleaning, repair, or replacement deemed necessary. Except in the event of emergency situations, such Owner shall have fifteen (15) days in which to complete said maintenance, cleaning, repair, or replacement in a good and workmanlike manner, or in the event that such maintenance, cleaning repair, or replacement is not capable of completion within said fifteen (15) day period and such Owner provides written notice to the Association of such a fact, to commence said maintenance, cleaning, repair, or replacement and diligently proceed to complete said maintenance, cleaning, repair, or replacement in a good and workmanlike manner. By way of example, this provision is intended to apply to: maintenance and landscaping of the Limited Common Areas contiguous to the Unit; to repair, paint, and provide other maintenance of the exterior walls, roof, doors and windows, etc. In the event of emergency situations or the failure of any Owner to comply with the provisions hereof after proper notice, the Association may provide any such maintenance, cleaning, repair, or replacement at such Owner's sole cost and expense, and said cost, including reasonable overhead and administrative costs, shall be added to and become a part of the Assessment as set forth in Article VII of the By-laws to which such Owner and his Unit are subject and shall become a lien against such Unit as provided herein.

5.7 USES OF UNITS

(a) Each Unit is restricted as to use by the Owner or Owners thereof, their lessees and invitees, it being the intent of the Declarant that the Building be used for residential purposes only which are consistent with and appropriate to the design of the Building.

(b) The Declarant herein subjects the Property to the further limitation and restriction that it shall be used and occupied for whole-time residential dwelling Units in the same manner as other condominium Units constructed as such within the Sustained Areas of the Leamington Section of Palmetto Dunes Resort. Reference is made to Section 15 *infra* regarding prohibition of time-sharing plans and reservation of rights regarding multiple ownership plans.

(c) No Unit Owner shall do, suffer, or permit to be done, anything in his Unit which would impair the soundness or safety of the Regime, or which would be noxious or offensive or an interference with the peaceful possession and proper use of other Units, or which would require any alteration of or addition to any of the Common Elements to be in compliance with any applicable law or regulation, or which would otherwise be in violation of law.

(d) In case of any emergency originating in or threatening any Unit, regardless of whether the Owner or his tenant, if any, is present at the time of such emergency, the Association's Board of Directors and all managerial personnel shall have the right to enter such Unit for the purpose of remedying or abating the cause of such emergency, and such right of entry shall be immediate. To facilitate entry in the event of any such emergency, the Owner of each Unit, if required by the Association, shall deposit under the control of the Association a key to such Unit.

(e) Reference is made to Section 16 *infra*, regarding the recorded Covenants applicable to the Unit. The Units in the Regime are hereby designated as Class B-3 (Sustained Occupancy Structures with Two (2) or more Dwelling Units) pursuant to the provisions of Section 2-1 of said Covenants.

(f) Reference is made to the By-Laws attached hereto as Exhibit "D" for specific rights and authority of the Board with respect to Common Elements.

(g) Notwithstanding anything else to the contrary in this Section 5.7, the Declarant shall be permitted to use one or more Units for purposes of a real estate sales model and office.

(h) The Declarant hereby declares and affirms that the use restrictions described herein shall be deemed restrictive covenants running with the land and are imposed as a limitation and burden upon each Unit and upon the Declarant and upon all future Owners of Units.

5.8 **DEEDS TO UNITS.** On the transfer of a Unit, a deed effecting that transfer conveys all the seller's interests in that Unit to the purchaser, including the seller's interest in the real and personal property of the Association, any reserve accounts applicable to that Unit, and in any cause of action or chose in action either of the Association or arising out of his ownership of that Unit, whether or not those interests are expressly described in the deed.

5.9 **ASSESSMENTS FOR COMMON EXPENSES; RESPONSIBILITIES FOR MAINTENANCE.** The obligations of all Unit Owners with regard to assessments for Common Expenses and the maintenance and repair of the individual Units shall be as provided in the By-Laws of the Association which are attached hereto as Exhibit "D".

5.10 **ALTERATIONS IN UNITS.**

(a) A Unit Owner may make any improvements or alterations to his Unit that do not impair the structural integrity or mechanical systems, or lessen the support of, any portion of any other Unit or any other Owner's Limited Common Elements. Any exterior alteration, however, is subject to architectural review of the Board, or a committee established by the Board, and of the Leamington Association, if applicable.

(b) In the situation where a Unit Owner already owns adjoining Units, after giving notice to the Association, a Unit Owner may alter a partition wall between such adjoining Units owned by him to create an opening in that wall.

(c) Any Unit Owner altering a Unit pursuant to this Section shall: (1) provide for waivers of all mechanics lien rights which may arise as a result of the alteration; (2) provide certificates of insurance insuring against all losses commonly insured against arising out of the work naming the Association as an additional insured; (3) indemnify and hold the Association and other Unit Owners harmless from the effect of the work and the acts or omissions of anyone under such Unit Owner's direction or control; (4) minimize the disturbance of other Unit Owners and their business activities during the work; and (5) reimburse the Association for any expenses incurred by the Association, including but not limited to legal and other consulting fees.

(d) When any alterations approved by the Association are completed, the affected Unit Owners shall deliver to the Association a copy of the 'as built' plans and specifications certified to by an architect licensed to practice in South Carolina.

(e) See Section 7.3 below for additional provisions regarding alterations by Owners to Limited Common Elements.

6. **AREAS COMPRISING PROPERTY.** The Property as originally constructed has a total of approximately 1.8 acres on which is situate one (1) residential building occupying approximately 147,750 square feet and the remaining approximately 64,033 square feet is made up of parking, sidewalks, outside landscape areas and other Common Elements. The Units within the Building are located on (3) three floors over a parking level.

7. **COMMON ELEMENTS.** The Common Elements of the Property are as follows:

7.1 **GENERAL COMMON ELEMENTS:**

(a) The Property, excluding the Limited Common Elements and the Units, and including, but not limited to the land on which the Units are constructed, the foundations, stairways, exterior portions of perimeter walls, including exterior stucco wall surfaces, those portions of partitions and walls separating Units not otherwise part of the Unit, load-bearing columns or walls, slabs, public utility lines; and pipes, wires or conduits located within slabs or elsewhere in the Buildings other than as described in Section 5.5. In each instance there shall also be included the space actually occupied by the above.

(b) Paved access located on the Property as shown on the plat of the Property as referenced in Exhibit "A".

(c) All walkways, paths, wood decking and boardwalks, trees, shrubs, yards, gardens, planter areas, (except such as are designated as Limited Common Elements) etc.

(d) All installations, and area occupying same, outside of the Units for services such as power, light, gas (including underground storage tanks), telephone, television, water and other similar utilities.

(e) All sewer, drainage and irrigation pipes, excluding those which are the property of the utility district.

(f) The mail box areas and all appurtenances thereof.

(g) Such easements through the Units for pipes, ducts, plumbing, wiring and other facilities for the furnishing of utility services to Units, general Common Elements and Limited Common Elements and easements for access, maintenance, repair, reconstruction or replacement of structural members, equipment, installations and appurtenances, and for all other services necessary or convenient to the existence, maintenance, safety and use of the property, whether or not such easements are erected during construction of the Property or during re-construction of all or any part thereof, except such easements as may be defined as Limited Common Elements.

(h) All areas not designated as a Limited Common Element and not described as lying within the boundary of a Unit as described in Section 5.5 hereof and all other elements of the Property constructed or to be constructed on the Property, rationally of common use or necessary to the existence, upkeep and safety of the Property and in general all other devices or installations existing for common use.

7.2 LIMITED COMMON ELEMENTS. Limited Common Elements as defined in the Act are those Common Elements reserved for the use of certain Unit owners to the exclusion of other owners. In The Townhomes at South Shore, Declarant intends that certain portions of the Building, as well as the areas adjacent to the Building, be considered as Limited Common Elements for those specific Units. Such Limited Common Elements are as follows:

(a) All entryways, entry courts, courtyards (the walls creating same), garden areas, patios immediately adjacent (both front and rear) to each Unit or to which each Unit has direct access from the interior thereof as shown and depicted on the Plans and on the Plat as Limited Common Areas "F" (front) and "O" (oceanside), and all existing and future improvements thereon, including, e.g., a pool or deck.

(b) The space lying between the upper boundary of each Unit as described in Section 5.5 and the floor or roof above such Unit subject to easements for utilizing service as previously described.

(c) Chimneys, the use of which is limited to Units in which its fireplace is located. In the event of a multiple-flue chimney, each flue will be a Limited Common Element allocated to the Unit containing its fireplace while the chimney will be a Limited Common Element allocated to Units using the flue.

(d) Any shutters, awnings, nameplates, window boxes, doorsteps, stoops, stairways, steps, walls at entrances attached to the outside of the Unit.

(e) Utility areas or service courts, the use of which is limited to the Unit or Units as shown on the Plans.

(f) In general all improvements of any type included within the "Limited Common Element" areas set forth in the Plat or depicted as Limited Common Elements on the Plans.

7.3 ALTERATIONS/IMPROVEMENTS TO UNITS AND LIMITED COMMON ELEMENTS

This Section 7.3 is intended to supplement Section 5.10 which deals with alterations within Units. This Section 7.3 pertains to alterations or improvements to the Limited Common Elements appurtenant to a Unit.

(a) Subject to the provisions of this Master Deed and other provisions of law, a Unit Owner may improve the Limited Common Elements appurtenant to their Unit so long as the procedures described below in this Section 7.3 are followed.

(b) Any improvements, including such horizontal only as landscaping, ground level decking or patio stones, etc., and all vertical improvements such as elevated decking, statuary, pools (limited to "O" area) and other similar facilities may be made by an Owner to Limited Common Areas "O" and "F", subject however to the requirement that such improvements be consistent with the overall aesthetic theme of The Townhomes at South Shore project and shall be subject to architectural review approval by the Board and, if applicable, by the Leamington Association pursuant to the Covenants. The process to be used by a Owner to obtain approval of such vertical improvements is as follows:

(1) The Owner of a Unit may, at any time, deliver a letter to the President of the Association stating their intentions to improve the Limited Common Elements appurtenant to their Unit, together with a plan of the improvement which conforms with Sections 27-31-100, 27-31-110 and 27-31-120 of the Act, showing the proposed improvement within the boundaries of the Limited Common Elements "F" and "O" as described above. In such case, with respect to every proposed improvement:

(i) the Owner of the Unit shall demonstrate that the proposed improvement is in compliance with the Master Deed and the Covenants;

(ii) the proposed improvement shall conform with the overall architectural scheme of the Regime, as determined in the reasonable discretion of the Board of Directors of the Association;

(iii) the Owner of the Unit shall demonstrate the feasibility of completion of the proposed improvement, including what type of machinery will be employed to construct the improvement and how said machinery is to be moved to and operated on the particular Limited Common Element;

(2) the Owner of the Unit shall execute an indemnity agreement, provided by the Board of Directors of the Association, whereby the Unit Owner agrees to indemnify and hold the Declarant, the Association and other Unit Owners harmless from any and all damage to any building, Common Element, Limited Common Element, and/or other property located within the Regime, resulting from the construction of the improvement and from the effect of the work and the acts or omissions of anyone under such Unit Owner's direction or control;

(3) the Owner of the Unit shall (i) provide for waivers of all mechanics lien rights which may arise as a result of the improvement; (ii) provide certificates of insurance insuring against all losses commonly insured against arising out of the work naming the Association as an additional insured; (iii) minimize the disturbance of other Unit Owners during the work; and (iv) reimburse the Association for any expenses incurred by the Association, including but not limited to legal, architectural and other consulting fees;

(4) Each improvement must comply with all applicable laws, rules, regulations, codes and/or ordinances, including, but not limited to, those relating to health, fire and safety, and adequate provision must be made for any required mechanical and support systems of the improvement, utilities, as well as assurance that there is no impairment of the structural integrity of the Unit and/or Building; and

(5) When any alterations approved by the Association are completed, the Board of Directors, in its reasonable discretion and when required by this Master Deed and the Act, may require the Unit Owner to deliver to the Association a copy of the 'as built' plans and specifications certified to by an architect licensed to practice in South Carolina.

(6) After approval of the plans, and once construction has been completed pursuant to the above process, the Board shall:

(i) cause an amendment to the Master Deed to be prepared which conforms to this Master Deed and the Act, together with a certified amendment to the plans which conforms to the requirements of the Act. The amendment to the Master Deed shall designate the location of and describe the improvement to the Limited Common Elements but shall not affect in any manner the percentage of interest appertaining to the other Units.

(ii) upon payment by the affected Unit Owner of all permit, recording, legal, architectural and other fees incurred by the Association, the Board shall execute the Amendment to the Master Deed and record same including the plats and plans showing the improvement to the Limited Common Elements of the Unit.

(iii) the amendments to the Master Deed and plans to improve the Limited Common Elements are only effective when executed in the manner required by this Section, and recorded. Any necessary consents to the amendment by the mortgagees of the affected Units shall also be recorded.

(7) In the event that an improvement results in the creation of what would ordinarily be considered a Common Element of the Building so affected, such Common Element shall be a Limited Common Element to said improved Unit, provided that in no event shall the Owner(s) of the other Buildings or Units within the other Buildings be responsible for the costs of operation, maintenance, repair or replacement of any such Limited Common Element appurtenant to such Unit; and

(8) In the event of any alteration to the Limited Common Areas per this Section 7.3, the Unit Owner will be responsible for reimbursing the Association for any amounts expended by the Association to repair or maintain such changes added and any amounts expended to repair, maintain or replace upgraded or substituted features of the Limited Common Elements to the extent that such repair, maintenance or replacement expense exceeds the amount that would have been applicable to the standard Unit finish or similar feature. By way of example, if the Regime's master insurance policy is affected by virtue of the installation of a pool or other improvement, then the Unit Owner will be responsible for the excess amount over the normal premium. The Board shall have the responsibility and authority to compute these amounts and add such amount to the Unit Owner's Assessment.

8. GENERAL PLAN OF DEVELOPMENT.

8.1 GENERAL. The Declarant has constructed the Property described herein (which shall sometimes be referred to as The Phase I Property in the Phase I Building, or northernmost Building) and further intends to complete construction of property contiguous to the Property which is the subject of this Master Deed. The additional property shall be referred to as Phase II, Phase III, Phase IV, Phase V, and/or Phase VI, if applicable, or generally as "Future Phase" Property. The Future Phase Property, as and if applicable, is described in Exhibit "A" attached hereto and made a part hereof and said Future Phase Property is as shown on the plat referenced on Exhibit "A". The total number of Units for the six (6) phases is presently planned to be a maximum of no more than thirty-eight (38).

8.2 PHASE II. With regard to the Phase II property herein referred to, Declarant reserves the right, in the manner more particularly hereinafter set forth, to cause the Phase II Property to become an integral part of the Regime once an appropriate amendment to this Master Deed has been filed as hereinafter provided. Phase II will consist of one (1) Building (the Phase II Building or "Center Building") with up to three (3) stories over parking level, containing up to five (5) individual Units. Said Phase II Units shall be of similar form, design and general valuation and shall be constructed with similar basic materials as the Building constructed on Phase I Property, it being understood that floor plans and other design criteria may be modified by Declarant, or its successors.

8.3 PHASE III. With regard to the Phase III property herein referred to, Declarant reserves the right, in the manner more particularly hereinafter set forth, to cause the Phase III Property to become an integral part

of the Regime once an appropriate amendment to this Master Deed has been filed as hereinafter provided. Phase III will consist of one (1) Building (the Phase III Building or the southernmost Building with up to three (3) stories over parking level, containing up to seven (7) individual Units. Said Phase III Units shall be of similar form, design and general valuation and shall be constructed with similar basic materials as the Building constructed on Phase I Property, it being understood that floor plans and other design criteria may be modified by Declarant, or its successors.

8.4 **PHASES IV, V and VI** With regard to Phase VI, Phase V and Phase VI property Declarant reserves the right, in the manner more particularly set forth herein, to cause the remaining Future Phase Property to become an integral part of the Regime once an appropriate amendment to this Master Deed has been filed as hereinafter provided. The specific plans and layout for Phases IV, V, and VI have not yet been finalized; it being understood that floor plans and other design criteria may be modified by Declarant, or its successors. The total number of Units, however, shall be no greater than twenty (20) for these three Future Phases.

8.5 **COMMON NAMES/MAILING ADDRESS** It is recognized that for purposes of sales, marketing and ultimately signage, project may be known as **The Townhomes at South Shore**. The Phase I Units will have a mailing address of 150 to 160 South Shore Drive while the Phase II Units will have a mailing address of 140 to 148 South Shore Drive, and the Phase III Units will have a mailing address of 126 to 138 South Shore Drive. Mailing addresses for Phases IV to VI have not yet been determined.

9. **RESERVATION OF RIGHT OF DECLARANT FOR FUTURE PHASE PROPERTY** Declarant, its successors and assigns, hereby expressly reserves the right, to be exercised in its sole discretion, to submit the Future Phase Property to the provisions of this Master Deed and thereby cause the Future Phase Property to become and forever be a part of the Regime in the same manner as if made a part thereof in every particular upon the initial execution and filing of this Master Deed. This right may be exercised by Declarant, its successors, grantees and assigns only upon the execution by it or them of an amendment to this Master Deed which amendment shall be filed in the Land Records of Beaufort County, South Carolina not later than December 31, 2010. Any such amendment shall conform to the various provisions and conditions precedent established in this Master Deed and shall expressly submit the Future Phase Property, as applicable, to all of the provisions of this Master Deed and the By-Laws of the Regime, as either or both may be amended between the date of said Master Deed and By-Laws, and the filing of said Amendment to this Master Deed to include the Future Phase Property. While the reference has been made to Phases IV, V and VI, it is possible that, depending upon construction scheduling, the Declarant may bring in Units within said Phases IV, V and VI in one or more stages, or sub-phases. If so, separate Amendments will be filed. Declarant reserves the right to file any Future Phases out of sequence, or combined or in sub-stages. Upon the exercise, if any, of this right to include the Future Phase Property as a part of this Regime, the provisions of this Master Deed and all exhibits hereto shall then be understood and construed as embracing the Phase I Property (the basic "Property" herein defined) and the Future Phase Property, together with all improvements then constructed thereon. Should this right of inclusion or annexation not be exercised within the time herein prescribed and in the manner herein prescribed, such right shall in all respects expire and be of no further force or effect.

10. **REVOCATION AND AMENDMENT** The dedication of the Property to the Horizontal Property Regime herein shall not be revoked, or the Property removed from the Regime, or any of the provisions herein amended unless all of the Co-Owner and the mortgagees of all the mortgages covering the Units unanimously agree to such revocation, or amendment, or removal of the Property from the Regime by duly recorded instrument; provided, however, that without the consent of the Unit Owners or Mortgagees, the Declarant, or its successors in title to all or any portion of the Future Phase Property, may at any time prior to the termination of the reservation of rights period specified in Section 9 herein, amend this Master Deed in the manner set forth in Sections 8 and 9 so as to subject the Future Phase Property to the provisions of this Master Deed and the Act so as to make the Future Phase Property an integral part of the Regime. Any such amendment shall, when read in concert with this Master Deed, contain all of the particulars required by the said Act as the same is now constituted or may hereafter be amended and from and after the recording of such amendment the Regime shall include all of said applicable Future Phase Property. The Future Phase Units are to be as described in Sections 8 and 9. The designation of each Unit in the Future Phases by Unit type and its proportionate interest in the Common Elements is set forth in Section 11.

If Declarant elects to make the Future Phase Property a part of this Regime as herein provided, Declarant shall cause to be prepared and made a part of the Amendment by which the specific Future Phase Property is incorporated into the Regime a schedule designating Unit types, reflecting each Unit's proportionate interest in the Common

Elements, which schedule shall be similar in content and format to the schedule set forth in Section 11, prepared using the requirements and guidelines set forth in Sections 8 and 9 hereof. Upon the recordation of the Amendments to make the applicable Future Phase Property a part of the Regime, the provisions regarding revocation and amendment set forth in this Section 10 shall have equal application thereto.

11. **PERCENTAGE OF INTEREST OF UNITS.**

11.1 **STATUTORY PERCENTAGE INTEREST.** The percentage of title and interest appurtenant to each Unit and the Unit owners title and interest in the Common Elements (both General and Limited) of the Property and the proportionate share in the profits and common monthly expenses as well as the proportionate representation for voting purposes in the meeting of the Association is based on the proportionate value of each Unit to the value of the total Property as set forth below.

For purposes of the Act and pursuant to the terms of the Master Deed, the percentage interest appurtenant to each Unit of the Regime shall be established in accordance with the following formula:

$$\frac{V}{A} = P$$

- "P" - Percentage Interest of each Unit.
- "V" - Valuation of the respective Units as set forth in this Section 11 Amendments to Master Deed for Future Phases
- "A" - Aggregate Valuation of all Units existing in the Regime and added to the Regime as provided in Sections 8 and 9 of the Master Deed.

11.2 **UNIT TYPES/STATUTORY VALUES.** The three (3) basic types of Units have the following statutory value for purposes of the Act:

- Kensington Type (B-1 and B-2) = \$17,800
- Ashborough Type (C-1 and C-2) = \$19,260
- Berkeley Type (M-1 and M-2) = \$17,800

11.3 **STATUTORY PERCENTAGE INTEREST.** Based upon the above values, the percentage of undivided interest in the common elements appurtenant to each Unit in Phase I of the Regime is set forth below:

Phase I

| Unit No./Type | Statutory Value | Percentage Phase I |
|----------------------|-----------------|--------------------|
| 150 Ashborough (C-2) | 19,260 | 17.55 |
| 152 Kensington (B-2) | 17,800 | 16.22 |
| 154 Berkeley (M-2) | 17,800 | 16.22 |
| 156 Kensington (B-1) | 17,800 | 16.22 |
| 158 Ashborough (C-1) | 19,260 | 17.55 |
| 160 Berkeley (M-1) | 17,800 | 16.22 |
| Totals | \$109,720 | 100% |

11.4 **OVERALL SUMMARY - COMPOSITE CHART:**

Subsequent to the filing of this Master Deed the total number of Units by Type and Percentage Interest is as follows:

| Unit Type | Individual % Interest | Total # of Units | Total Percentage |
|-------------------|-----------------------|------------------|------------------|
| 1. Kensington (B) | 16.22% | 2 | 32.44% |
| 2. Ashborough (C) | 17.55% | 2 | 35.10% |
| 3. Berkeley (M) | 16.22% | 2 | 32.44% |
| | | 6 | 100.00% |

11.5 **FUTURE PHASES.** In the event Declarant elects to expand the Regime as provided for herein, all Units added to the Regime shall have the same statutory valuations as set forth above; provided, however, that Declarant does reserve the right to modify floor plans for Future Phase Units and, in such event, the statutory valuation may vary.

The following chart demonstrates the adjustment in the Percentage Interest assuming that Phases II and III are added to the Regime comprising a total 12 additional Units in such phases and assuming the same average statutory valuation of Units as Phase I. The anticipated mix of Units for Phases II and III is as follows: four (4) Kensington B Units; four (4) Ashborough C Units; and four (4) Berkeley M Units. The anticipated mix of Units for Phase IV, V, and VI is not yet known but for purposes of the Act, and this Master Deed, certain assumptions are made and the same basic types and same basic mix is presumed. However, the exact adjustment of Percentage Interest is not subject to calculation until the exact number and size of all Units to be added to the Regime is established. There may be a fewer number of Units in Phases IV, V, and VI. In the event that addition of Units to the Regime results in a calculation of percentage interest in accordance with the above formula which does not total one hundred (100%) percent, the amount necessary to bring such total to one hundred (100%) percent shall be allocated by the Board of Directors or its designated Management Agent.

Assigned Percentage Interests Assuming Future Phases are Added to the Regime

| Unit Type | Statutory Valuation | (6 Units) Phase I % | (18 Units) Projected Phase I, II & III % | (38 Units) Projected Phases I-VI % |
|-------------------|---------------------|---------------------------|---|---|
| 1. Kensington (B) | \$17,800 | 16.22% | 5.41% | 2.56% |
| 2. Ashborough (C) | \$19,260 | 17.55% | 5.85% | 2.77% |
| 3. Berkeley (M) | \$17,800 | 16.22% | 5.41% | 2.56% |

11.6 **TOTAL VALUE.** The total statutory value of the Property in Phase I is \$109,720. The total statutory value projected for Phase I, Phase II and III combined is \$329,160. The total statutory value projected for Phase I through Phase VI is \$695,380. In the event that Declarant brings in fewer Units as part of Phases IV, V and VI, the total statutory value will be reduced and the corresponding statutory value for each Unit increased.

NOTE: THESE VALUATIONS ARE FOR PURPOSES OF THE SOUTH CAROLINA HORIZONTAL PROPERTY ACT.

11.7 **NO ALTERATION.** The proportionate representation for voting purpose and the percentage of the undivided interest in the Common Elements (both General and Limited) provided in this paragraph shall not be altered without the acquiescence of the Co-Owner representing all of the Units expressed in an amendment to this Master Deed duly recorded as required by Section 10 hereof or except as provided in Sections 8, 9 and 10 with regard to the amendment of the Master Deed to admit the Future Phase Units.

12. ADMINISTRATION AND BY-LAWS.

12.1 ASSOCIATION; BY-LAWS. As noted in Section 2 hereof, Declarant has caused to be incorporated under the laws of the State of South Carolina a corporation known as **The Townhomes at South Shore Owners' Association, Inc.**, which shall be an incorporated Council of Co-Owners to serve as the body by which the Unit owners will manage the affairs of the Regime. Each Unit owner shall have voting rights in said Association in the same percentage as the percentage of interest his Unit has in the Common Elements. The administration of the Regime, and consequently of the Association, consisting as aforesaid of the Property described above, shall be in accordance with the provisions of the By-Laws which are incorporated herein, made a part hereof and are attached hereto as Exhibit "D".

12.2 AUTOMATIC MEMBERSHIP IN ASSOCIATION. Each Unit owner shall automatically become and be a member of the Association so long as he continues to be a Unit owner and shall exercise such percentage of vote in all matters as shown in Section 11. In the event that a Unit is owned by more than one person, the person entitled to cast the vote for the Unit shall be designated by a certificate signed by all the record owners of the said Unit and filed with the Secretary of the Association. Further, should such Unit owner be a corporation, the person entitled to cast the vote for the Unit shall be designated by a certificate signed by the President or Vice President of the corporation and attested by the Secretary or Assistant Secretary of the corporation and filed with the Secretary of the Association. All such certificates shall be valid until revoked, superseded by a subsequent certificate, or until there has been a change in ownership of the Unit concerned.

13. HORIZONTAL PROPERTY REGIME CONSTITUTED. 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 Units may be conveyed and recorded as individual properties capable of independent use and each having its own exit to the Common Elements of the Property, and each Unit Co-Owner having an exclusive and particular right over his respective Unit and in addition the specified undivided interest in the Common Elements of the Property.

14. DECLARANT SUBJECT TO MASTER DEED; DECLARANT USE.

14.1 DECLARANT USE; GENERAL. So long as the Declarant owns one or more of the Units, the Declarant shall be subject to the provisions of this Master Deed and the Exhibits attached hereto and the Declarant 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 Regime; provided, however, that Declarant as in the case with any other Unit owner, shall have the absolute right and privilege of leasing any or all of the Units owned by it on a long term basis for the uses permitted by this Master Deed, and that Declarant's lessees, invitees, guests, etc., shall be entitled to all of the privileges and rights, and be subject to the requirements hereunder, of a Co-Owner with respect to the use of the Property excluding voting rights which shall remain with the Declarant.

14.2 DECLARANT USE AS SALES MODEL. Provided further, that Declarant, and its successors and assigns, shall be entitled to use one or more of the Units as models for purposes of a sales model and/or office until the entire project as well as the contiguous properties to be developed by Declarant has been sold, it being the intent of Declarant that said reserved rights do not conflict with the residential use restriction described hereinabove.

14.3 SPECIFIC RESERVATION FOR USE OF COMMON ELEMENTS. Further, Declarant reserves the right to grant access privileges to certain of the Common Elements, to wit, the boardwalk, decking, footshower and other access points to the beach to Co-Owners in any residential project to be developed by Declarant, its successors or assigns, on the balance of Leamington Parcel 5 (such property also being the reserved Phase IV, V and VI Property as described in Exhibit "A"). This reservation of rights, however, will apply even if Declarant chooses not to annex the Leamington Parcel 5 Property to the Regime but develops it as a separate condominium regime or non-condominium project. Reference is made to Exhibit "A" for further reservations of Declarant.

14.4 SPECIFIC RESERVATION/CONSTRUCTION PURPOSES. This Master Deed is being filed at a time where construction has not yet been fully completed on certain of the Units, including certain of the Limited Common Areas. Accordingly, Declarant specifically reserves the continuing right for access to, on, and over the

Common Elements of the Regime for purposes of completion of construction of the Units, the exterior portions thereof, as well as the Limited Common Areas O&F.

15. **TIME-SHARING/INTERVAL AND FRACTIONAL OWNERSHIP.** The Declarant herein subjects the Phase I Property of the Regime to the further limitation and restriction that it shall be used and occupied for whole-time residential dwelling Units in the same manner as other condominium Units constructed as such within the multi-family residential areas of the Leamington Section of Palmetto Dunes Resort, and such dwelling Units shall not be utilized for purposes of time-sharing or interval ownership, time-sharing or interval licenses, time-sharing or interval leases, fractional interest or similar plans as those items are currently generally utilized in the real estate industry or as those or similar terms are expressed or defined in Chapter 32, Code of Laws of South Carolina, 1976, as amended i.e. the South Carolina Vacation Time Sharing Act and the South Carolina Multiple Ownership Act.

16. **PROVISIONS AND COVENANTS APPLICABLE TO UNITS.** Each Co-Owner shall comply with the provisions of this Master Deed and authorized amendments thereto, the Leamington Covenants, as defined in Section 4(m), and as may be further amended; and the Leamington Association, Inc. By-Laws, decisions and resolutions of Board or other representatives, as lawfully enacted from time to time, together with any lawfully adopted amendments thereto. The failure to comply with such provisions, decisions, or resolutions shall be grounds for an action to recover sums due for damages or for injunctive relief. The Units shall also be conveyed subject to the recorded plat and plans of the Property and amendments thereto.

17. **GENERAL CONDITIONS/MISCELLANEOUS MATTERS.**

17.1 **COMMON ELEMENTS NOT PARTITIONED.** Except as provided, the Common Elements shall remain undivided and no Co-Owner shall bring any action for partition and/or division.

17.2 **COMMON ELEMENTS NOT SEVERABLE FROM UNITS.** The undivided interest in the Common Elements shall not be separated from the Unit to which it appertains and shall be deemed conveyed or encumbered with the Unit even though such interest is not expressly mentioned or described in the conveyance or other instrument.

17.3 **NONUSE NOT EXEMPTION OF LIABILITY FOR COMMON EXPENSES.** No Co-Owner of a Unit may exempt himself from liability for his contribution toward the common expenses by waiver of the use or enjoyment of any of the Common Elements or by the abandonment of his Unit.

17.4 **ALL USERS OF PROPERTY SUBJECT TO MASTER DEED.** All present or future Co-Owner, tenants, future tenants, or any other person that might use the facilities of the Property in any manner, including those who may lease from the Declarant, are subject to the provisions of this Master Deed and any authorized amendments thereto, and that the mere acquisition or rental of any of the Units shall signify that the provisions of this Master Deed and any authorized amendment thereto are accepted and ratified.

17.5 **ASSESSMENTS SUBORDINATE TO MORTGAGEE TAKING TITLE.** Where a mortgagee or other purchaser of a Unit obtains title by reason of foreclosure or deed in lieu of foreclosure of a mortgage covering a Unit, such acquirer of title, his or its heirs, successors, assigns or grantees, shall not be liable for assessments by the Association 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 Association from filing and claiming liens for such assessments and enforcing same as provided by law, and that such assessment shall be subordinate to such mortgage.

17.6 **INSURANCE.** The Board of Directors of the Association shall be required to obtain and maintain those types and forms of insurance as are required by ARTICLE VIII of the By-Laws set forth in Exhibit "D" attached hereto and made a part hereof.

17.7 **RECONSTRUCTION AND REPAIR.** In the event of casualty loss or damage to the Property the provisions of Section 9 of the By-Laws as set forth in Exhibit "D" shall govern all matters pertaining to reconstruction and repair.

17.8 **CONDEMNATION.** In the event of a condemnation of a portion of the Property which is subject to this Master Deed, no reallocation of interests in the common areas resulting from a partial condemnation of such a Project may be effected without the prior approval of the Unit Owners and the eligible holders holding mortgages on all remaining Units, whether existing in whole or in part, and which have at least seventy-five (75%) percent of the votes of such remaining Units subject to eligible holder mortgages.

The Association shall represent the Unit Owners in any condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of the common areas, or part thereof. Each Unit Owner appoints the Association as attorney-in-fact for such purposes. In the event of a taking or acquisition of part or all of the Common Elements by a condemning authority, the award or proceeds of settlement shall be payable to the Association, or the Insurance Trustee, for the use and benefit of the Unit Owners and their mortgagees as their interests may appear.

17.9 **EASEMENT FOR ENCROACHMENT.** If any portion of the Common Elements now encroaches upon any Unit or if any Unit now encroaches upon any other Unit or upon any portion of the Common Elements, or if any such encroachment shall occur hereafter as a result of: (a) settling of the building; (b) alteration or repair to the Common Elements made by or with consent of the Board or; (c) as a result of repair or restoration of the building or any Unit by damage by fire or other casualty; or (d) as a result of condemnation or eminent domain proceedings, a valid easement shall exist for such encroachment and for the maintenance of the same so long as the building or buildings stand.

17.10 **OTHER REGIME EASEMENTS.** Each Unit Owner shall have an easement in common with the owners of all other Units to use all pipes, wires, ducts, flues, cables, conduits, public utility lines and other Common Elements, if any, located in any of the other Units and serving his Unit. Each Unit shall be subject to an easement in favor of the owners of all other Units to use the pipes, wires, ducts, flues, cables, conduits, public utility lines and other Common Elements serving such other Units and located in such Unit. The Board shall have the right of access to each Unit to inspect the same to remove violations therefrom and to maintain, repair or replace Common Elements contained therein or elsewhere in the building.

17.11 **SEVERABILITY.** The provisions thereof shall be deemed independent and severable and the invalidity in whole or in part of any section, sub-section, sentence, clause, phrase or word, or other provision of the Master Deed and the By-Laws or any authorized amendment thereto shall not impair or affect in any manner the validity or enforceability of the remaining portions thereof and, in such event, all of the other provisions of this Master Deed shall continue in full force and effect as if such invalid provision had never been included therein.

17.12 **NON-WAIVER.** No provision contained in this Master Deed shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

17.13 **GENDER AND NUMBER.** The use of the masculine gender in this Master Deed shall 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.

17.14 **APPLICABLE LAW/INTERPRETATION.** This Master Deed is set forth to comply with the requirements of the Act as presently constituted or as hereafter amended. In case any of the provisions stated above conflict with the provisions of said statute, the provisions of said statute shall control. In all cases, the provisions of this Master Deed shall be given that reasonable interpretation or construction which will best effect consummation of the general plan of land use restrictions and affirmative obligations of the Property, which will carry out the intent of the Declarant as expressed herein, and which will preserve the Property as a situs for an attractive, well maintained, retirement community.

Should any provision of this Master Deed or any section, paragraph, sentence, clause, phrase or term in this Master Deed be declared to be void, invalid, illegal, or unenforceable for any reason by the adjudication of the highest court or other tribunal which considers such matters and has jurisdiction over the parties hereto and the subject matter hereof, such judgment shall in no way affect the other provisions hereof which are hereby declared to be severable.

Contrary to the restrictive common law rule of construction, this Master Deed shall by this covenant be interpreted broadly to touch and concern the Property with recognition of modern economic, land use planning and real estate finance and development principles, theories and practices. It is the Declarant's intent, and all Owners who take subject to the Master Deed, to covenant and agree, and are thereby estopped to deny, that any reserved right or function of the Declarant and/or Association, and any other covenant condition, restriction or obligation within these Covenants is intended to promote the use and enjoyment of the Property, is intended to foster the creation, preservation or enhancement of economic or intangible values associated with the Property, and does touch and concern, benefit and burden and run with the Property.

17.15 **CAPTIONS.** The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Master Deed or the intent of any provisions hereof.

17.16 **EXHIBITS.** All Exhibits to this Master Deed shall be an integral part of this instrument.

17.17 **TRADEMARK USE.** Each Owner, by acceptance of a deed to any lands, tenements or hereditaments within the Property hereby acknowledges that "Palmetto Dunes", "Palmetto Dunes Resort" and designs are service marks and trademarks of the Declarant and that "Leamington" is a servicemark of the Leamington Association. Each Owner agrees to refrain from misappropriating or infringing these service marks or trademarks.

18. **LIMITED WARRANTIES.** The following Section is taken from the Purchase Agreement form by and between Declarant and all initial purchasers for Units within the Regime. The purpose of reproducing said Section relating to warranties herein in this Master Deed is to provide actual notice to successors-in-title to original purchasers:

At closing, Seller shall transfer to Purchaser all of Seller's right, title and interest in and to any manufacturer's warranty furnished to Seller covering any equipment or appliance installed in the Property, and Seller makes no warranty or agreement of any kind with respect to any such equipment or appliance. If written notice is given to Seller by Purchaser within thirty (30) days of discovery of any defects not caused by Purchaser, his agents, guests, or invitees, then Seller will, at no cost to the Purchaser for a period of one (1) year from the date of closing, repair, replace, the defective portion of the Property. The warranty shall not apply to fixtures and appliances covered by a warranty of a manufacturer or dealer, for which defects the Purchaser shall have such right as are defined in the applicable warranty documents. Seller shall not be responsible for any incidental or consequential damages arising from any defect. This warranty is personal to Purchaser, and shall automatically terminate and be of no further force or effect upon Purchaser's sale, transfer or conveyance of the Property. SELLER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED AS TO THE FITNESS, DESIGN OR CONDITION OF ITEMS OF TANGIBLE PERSONAL PROPERTY OR FIXTURES, THEIR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

19. **SOUTH CAROLINA BEACH MANAGEMENT ACT DISCLOSURE.** The Property which is the subject of this Master Deed is located, in whole or in part, seaward of the Setback Line as established by the South Carolina Coastal Council and S.C. Code Sections 48-39-270 through 360, as amended ("Beach Protection Act" or "the Act"). As required by the Act, the following information concerning the location and circumstances of the Property is hereby disclosed by the Declarant:

The proximity and location of the Setback Line, the Base Line and the Velocity Zone applicable to the Property are as shown on Plat referenced on Exhibit "A". The seaward corners of the proposed habitable structures to be constructed upon the Property and the most recently published annual erosion rate made available by the South Carolina Coastal Council are also depicted upon such Plat. Reference must be made to the Act itself regarding the significance of these lines and disclosures, as well as the potential for movement and relocation of the lines in the future.

The purpose of providing this notice within Section 19 is to provide actual notice to successors-in-title to original purchasers of Units from Declarant.

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BJ&G:CSG, FINAL (10) 6/29/99

IN WITNESS WHEREOF, Declarant has executed this Master Deed, and the appropriate corporate seal affixed hereto this 30th day of June in the year of Our Lord One Thousand Nine Hundred and Ninety-Nine and in the Two Hundred and Twenty-Third year of the Sovereignty and Independence of the United States of America.

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF:

GREENWOOD DEVELOPMENT
CORPORATION, a South Carolina
corporation

By:

Attest:

STATE OF SOUTH CAROLINA)

COUNTY OF BEAUFORT)

ACKNOWLEDGMENT

I, Cary S. Griffin, do hereby certify that Julian J. Nerssen, Jr., as President, and Mike Tuten as U.P. of GREENWOOD DEVELOPMENT CORPORATION, on behalf of the corporation, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal this 30 day of June, 1999.

Notary Public of South Carolina

My Commission Expires: February 14, 2005

CARY S. GRIFFIN

Notary Public for South Carolina

My Commission Expires: February 14, 2005

BETHEA, JORDAN
& GRIFFIN, P.A.
ATTORNEYS AND
COUNSELORS AT LAW

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Bj&G:CSG, FINAL (10) 6/29/99

INDEX OF EXHIBITS

THE TOWNHOMES AT SOUTH SHORE HORIZONTAL PROPERTY REGIME

- Exhibit "A" - Description of Land (Phase I Property - The Townhomes at South Shore);
Description of Future Phase Land; Description of Reserved Rights and Permitted
Exceptions; Reference to As-Built Survey; Description of Future Phase Property
- Exhibit "B" - Elevations and Floor Plans of Building and Units
- Exhibit "C" - Architect's Certificate
- Exhibit "D" - By-Laws of The Townhomes at South Shore Horizontal Property Regime and
The Townhomes at South Shore Owners' Association, Inc.
- Exhibit "E" - Walk Through Descriptions of Units.

June 30, 1999

{141627.12} 01595-34602

**EXHIBIT "A" TO MASTER DEED OF
THE TOWNHOMES AT SOUTH SHORE
HORIZONTAL PROPERTY REGIME
DESCRIPTION OF LAND**

All that certain piece, parcel or tract of land situate, lying and being in the Leanington Section of Palmetto Dunes Resort, Hilton Head Island, Beaufort County, South Carolina, having and containing 1.8 acres, more or less, shown and described as Phase I on the plat entitled "As-Built Survey, The Townhomes at South Shore Horizontal Property Regime Phase I", which plat was prepared by Hussey, Gay, Bell & DeYoung, Consulting Engineers and certified to by James M. Sims, R.L.S. (S.C.) #13169, which said plat is dated June 29, 1999, and is recorded in the Land Records of Beaufort County, South Carolina, in Plat Book 70 at Page 147. The property is described by courses and distances, metes and bounds, as follows, to-wit:

To find the Point of Beginning commence at the concrete monument which marks the intersection of the centerline of Ocean Lane, a 60' foot right-of-way and the centerline of Queens Way, and proceeding from said Point of Commencement S 46°43'07" W for 171 feet to a point; thence proceeding along a curve in a southwesterly direction said curve having a delta angle of 18°00'00", a radius of 542.99, a chord bearing of S 55°47'07" W for a chord distance of 169.89 feet to a point; thence proceeding S 25°12'54" E for a distance of 30 feet to a point; thence proceeding S 64°47'06" W for a distance of 184 feet to a point; thence proceeding along a curve in a southwesterly direction, said curve having a delta angle of 30°35'16", a radius of 300.00, a chord bearing of S 49°29'29" W for a chord distance of 158.26 feet; thence proceeding S 34°11'50" W for a distance of 130.83 feet to a concrete monument; thence proceeding S 42°02'40" E for a distance of 201.91 feet to a concrete monument; thence proceeding S 87°02'40" E for a distance of 113.14 feet to a concrete monument; thence proceeding S 42°02'40" E for a distance of 18.62 feet to a point; thence proceeding S 47°57'20" W for a distance of 97 feet to a point; thence proceeding S 42°02'40" E for a distance of 44 feet to a point; thence proceeding S 47°57'20" W for a distance of 259 feet to a point; thence proceeding S 42°02'40" E for a distance of 106.95 feet to the point which marks the Point of Beginning for the Phase I Parcel. Said Point of Beginning is marked by State Plane Coordinates N 117,457.79 and E 2,084,097.12; from said Point of Beginning proceeding S 42°02'40" E for a distance of 284.12 feet to the point which marks the Survey Tie Line; thence proceeding along the Survey Tie Line S 43°40'05" W for a distance of 244.17 feet to a point; thence proceeding N 42°02'40" W for a distance of 294.65 to a point; thence proceeding N 65°47'31" E for a distance of 14.79 feet to a point along South Shore Drive; thence proceeding along a curve in a northeasterly direction, said curve having a radius of 177.67 feet, a chord bearing of N 53°52'14" E for a distance of 73.94 feet; thence proceeding along a curve in a northeasterly direction said curve having a chord bearing of N 26°44'23" E, a radius of 80 for a distance of 42.47 feet; thence proceeding along a curve in a northeasterly direction, said curve having a radius of 21.69 feet, a bearing of N 36°50'12" E for a distance of 13.25 feet; thence proceeding along a curve in a northeasterly direction, said curve having a radius of 73.00, a bearing of N 32°14'31" E, for a distance of 76.19 feet to a point; thence proceeding N 68°04'34" E for a distance of 37.13 feet to the point which marks the Point of Beginning.

In case of conflict, if any, between the above mentioned courses and distances, metes and bounds description and the aforementioned plat, said plat shall be controlling.

The portion of the above property as described above lying eastward of the Survey Tie Line up to and including the high water mark of the Atlantic Ocean is being submitted to The Townhomes at South Shore Horizontal Property Regime without warranty of title and subject to all rights of the State of South Carolina in and to said area.

SAVE AND EXCEPT THEREFROM, the right of ingress and egress unto the Declarant herein, its successors and assigns and Grantees.

SAVE AND EXCEPT THEREFROM, title to and ownership of all water and sewer lines located on said Parcels or hereafter installed thereon, together with all pipes, pumps, pumping stations, or other equipment or facilities located thereon.

EXCEPT THEREFROM, the right of ingress and egress over and across all roads and walkways shown on the above described plat of The Townhomes at South Shore Horizontal Property Regime, said reservation being unto the Declarant herein, its successors and assigns and Grantees, said reserved easement expressly for, but not limited to, the purpose of construction and all construction related activities on the adjacent and nearby properties of Declarant, to wit the balance of Parcels 5, 6 and 7 of Leamington, including, for example, the construction of the Somerset Horizontal Property Regime immediately to the north of the subject Phase I Property.

FURTHER, the Declarant expressly reserves the right to complete the construction on the Property per Paragraph 14.4 of the Master Deed, and to improve the aforementioned Property by clearing, tree pruning, constructing improvements to the Units and Limited Common Elements, additional parking and common facilities, including, but not necessarily limited to recreational facilities, drainage facilities, and the like, pertaining to The Townhomes at South Shore Horizontal Property Regime.

FURTHER, Declarant expressly reserves the right to install lines, equipment and facilities for utility and drainage purposes and to grant easements over the Property for the installation of additional lines, equipment or facilities for utility and drainage purposes from time to time.

FURTHER, the above property is submitted to The Townhomes at South Shore Horizontal Property Regime subject to that certain Declaration of Covenants, Conditions and Restrictions Running with Certain Land of Greenwood Development Corporation, Etc., said Declaration dated July 9, 1985, and recorded in the RMC Office for Beaufort County, South Carolina, in Deed Book 424 at Page 1642, as amended by the Supplemental Declarations recorded in Deed Book 502 at Page 1138, Deed Book 512 at Page 610, Deed Book 529 at Page 1290, Deed Book 541 at Page 1782, and by Amendment to Declaration recorded April 2, 1990, in Deed Book 550 at Page 321, and by Supplemental Declarations recorded in Deed Book 552 at Page 907, Deed Book 619 at Page 1087, Deed Book 793 at Page 1202, and by First Amendment to Supplemental Declaration recorded in Book 982 at Page 148, and Limited Warranty Deed of Common Properties, recorded in Book 996 at Page 1743, and Assignment of Rights Under Leamington Covenants, recorded in Book 996 at Page 1754, and as said Leamington Covenants are further amended from time to time.

FURTHER, the above property is submitted to The Townhomes at South Shore Horizontal Property Regime subject to all easements as shown on the above plat of record and to all existing utility easements or easements to be granted in favor of the Broad Creek Public Service District, Palmetto Electric Cooperative, Adelphia Cablevision, Hargray Telephone Company or Leamington Owners' Association, Inc., of record in the RMC Office for Beaufort County, South Carolina, as well as the rights, if any, of the public acquired by the previous adverse use or by virtue of local custom with respect to the special nature of seaside beaches, to use any part of the land seaward of the natural line of vegetation or the extreme highwater line, as a public beach or recreation area.

Easements:

ALSO, a general use easement for those amenities, byways, lanes, paths, walkways, bike trails and other rights-of-way on those certain properties within Palmetto Dunes Resort, now or hereafter in existence, as they now exist or may hereafter be modified by the Declarant, or its successors and assigns, and which are intended for the general use of all property owners and their proper guests and invitees, which said use shall be upon the terms and conditions as may be established from time to time by Declarant, its successors and assigns for all such property owners it being

understood that certain areas are and shall be restricted as to access, said restrictions reserved as defined in the underlying covenants of record.

The within granted easements are hereby intended to be easements appurtenant to The Townhomes at South Shore Horizontal Property Regime which are more particularly described above, for the use, benefit and to be incident to the ownership of the above described Property, as applicable, and any portions thereof, or any condominium located therein or thereon now or at any time in the future.

The property described above is a portion of the property conveyed to Greenwood Development Corporation, by Deed of Palmetto Dunes Resort, Inc. dated November 16, 1979, recorded in the RMC Office for Beaufort County, South Carolina, in Deed Book 292 at Page 143.

FUTURE PHASE PROPERTY

The Future Phase Property is referenced in Article 8 of the Master Deed is described as follows:

All those certain pieces, parcels or tracts of land situate, lying and being in the Leamington Section of Palmetto Dunes Resort, Hilton Head Island, Beaufort County, South Carolina, having and containing 1.67 acres and 4.1 acres (including the area lying eastward of the Survey Tie Line), more or less, shown and described as Future Phase on the plat entitled "As-Built Survey, The Townhomes at South Shore Horizontal Property Regime Phase I", which plat was prepared by Hussey, Gay, Bell & DeYoung, Consulting Engineers and certified to by James M. Sims, R.L.S. (S.C.) #13169, which said plat is dated June 29, 1999, and is recorded in the Land Records of Beaufort County, South Carolina, in Plat Book 20 at Page 143. For a description by courses and distances, metes and bounds, reference is made to the Plat of record.

{141910.3} 01595-34602

EXHIBIT "B"THE TOWNHOMES AT SOUTH SHORE HORIZONTAL PROPERTY REGIMEARCHITECTURAL DRAWINGS OF FLOOR PLANS

The following floor plans and elevations pertaining to The Townhomes at South Shore Horizontal Property Regime are attached to, and made a part of, the Master Deed:

| Sheet Nos. | Description |
|---------------------|---|
| A 100 through A 104 | Overall Ground Floor Plan through Overall Roof Plan |
| A 105 through A 122 | Individual Floor Plans for different Unit Types |
| A 123 through A 124 | Pool Plans (Limited Common Element and Limited Common Area "O" per Section 7.2 Master Deed) |
| A 200 through A 201 | Overall Elevations |
| A 202 through A 209 | Individual Elevations for different Unit Types |
| A 210 | Pool Trellis Elevation - Limited Common Area "O" |
| A 307 through A 311 | Common Wall profiles |
| A 601 | Garden Wall Detail - Limited Common Area "O" |
| CA 12 | Layout of Entry Court and front stairs - (Limited Common Area "F") |
| CA 13 | Side Elevations - C-2, M-1 Units |
| CA 14 | Enclosed Porch Details |

The above listing does not represent all of the plans and specifications for the project. A complete set of plans would include additional building sections, elevations, plumbing, electrical, foundation and structural detail. A complete set of plans will be available at the office of the Architect, Group III Architecture, or the offices of the Declarant. Said plans, for the most part, are originally dated July 24, 1998 and have varying revision dates depending on the Sheet in question.

The above plans prepared by Group III Architecture, Richard M. Clanton, S.C. Registered Architect No. 3150.

BETHEA JORDAN
& GRIFFIN, P.A.
ATTORNEYS AND
COUNSELORS AT LAW

(141911.2) 01995-34602

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EXHIBIT "C"THE TOWNHOMES AT SOUTH SHORE HORIZONTAL PROPERTY REGIMEARCHITECTS CERTIFICATE

This is to certify that The Townhomes at South Shore Horizontal Property Regime, consisting of the six (6) Units numbered as follows: 150 (Ashborough), 152 (Kensington), 154 (Berkeley), 156 (Kensington), 158 (Ashborough) and 160 (Berkeley) South Shore Drive, are built substantially in accordance with the floor plans referenced in the Master Deed, on Exhibit "B", said Master Deed recorded in the Beaufort County Land Records, South Carolina, except for minor variations which are customary in projects of this nature.

GROUP III ARCHITECTURE

By: Michael M. ClarkS.C. Registration # 3015Certified to this 30
day of June, 1999.[Signature] (L.S.)
Notary Public for South CarolinaMy Commission Expires: 2/14/2005

{1419122} 01595-11602

EXHIBIT "D"
BY-LAWS
OF
THE TOWNHOMES AT SOUTH SHORE HORIZONTAL PROPERTY REGIME
AND
THE TOWNHOMES AT SOUTH SHORE OWNERS' ASSOCIATION, INC.

ARTICLE I

PLAN OF UNIT OWNERSHIP

The following By-Laws shall govern the operation of THE TOWNHOMES AT SOUTH SHORE Owners' Association, Inc.

Section 1. HORIZONTAL PROPERTY REGIME. The Property (the term "Property" as used herein means and includes the land, the buildings, all improvements and structures thereon) located in the Leanington Section of Palmetto Dunes Resort, Hilton Head Island, in Beaufort County, South Carolina, known as THE TOWNHOMES AT SOUTH SHORE HORIZONTAL PROPERTY REGIME has been, by Master Deed, submitted to the provisions of the Horizontal Property Act of South Carolina, which said Property shall henceforth be known as THE TOWNHOMES AT SOUTH SHORE HORIZONTAL PROPERTY REGIME (hereinafter referred to as "Regime").

Section 2. ASSOCIATION. In conjunction with the creation of the above described Regime there also has been incorporated under the laws of the State of South Carolina an Association known as The Townhomes at South Shore Owners' Association, Inc. (hereinafter referred to as "Association") which shall, pursuant to the provisions of the aforementioned Master Deed, constitute the incorporated The Townhomes at South Shore Owners' Association, Inc. The initial offices of the Association shall be at the offices of Greenwood Development Corporation, (hereinafter referred to as "Declarant"), at 23-C Shelter Cove Lane, Hilton Head Island, South Carolina 29928, or such other place as may be subsequently designated by the Board of Directors of the Association.

Section 3. BY-LAWS APPLICABILITY. The provisions of these By-Laws are applicable to the Property and the Regime. All terms used herein and not otherwise defined shall have the meaning ascribed to them in the MASTER DEED, certain provisions of which Master Deed may be repeated in full or in part.

Section 4. PERSONAL APPLICATION. All present or future Co-Owners, tenants, future tenants, or their employees, or any other person who 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 as they may be amended from time to time. The mere acquisition or rental of any of the Dwelling Units (hereinafter usually referred to as "Units") as defined in the Master Deed of the Property or the mere act of occupancy of any of said Units will signify that these By-Laws, the provisions of the Master Deed, The Covenants as defined in Section 4(m) of the Master Deed and any authorized recorded amendments to the foregoing Master Deed are accepted and ratified, and will be complied with.

BETHEA, JORDAN
& GRIFFIN, P A
ATTORNEYS AND
COUNSELORS AT LAW

ARTICLE II

VOTING, MAJORITY OF CO-OWNERS QUORUM, PROXIES

Section 1. **ELIGIBILITY.** Any person who acquires title to a Unit in the Regime is deemed to have consented to be a Member of the Association. There shall be one membership for each Unit owned. Transfer of Unit ownership, either voluntary or by operation of law, shall terminate membership in the Association, and said membership is to become vested in the transferee. If Unit ownership is vested in more than one person, then all of the persons so owning such Unit shall agree upon the designation of one of the Co-Owners of such Unit to act as a Member of the Association. If Unit ownership is vested in a Corporation, said Corporation may designate an individual officer or employee of the Corporation to act as a Member of the Association.

Section 2. **VOTING.** Voting shall be on a percentage basis and the percentage of the vote to which the Co-Owner is entitled is the statutory percentage assigned to the Unit or Units in the Master Deed.

Section 3. **MAJORITY OF CO-OWNERS.** 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 statutory percentages assigned in the Master Deed, and any authorized amendments thereto.

Section 4. **QUORUM.** Except as otherwise provided in Article III, Section 7 and elsewhere in these By-Laws, the presence in person or by proxy of a majority of Co-Owners as defined in Section 3 of this Article shall constitute a quorum.

Section 5. **PROXIES.** Votes may be cast in person or by proxy. Proxies must be filed with the Secretary of the Association before the appointed time of each meeting. Proxies may be filed by electronic mail (E-Mail).

Section 6. **MAJORITY VOTE.** The vote of a majority of the Unit Owners present at a meeting at which a quorum shall be present shall be binding upon all Unit Owners for all purposes except where in the Master Deed or in these By-Laws, or by law, a higher percentage vote is required.

ARTICLE III

THE TOWNHOMES AT SOUTH SHORE OWNERS' ASSOCIATION, INC.

Section 1. **ASSOCIATION RESPONSIBILITIES.** The Co-Owners of the Units will constitute the Association which will have the responsibility of administering the Property, and electing the Board of Directors. Except as otherwise provided herein or in the Master Deed or By-Laws, decisions and resolutions of the Association shall require approval by a majority of Co-Owners.

Section 2. **PLACE OF MEETINGS.** All meetings, annual and special, of the Association shall be at the offices of the Association, or at such other place and at such time convenient to the Co-Owners, as shall be designated by the Board of Directors of the Association or the Management Agent and stated in the Notice of Meeting.

Section 3. **ANNUAL MEETINGS.** The annual meetings of the Association shall be held at the call of the President once a year during the month of November or at such other time as a majority of the Co-Owners may agree upon. At such meetings there shall be elected by ballot of the Co-Owners a Board of Directors in accordance with the requirements of Section 5 of Article IV of these By-Laws and there shall be a report by the President or Secretary-Treasurer on the activities and financial condition of the Association. The Co-Owners may also transact such other business of the Association as may properly come before them.

Section 4. **SPECIAL MEETINGS.** It shall be the duty of the Secretary to call a special meeting of the Co-Owners as directed by: (i) resolution of the Board of Directors; (ii) at the request by a majority of the Directors; (iii) or upon a petition signed by Co-Owners holding at least twenty percent (20%) of the total voting

power of the Association and having been presented to the Secretary. A notice of any special meeting shall state the time and place of such meeting and the purpose or purposes thereof. No business shall be transacted at a special meeting except as stated in the notice. If a Co-Owner intends to raise a matter at a special meeting, said Co-Owner shall submit such request in writing to the Secretary or President at least ten days before the date notice is to be mailed to the Co-Owners in order for such matter to be included in the Notice of Special Meeting.

Section 5. FIRST MEETING. The first meeting of the Association shall be held within one hundred twenty (120) days from the date that seventy-five (75%) percent of the Units in the Regime, as defined in the Master Deed, have been conveyed by the Declarant to individual Co-Owners.

Section 6. NOTICE OF MEETINGS. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purposes thereof as well as the time and place where it is to be held, to each Co-Owner of record, at least fifteen (15), but not more than forty-five (45) days prior to such meeting. The mailing of a notice in the manner provided in this Section 6 shall be considered notice served. The notice of meeting shall include any matters the Co-Owners intend to raise at the meeting if a request is submitted to the Secretary or President in writing at least ten (10) days prior to notice being mailed, which requests sets forth the matters to be raised.

Section 7. ADJOURNED MEETING. If any meeting of the Association 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 the original meeting was called. The time, date, and place of the meeting shall be set and announced before adjournment of the first meeting. Upon the reconvening of said meeting a quorum shall be constituted if Co-Owners holding at least 33% of the total value of the property in accordance with the percentages assigned in the Master Deed are present in person or by proxy at said reconvened meeting.

Section 8. ORDER OF BUSINESS. The order of business at all Annual Meetings of the Association shall be as follows:

- (a) Roll Call.
- (b) Proof of Notice of Meeting or Waiver of Notice.
- (c) Reading of Minutes of Preceding Meeting.
- (d) Reports of Officers.
- (e) Reports of Committees.
- (f) Election of Inspectors of Election.
- (g) Election of Directors.
- (h) Unfinished Business.
- (i) New Business.

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

Section 9. RECORD DATE. The Board of Directors shall fix a record date for determining Co-Owners entitled to notice of and to vote at each annual or special meeting. Such record date shall be at least ten (10) but not more than forty (40) days before the meeting.

Section 10. WAIVER AND CONSENT. Whenever the vote of Co-Owners of a meeting is required or permitted by any provision of these By-Laws to be taken in connection with action of the Association, the meeting and vote of Co-Owners may be waived if a majority of Co-Owners who would have been entitled to vote on the action if such meeting were held, shall consent in writing to such action being taken; however, notice of such action shall be given to all Co-Owners, unless all Co-Owners participated in the approval of such action.

Further, any Co-Owner may waive any notice of meeting required by these By-Laws if the waiver is submitted in writing, signed by the Co-Owner entitled to notice, and delivered to the Association prior to the date of the meeting. A Co-Owner's attendance at a meeting waives objection to lack of notice or defective notice of the meeting unless the Co-Owner, at the beginning of the meeting, objects to holding the meeting or transacting

business at the meeting. Further, a Co-Owner's attendance at a meeting waives objection to considerations of a particular matter at the meeting that is not within the purpose described in the notice for the meeting, unless the Co-Owner objects to the consideration of the matter at the time when it is presented at the meeting.

Section 11. **MEMBERSHIP LIST.** After a record date for a notice of meeting has been fixed by the Board of Directors, a complete list of Members of the Association shall be prepared by the Secretary-Treasurer. This Membership list shall list the Members by classification of Membership and shall include the addresses and number of votes each Member is entitled to vote at the meeting. Such list shall be maintained in the office of the Association beginning the day after notice is given of the meeting for which the list was prepared and continuing through the meeting.

Section 12. **RULES OF ORDER.** Roberts Rules of Order (latest edition) shall govern the conduct of the Association's meetings when not in conflict with the Master Deed or these By-Laws.

ARTICLE IV BOARD OF DIRECTORS

Section 1. **NUMBER AND QUALIFICATION.** The affairs of the Association shall be governed by a Board of Directors (hereinafter referred to as the "Board") comprised of from three (3) to five (5) persons. Until succeeded by the Board members elected by the Unit Owners, members of the Board of Directors need not be Unit Owners. So long as the Declarant (as defined in the Master Deed) owns one or more Units and/or the Future Phase Property, the Declarant shall be entitled to elect at least one member of the Board of Directors, who need not be a Unit Owner. After the Declarant has conveyed all Units and is no longer entitled to elect one member of the Board of Directors, all Board members shall be Unit Owners.

Section 2. **GENERAL POWERS AND DUTIES.** The Board shall have the powers and duties necessary for the administration of the affairs of the Association 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 Association or individual Co-Owners.

Section 3. **SPECIFIC POWERS AND DUTIES.** In addition to the general powers and duties referenced above, duties imposed by these By-Laws, or by resolutions of the Association, the Board shall be responsible for the following:

(a) Compliance with all of the terms and conditions of the Master Deed and any amendments thereto and enforcement of same.

(b) Care, upkeep and surveillance of the Property and the Common Elements.

(c) Collection from the Co-Owners (excluding the Declarant), at the time of the closing of the initial sale of each Unit, at least two (2) month's estimated Common Expense assessments for the purpose of establishing a working capital fund for the Association. These funds shall be maintained for the use and benefit of the Association. Co-Owners are not entitled to reimbursement of the working capital fund from the Association upon the sale of their unit.

(d) Establishment of the annual budget. The budget shall be distributed by the Board to all Members of the Association at least thirty (30) days in advance of its effective date and at least thirty (30) days in advance of the Association's Annual Meeting. Notwithstanding the responsibilities and authority of the Board, the budget may be modified by the Association at the Annual Meeting or a Special Meeting of the Association by a two-thirds (2/3) vote of the Co-Owners present at such meeting, in person or by proxy.

(e) As a part of the annual budget described in (d) above, establishment and maintenance on behalf of the Association of an adequate reserve fund for periodic maintenance, repair and replacement of improvements to the Common Elements.

(f) Employment, dismissal and control of the Management Agent (defined in Section 4 of this Article IV) and any personnel necessary for the maintenance and operation of the Common Elements.

(g) Collection of all assessments and fees from the Co-Owners, including, at the Board's discretion and with approval from the governing Board of Leamington Owners' Association, Inc., all Leamington Owners' Association, Inc. assessments to be paid over to said Leamington Association.

(h) Establishment and collection of regular and special assessments including those pursuant to Section 14 of ARTICLE VII *infra*, relating to the Beach Renourishment Fund and those resulting from the provisions of Section 7.3 of the Master Deed.

(i) Performing repairs caused by any natural disaster or man-made damage using funds from the reserve account and any special assessment, or causing the same to be done.

(j) Obtaining of insurance for the Property, pursuant to the provisions hereof and the provisions of the Master Deed, or causing the same to be done as set forth in ARTICLE VIII hereof.

(k) Grant or relocate easements which are not inconsistent with the owners' full use and enjoyment of the common properties and Limited Common areas "O" and "F".

(l) Making of, or causing to be made, repairs, additions and improvements to or alterations of, the Property and repairs to and restoration of the Property in accordance with the other provisions of these By-Laws.

(m) To make available, for inspection, upon request during normal working hours or under other reasonable circumstances, to Unit Owners, the holders, insurers or guarantors of any first mortgage on any Unit, current copies of the Master Deed, By-Laws, other Rules or Regulations pertaining to the Association, and the books, records and financial statements of the Association.

(n) To adopt and implement a policy regarding resale of units within the Regime, the purpose of said policy to assist owners to provide timely information to prospective buyers while not burdening the Association financially.

(o) To establish procedures, rules and create committees (including an architectural review committee) for the review and processing of any plans of Unit Owners to improve their units pursuant to Section 5.10, Limited Common Elements pursuant to Section 7.3 of the Master Deed.

Section 4. MANAGEMENT AGENT. The initial Management Agent shall be Sand Dollar Management, LLC, Post Office Box 5606, Hilton Head Island, South Carolina 29938, an independent professional management company not affiliated with the Declarant, whose contract extends for a period of one (1) year from the establishment of the Regime. Thereafter, the Board may employ a Management Agent at the compensation established by the Board to perform such duties and services as the Board shall authorize including, but not limited to, the duties listed in Section 3 of this Article. Any such management contracts shall be for a reasonable term and shall contain reasonable provisions regarding the right of the Association to terminate said contracts. Since an independent professional management company is being employed from the outset, and if at any time during the management of the Property by this or some other professional management entity, any decision thereafter by the Association to establish self management by the Association shall require the prior consent of Unit Owners holding sixty-seven (67%) percent of the votes in the Association.

Section 5. BOARD OF DIRECTORS. The first Board of Directors consisting of three (3) members shall be designated by the Declarant at an organizational meeting. These appointments will be temporary and will continue only until the first annual meeting of the Unit Owners held pursuant to the provisions of these By-Laws. At the first Annual Meeting of the Association, the initial term of office for one (1) member of the Board shall be fixed at three (3) years. The term of office of one (1) members of the Board shall be fixed at two (2) years, and the term of office of one (1) 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. Once the Phase III Building has been added to the Regime, and there are eighteen (18) Units, the Board

shall be expanded to five (5) members at the next annual meeting with the two (2) new members initially serving for a one (1) and two (2) year term, respectively, and thereafter the renewal terms shall be three (3) years. Any and all of said Board members shall be subject to replacement, in the event of resignation or death, in the manner set forth in Section 6 of this Article. During the period in which the Declarant's designees constitute a majority of the Board of Directors, the Board of Directors shall not enter into any contract having a term which extends beyond the term of the Management Agreement with the Management Agent described in Section 4 above.

Section 6. VACANCIES. Vacancies in the Board of Directors caused by reason other than the removal of a member of the Board by a vote of the Association shall be filled by vote of the majority of the remaining members, even though they 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 Association.

Section 7. REMOVAL OF MEMBERS OF THE BOARD. At any annual or special meeting of the Association 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 Association shall be given an opportunity to be heard at the meeting. No Board member shall continue to serve on the Board if during the term of office, he shall cease to be a Unit Owner at such time, said Board member shall either resign or be removed by the Board (except as provided in Section 5 regarding Declarant's appointee). Notwithstanding any other provision contained herein, any member of the Board who was elected by the Co-Owners shall only be removed by the Co-Owners at a meeting where the purpose or one of the purposes, as stated in the Notice of Meeting, is the removal of said Board member.

Section 8. ORGANIZATIONAL 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 Association, and no notice shall be necessary to the newly elected Board members in order to legally constitute such a 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 one (1) such meeting shall be held 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, express delivery service such as Federal Express, telephone, telefax or telegraph, at least ten (10) days prior to the day named for such meeting. Telephonic meetings are expressly authorized based upon the likelihood that Board members will be from different geographical locations.

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 the purpose or purposes 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 member of the Board may, in writing, signed by that Board member, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice and shall be filed with the minutes of the meeting in the corporate records. Attendance at or participation 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 unless the Board member, upon arriving at the meeting or prior to a vote on a matter not noticed in conformity with these By-Laws, objects to lack of notice and does not thereafter vote for or assents to the objected action. If all 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. ACTION WITHOUT A MEETING. Actions required or permitted by law, the Articles or these By-Laws may be taken without a meeting if the action is taken by all members of the Board and evidenced by one or more consents describing the action taken, signed by each Director, and included in the Minutes filed in the Corporate records reflecting the action taken.

Section 13. **BOARD QUORUM.** At all meetings of the Board, a majority of the Board members shall constitute a quorum for the transaction of business, and acts of the majority of the members present at a meeting at which a quorum is present shall be the acts of the Board. Any or all Board members may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may hear each other simultaneously during the meeting, and directors so participating by this means shall be deemed to be present in person at the meeting. 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 to another 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. Unless subsequently approved by Co-Owners by an amendment to these By-Laws, proxies shall not be available for either a Board quorum or for voting purposes.

Section 14. **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 15. **COMPENSATION.** No member of the Board of Directors shall receive any compensation from the Regime for acting as such. However, any Director may be reimbursed for his actual expenses incurred in the performances of his duties.

Section 16. **LIABILITY OF THE BOARD OF DIRECTORS.** Except as required under the laws of the State of South Carolina, the members of the Board of Directors shall not be liable to the Unit Owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. To the extent permitted under the laws of the State of South Carolina, the Unit 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 these 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 Association. It is understood and permissible for the original Board of Directors, who are members of or employed by Declarant to contract with Declarant and affiliated corporations without fear of being charged with self-dealing. It is also intended that the liability of any Unit 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 Unit Owners in the Common Elements. Every agreement made by the Board of Directors or by the Managing Agent or by the Manager on behalf of the Association shall provide that the members of the Board of Directors, or the Managing Agent, or the Manager, as the case may be, are acting only as agent for the Unit Owners and shall have no personal liability thereunder (except as Unit Owners), and that each Unit 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.

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Section 1. **DESIGNATION.** The principal officers of the Association 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 Assistant Secretary, and such other officers as, in their judgment, may be necessary. One person may hold more than one of the aforementioned offices.

Section 2. **ELECTION OF OFFICERS.** The officers of the Association shall be elected annually by the Board at the organizational 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. No officer shall continue to serve as such if, during his term of office, he shall cease to be a Unit Owner.

Section 4. **VACANCIES.** A vacancy in any office may be filled by appointment by the Board of Directors. The officer appointed to such vacancy shall serve for the remainder of the term of the office he replaces.

Section 5. **PRESIDENT.** The President shall be the Chief Executive Officer of the Association. He shall preside at all meetings of the Association 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 or incorporated Association, 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, feel appropriate to assist in the conduct of the affairs of the Association. The President shall sign all leases, mortgages, deeds and other written contracts and instruments and shall co-sign all checks and promissory notes, and perform all of the duties which may be delegated to him from time to time by the Board of Directors.

Section 6. **VICE PRESIDENT.** The Vice President shall take the place of the President and perform his duties when 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 7. **SECRETARY-TREASURER.** The Secretary-Treasurer shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board may direct and shall authenticate the records of the Association; and he shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association 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 office of the Secretary and Treasurer.

ARTICLE VI NOTICES

Section 1. **DEFINITION.** Whenever under the provisions of the Master Deed or of these By-Laws notice is required to be given to the Board of Directors, the Management Agent or Unit Owner, it shall not be construed to mean personal notice; but such notice may be given in writing, by first class, certified or registered mail, by depositing the same in a post office or letter box, in a postpaid sealed wrapper, addressed to the Board of Directors, such Manager or such Unit Owners at such address as appears on the books of the Association. Notice shall be deemed given as of the date of mailing.

Section 2. **SERVICE OF NOTICE-WAIVER.** Whenever any notice is required to be given under the provisions of the Master Deed, or law, or of these By-Laws, a waiver thereof, in writing, signed by the person or persons entitled to such notice and delivered to the President or Secretary-Treasurer of the Association, whether before or after the time stated therein, shall be deemed the equivalent thereof.

ARTICLE VII OBLIGATION OF THE CO-OWNERS

Section 1. **ASSESSMENTS FOR COMMON EXPENSES.** All Co-Owners shall be obligated to pay the periodic assessments imposed by the Association to meet all Association Common Expenses, and/or specific Limited Common Expenses as described in the Master Deed, which shall include, among other things, liability insurance policy premiums and an insurance policy premium to cover repair and reconstruction work in case of hurricane, fire, earthquake and other hazards (hereinafter sometimes referred to as "Common Charges," "Common Expenses," and/or "assessments"). The Common Expenses may also include such amounts as the Board may deem proper for the operation and maintenance of the Property and any authorized additions thereto. Such may include without limitation, any amount for general working capital, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the Common Expenses for any prior year. No less than thirty (30) days prior to the Annual Meeting, the Board shall furnish all Unit Owners with a copy of the budget for the next fiscal year and shall likewise advise them of the amount of the Common Charges.

payable by each of them, respectively, as determined by the Board as aforesaid. Declarant will be liable for the amount of any assessment against completed Units within the Association which have not been sold and Declarant shall have all voting rights attendant to the ownership of said unit until said Units are sold. Payment of the periodic assessment shall be in equal monthly or quarterly (as determined by the Board) installments on or before the first day of each month or quarter, as appropriate, or in such other reasonable manner as the Board shall designate.

Notwithstanding the forgoing, the Board also has the power and authority to levy assessments against individual Unit Owners appertaining to said Unit Owner's Limited Common Elements or Unit itself, such as for the purposes set forth in Sections 7.3 or 5.6 (b) of the Master Deed. For purposes of enforcement rights, etc. these shall likewise be considered "assessments" or "Common Expenses".

The transfer of ownership of an individual Unit within the Association shall carry with it the proportionate equity of that Unit's ownership in the Association operating escrow, working capital or reserve accounts set aside to provide a contingency fund for the maintenance and repair of the Association Property. Transfer of ownership and resignation or termination as a Co-Owner of the Association shall not relieve the Co-Owner from any obligations the Co-Owner may have to the Association as a result of obligations incurred or commitments made before resignation or termination.

Section 2. ASSESSMENTS TO REMAIN IN EFFECT UNTIL NEW ASSESSMENTS MADE. The omission by the Board of Directors before the expiration of any year, to fix the assessments hereunder for that or the next year, shall not be deemed a waiver or modification in any respect of the provisions of the Master Deed and By-Laws or a release of any Owner from the obligation to pay the assessments, or an installment thereof for that or any subsequent year, but the assessment fixed for the preceding year shall continue until a new assessment is fixed by the Board at a duly held Board meeting. Amendments to this paragraph shall be effective upon unanimous written consent of the Owners and their mortgagees. No Owner may exempt himself from liability for his contribution towards the Common Expenses by waiver of the use or enjoyment of any of the General or Limited Common Elements or by abandonment of his Unit.

Section 3. RECORDS. The Management Agent or Board of Directors shall keep detailed records of the receipts and expenditures affecting the General and Limited Common Elements and any other expenses incurred. Records and vouchers authorizing the payments involved shall be available for examination by the Owner during reasonable business hours.

Section 4. DEFAULT IN PAYMENT OF COMMON EXPENSES (ASSESSMENTS). The Board shall take prompt action to collect any common expense due from any Unit Owner which remains unpaid for more than thirty (30) days from the due date for payment thereof. In the event of default by any Unit Owner in paying to the Board the Common Expenses as determined by the Board, such Unit Owner shall be obligated to pay a late charge of one and one-half (1½%) percent of the delinquent amount per month on such unpaid Common Expenses from the due date thereof, together with all expenses, including attorney's fees, incurred by the Board in any proceeding brought to collect such unpaid Common Expenses. The Board shall have the right and duty to attempt to recover such Common Expenses, together with interest thereon, and the expenses of the proceeding, including attorney's fees, in an action to recover the same brought against such Unit Owner, or by foreclosure of the lien on such Unit granted by Section 27-31-210, Code of Laws of South Carolina, 1976. With regard to the subordinate nature of such liens as it relates to mortgages recorded prior to the recording of any evidence of such lien, the provisions of Section 27-31-210, Code of Laws of South Carolina, 1976, as amended, shall be controlling.

Section 5. STATEMENT OF COMMON EXPENSES. The Board shall, for a reasonable fee, promptly provide any purchaser, Unit Owner, mortgagee or prospective mortgagee of a Unit so requesting the same in writing, with a written statement of all unpaid Common Expenses due from the Owner of that Unit and the purchaser's liability therefor shall be limited to the amount as set forth in the statement. Any mortgagee holding a lien on a Unit may pay any unpaid Common Expenses payable with respect to such Unit and upon such payment such mortgagee shall have a lien on such unit for the amounts paid of the same rank as the lien of his encumbrance.

Section 6. STATEMENT UPON RESALE. Any Unit may be conveyed by an Owner free of any restrictions except for those set forth herein, except that no Owner shall convey, sell, or lease his Unit unless and until all unpaid Association expenses assessed against the Unit shall have been paid as directed by the Board of Directors. Such unpaid Association expenses, however, may be paid out of the proceeds from the sale of a Unit or by the grantee. Upon the written request of an Owner or Owner's prospective buyer, the Board or the Management Agent shall furnish a written statement of the unpaid charges due from such Owner which shall be conclusive evidence of the payment of amounts assessed prior to the date of the statement, but unlisted thereon. Further, the Association shall undertake to provide copies of these By-Laws or other materials described by the Association upon the written request of a Co-Owner in connection with the sale or lease of their Unit. A reasonable charge may be made by the Board for the issuance of statements and other materials.

The provisions of this Section shall not apply to the acquisition of a Unit by a mortgagee who shall acquire title to such Unit by foreclosure or by deed in lieu of foreclosure. In such event, the unpaid assessments against the Unit which were assessed and became due prior to the acquisition of title to such Unit by such mortgagee shall be deemed waived by the Association and shall be charged to all other Co-Owners of the Association as a Common Expense. Such a provision shall not, however, apply to any assessments which are assessed and become due after the acquisition of title to such Unit by the mortgagee and to any purchaser to such mortgagee.

Section 7. MAINTENANCE AND REPAIR.

(a) Each Co-Owner must perform work within his own Unit, which, if omitted, would affect the Property in its entirety or in a part belonging to another Co-Owner, being expressly responsible for the damages and liabilities that his failure to do so may engender.

(b) All the repairs of the Units and of those items described in Section 5.6 of the Master Deed, and of all other accessories and Limited Common Elements appertaining or belonging to the Unit shall be at the expense of the Co-Owner.

(c) All maintenance, repair and replacement to the Common Elements as defined in the Master Deed, unless otherwise provided in the Master Deed, shall be made by the Board or its agent and shall be charged to all the Unit Owners as a Common Expense, excepting to the extent that the same may be necessitated by the negligence, misuse or neglect of the Unit Owner, in which such case the expense shall be charged to such Unit Owner.

Section 8. UTILITIES.

(a) **WATER AND SEWER CHARGES.** Water and sewer services may be supplied to all Units through individual separate meters or by one or more shared meters by the Broad Creek Public Service District, or its successors, (the "District"). Water and sewer services, as applicable, for the Common Elements shall be supplied by one or more meters. Each Owner shall be required to pay for all charges for water consumed and sewer services in his Unit and to the Common Elements, promptly after the bills for the same have been rendered. The Board and each Owner shall conform to the billing procedures established by the District, and shall pay the regular and excess usage fees on either on the statutory percentage method (i.e. as a Common Expense) or on an equal Unit by Unit basis or in combination thereof, dependent upon the billing methodology in effect for the District.

(b) **ELECTRICITY/GAS.** Electricity shall be supplied by the public utility company serving the area directly to each Unit through a separate meter and each Unit Owner shall be required to pay the bills for electricity consumed or used in his Unit. The electricity serving the Common Elements shall be separately metered, and the Board shall pay all bills for electricity consumed in such portions of the Common Elements, as a Common Expense. In the event propane gas tanks are located in the Common Elements and shared by Unit Owners, the cost of same shall be a Common Expense and therefore shared by the Co-Owners in accordance with their percentage interest.

(c) **CABLE TELEVISION/SATELLITE COMMUNICATIONS.** Except with the prior written approval of the Board of Directors, its Management Agent, or a Board designated Committee, which approval shall not be unreasonably withheld, no outside television or radio aerial or antenna, satellite dish, or other device, for the reception or transmission of radio or television, or other electronic signals, shall be erected or maintained on any Unit or upon the exterior of any Unit, Common Element or the Limited Common Elements appurtenant to any Unit. The Board of Directors or its Management Agent, or its designated Committee, may approve any applications for the installation of such devices so long as the application indicates that the installation is for the personal use of the Owner, and either (a) the device shall not be visible from neighboring Units, streets or common areas; or (b) the Unit Owner, prior to installation, has received the written consent of all of the Owners of all Units who would have views of the installation from their Units; (c) and all other private and public approvals, as applicable, have been obtained. In approving such applications, the Board of Directors, its Management Agent, or its designated Committee shall have the power to require such specific forms of placement of the device as it deems appropriate in order to effectuate the intent of this Section 8(c) that such devices be as inoffensive as possible to other Owners and Residents. All installations must comply with local zoning requirements and building codes, if applicable. Any Owner requesting such a device may be required to pay a reasonable charge to the Association for the reviewing of such Application by the Board, its Management Agent, or its designated Committee. Further, the Owner shall be required to pay the installation costs for installing such device and to pay any bills associated with such Owner's use of the device.

The Board may approve the use of such devices to serve the Common Elements and the Board shall pay all costs of installation and bills for use of such devices in such portions of the Common Elements as a Common Expense.

It is noted that any actions taken pursuant to this Section 8(c) shall be subject to the terms and provisions of the Leamington Covenants.

Section 9. USE OF UNITS - INTERNAL OR EXTERNAL CHANGES. A Co-Owner may make internal structural modifications or alterations in his Unit or installations located therein subject to Section 5.10 of the Master Deed, to the Limited Common Element area subject to Section 7.3 of the Master Deed. If any changes as described herein are approved by the Board, the Co-Owner requesting such change shall be totally financially responsible for the cost of such change and the incurred costs, if applicable, of the maintenance and repair of such change and/or the insurance coverage for such change. The Board, through its agent, may include this additional maintenance and/or insurance cost in the periodic assessment for the Unit in question.

Section 10. USE OF COMMON ELEMENTS. Except as authorized by Section 7.3 of the Master Deed, a Co-Owner shall not place or cause to be placed in the passages, parking areas, roads, or other common areas any furniture, packages or obstructions of any kind. Such areas shall be held in common for the enjoyment of the Co-Owners and shall be used for no other purpose than for normal transit through or use of them and for normal vehicular parking.

Section 11. 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 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.

Section 12. RULES OF CONDUCT. In order to assure the peaceful and orderly use and enjoyment of the units and Common Elements of the Association, the Co-Owners may from time to time adopt, modify, and revoke in whole or in part by a vote of the Members present in person or represented by proxy whose aggregate interest in the Common Elements constitutes two-thirds of the total interest, at a meeting duly called for the purpose, such reasonable rules and regulations, to be called Rules of Conduct, governing the conduct of persons

on said property of the Association as it may deem necessary. Such Rules of Conduct, upon adoption, and every amendment, modification, and revocation thereof, shall be delivered promptly to each Owner by posting same with postage prepaid addressed to the Owner at the last registered address of the Owner and shall be binding upon all Unit Owners and the occupants of Units in the Regime. The following shall constitute the initial Rules of Conduct for the Regime:

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

(b) No Co-Owner shall:

(1) Post any advertisements or posters of any kind in or on the Property except as authorized by the Association;

(2) Hang garments, towels, rugs, or similar objects from the windows or balconies or from any of the facades of the Property;

(3) Clean dust mops, rugs or similar objects from the windows or balconies by beating on the exterior part of the Property;

(4) Throw trash or garbage outside the disposal installation provided for such purpose in the service areas;

(5) Act so as to interfere unreasonably with the peace and enjoyment of the residents of the other Units in the Property;

(6) Maintain any pets which cause distress to Co-Owners through barking, biting, scratching or damaging of property.

(7) Operate, park, or store on the Property any recreational vehicles, motor homes, motorcycles, mopeds, trucks, trailers, commercial vans or boats.

(c) No Co-Owner, resident, or lessee shall install wiring for electrical or telephone installations, television or radio antenna, air conditioning fixtures, or similar objects outside of his dwelling or which protrudes through the walls or the roof of his Unit except as authorized by the Board and where appropriate, subject to Section 8(c) of this Article VII.

Section 13. ABATEMENT AND ENJOINMENT OF VIOLATIONS BY UNIT OWNERS. The violation of any rules or regulations adopted by the Board or the breach of any By-Laws contained herein, or the breach of any provisions of the Master Deed, shall give the Board the right, in addition to any other rights set forth in these By-Laws: (a) to enter the Unit in which or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition, that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach and to recover the cost of such enforcement, including attorneys' fees, and until such expense is recovered it shall be a lien upon said Unit which lien shall be inferior to the lien of all prior mortgages.

Section 14. BEACH RENOURISHMENT AND EROSION ABATEMENT TRUST FUND. The Regime is located on property which is adjacent to the beach areas of the Atlantic Ocean. Records compiled by the State of South Carolina and the South Carolina office of Coastal Resource Management which have been regularly reported in newspapers and in public documents have documented the problem of continuing erosion of beaches on the Atlantic Coast, including those of South Carolina and Hilton Head Island. The gradual rising of the waters of the Atlantic Ocean over the past several centuries at the approximate rate of one foot per century has contributed, along with tidal currents, to the transport of sand in a southward direction along the shorefront of Hilton Head Island.

The most probable effective means of protecting the aforementioned beach areas from excessive loss due to this gradual erosion phenomenon and the most probable means of re-establishing areas damaged in hurricanes and storms is through the renourishment of the shore by moving in replacement sand, by dredging, from offshore or from elsewhere and by other devices including a pan scraping program. A Regime Beach Renourishment Trust Fund is established whereby the Association may finance beach renourishment, erosion control or erosion abatement programs, and transport sand from areas offshore and elsewhere to the beachfront areas of the Regime to rebuild areas which may be lost due to erosion, at the expense of the Association. Such programs may be carried out by the Association directly acting solely on its own behalf for Regime property only, or in cooperation with similar programs carried on contemporaneously with adjacent property owners, or in association with the Town of Hilton Head Island ("Town"), the Broad Creek Public Service District ("District") and/or other public agencies and/or joint ventures between private enterprises and public agencies. The Association may cooperate with Declarant, current owner of other oceanfront property, and with any property owners association established by the Declarant to carry on beach renourishment, erosion control, erosion abatement and other activities for land contiguous to the Regime area.

The Board of Directors may authorize the Town, the District or representatives of any private or public enterprise engaging in beach renourishment, erosion control, or erosion abatement programs to enter onto property of the Regime for purposes of performing any grading or landscaping work or construction and maintaining erosion devices; provided, however, that prior to exercising any of these rights to enter upon the property for the purpose of performing any grading or landscaping work, the Association established hereby shall be given an opportunity to take any corrective action required at its own initiative.

In order to establish a fund for use in beach renourishment, erosion control or erosion abatement programs, the Board of Directors determine to collect in addition to those Common Expenses hereinafter set forth, not more than an average of Two Hundred Fifty (\$250.00) Dollars per Unit per year. (The actual assessment per Unit will be based upon the Unit's statutory percentage). This amount may be increased or decreased with the approval of a majority vote of the Board of Directors of the Association. The initial implementation of collection for this fund shall be at the Board's discretion.

These funds are hereby specifically designated for beach renourishment, erosion control, or erosion abatement programs, and may be used by the Board of Directors to fund a beach renourishment, erosion control, or erosion abatement program. Such program may be carried out by the Association directly, acting solely on its own behalf, or in cooperation with similar programs carried on contemporaneously with adjacent property owners, including Declarant, or by appropriate governmental authority. Should the Town, the District or other public or private body undertake a taxing or an assessment program which provides for full adequate funds to sustain the beachfront areas of the District, to provide, on a periodic basis for beach renourishment, erosion control or erosion abatement of any areas which may be lost to erosion, then, under such circumstances, after the erosion program has been implemented, during the time of such implementation, the Board of Directors may waive the collection of this private erosion control fund assessment.

In the event no cooperative program has been established among adjacent beachfront property owners and no effective erosion renourishment, erosion control or erosion abatement programs have been instituted by the aforementioned public or private agencies, but nonetheless, the Board of Directors determines that the Palmetto Dunes beachfront properties are being subjected to serious erosion due to natural causes, the Board of Directors may, acting solely and only for the Association institute such reasonable and effective efforts as its beach erosion control, renourishment and engineering counselors recommends to safeguard and protect, to the reasonable practical extent consistent with the available funds in the escrow account, the protection and renourishment of the beachfront areas.

All funds collected by the Board of Directors in accordance herewith shall be placed in escrow either in a private account maintained by the Association, or as part of a common escrow fund maintained under the co-direction of the Association and other neighboring property ownership interests as part of an area wide beach renourishment, erosion control and beach erosion program fund. If at any time after the establishment of the beach renourishment trust fund described herein, the Board of Directors shall have determined that there has been no significant erosion during the preceding six years, then, until, such time as a clear need for the funds shall

reoccur, the Board of Directors may suspend further collection of the beach renourishment portion of the annual assessment. All funds previously collected shall be retained by the Association in the aforesaid account, provided that upon approval of Co-Owners owning seventy-five (75%) percent of the interests in the Common Elements at any regular or special meeting of the Association, the funds may be used for the payment of any other Common Expenses.

Neither the Declarant nor the Association shall have responsibility to maintain beach renourishment, erosion control or erosion abatement programs or to expend funds in repair of damages due to storms or other activities beyond the use of the trust fund established pursuant to this provision.

The Board of Directors or its members shall not personally be liable for any errors of judgment made in assessing the beach renourishment, erosion control, or erosion abatement needs, it being recognized that the rate, timing, nature and extent of beach erosion and the proper means of combating beach erosion is an area in which there is wide area of disagreement as to fact and procedure among qualified scientists, engineers and research agencies.

Section 15. FISCAL YEAR. The fiscal year for the Association shall begin on the 1st day of January of each year; provided, however, that the Board of Directors is expressly authorized to change to a different fiscal year in accordance with the provisions and regulations from time to time prescribed by the Internal Revenue Code of the United States of America, at such time as the Board of Directors deems it advisable.

Section 16. LITIGATION. No judicial proceeding shall be commenced or prosecuted by the Association unless approved by a vote of seventy-five percent (75%) of the votes eligible to be cast by the Owners. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided herein; (c) proceedings involving taxation, including, e.g., challenges to ad valorem taxation; or (d) counterclaims brought by the Association in proceedings instituted against it. In the event any litigation is instituted, then the Association shall assess all Owners for the costs of litigation, including, without limitation, attorneys' fees incurred, and funds from regular assessments shall not be used for any such claim or litigation; provided, however, that this 75% threshold requirement may be eliminated by the Board at any time after January 1, 2015.

ARTICLE VIII INSURANCE

The Board of Directors shall be required to obtain and maintain, as set forth below, in forms and amounts as hereinafter prescribed and which are also satisfactory to any mortgagee holding mortgages on five or more units, the following insurance, without prejudice of the right of the Co-Owner to obtain additional individual insurance at his own expense:

Section 1. HAZARD INSURANCE. The Board of Directors shall insure the Property, as it may be constituted from time to time, against loss or damage due to fire, windstorm, lightning, and flood, with extended coverage, in an amount not less than the maximum insurable replacement value of the Property as determined by the Board upon recommendation made by the Regime's insurer, (it being understood that the Board, at its discretion, may have an appraisal made of the Property for this purpose), or in the amount reasonably obtainable as it relates to the flood coverage. The Board of Directors shall have the authority also to insure against other hazards and risks as it may deem desirable for protection of the Property. All hazard insurance shall cover the entire Property, exclusive only of the contents and furnishings of the individual Units. If customary at the time, those items and materials described in Section 5.5(b) of the Master Deed as being part of the Unit, may be insured as part of the Property.

(a) All hazard insurance policies obtained by the Board of Directors shall designate the Board of Directors as the named insured as Insurance Trustee for the benefit of all the Owners and their mortgagees collectively, as their respective interests may appear. In the event of loss or damage, all insurance proceeds shall be paid jointly to the Board of Directors as Insurance Trustee under the provisions of this Master Deed and

to any mortgagee holding mortgages on five or more units, it being understood and acknowledged that the distribution of such proceeds shall be controlled by the Horizontal Property Act and the provisions of this Master Deed.

(b) All hazard insurance policies obtained by the Board of Directors shall provide for the issuance of Certificates of Insurance to each Unit Owner. Each Certificate shall evidence the issuance of the Master Policy and shall indicate the amount of insurance covering the building within which the respective Unit is located. If a Unit is mortgaged, a Certificate of Insurance shall be issued to the mortgagee bearing a standard mortgagee endorsement, if requested.

(c) If obtainable, all hazard insurance policies upon the Property shall include provisions waiving (i) any rights of the insurer to subrogation against the Association, its agents and employees, and against the individual Owners and their servants, agents, and guests; and (ii) any rights of the insurer to contribution from hazard insurance purchased by the Unit Owner upon the contents and furnishings of their Units.

(d) Each mortgagee of which the Board has notice as herein provided shall be entitled to receive, upon request, a statement of the replacement value as determined herein this Section 1. If any such mortgagee disagrees with the values assigned to the Property by such determination and presents an appraisal prepared at such mortgagee's expense showing higher values which has been performed by a qualified appraiser, then the Board shall either adopt the higher value or shall cause a reappraisal to be made by a qualified appraiser approved by the Board and by the appraisers who conducted the prior appraisals and the findings of the third appraiser shall be conclusive to determine such value for insurance purposes.

(e) Each hazard insurance policy shall contain a loss payee provision designating the interest of the various mortgagees as to the various Units within the Regime which are covered by the Master Policy. Such policies shall also provide that they shall not be canceled without giving thirty (30) days prior written notice to all such mortgagees about which the insurer has been given written notice.

Section 2. PUBLIC LIABILITY INSURANCE. The Board of Directors shall obtain comprehensive public liability insurance with limits and provisions as it deems desirable and as may be obtainable. All such policies shall contain severability of interest clauses or endorsements extending coverage to liabilities of the Association to an individual Unit Owner and to liabilities of one Unit Owner to another Unit Owner.

Section 3. WORKMEN'S COMPENSATION INSURANCE. The Board of Directors, as necessary, shall obtain Workmen's Compensation Insurance to meet the requirements of law.

Section 4. PREMIUMS. All premiums upon insurance policies purchased by the Board of Directors shall be assessed as Common Expenses to be paid by the Unit Owners through periodic assessment as herein provided.

Section 5. ADJUSTMENT. Each Unit Owner shall be deemed to have delegated to the Board of Directors his right to adjust with insurance companies all losses under policies purchased by the Association, subject to the rights of mortgagees of such Unit Owners.

Section 6. INSURANCE BY UNIT OWNERS. Each Unit Owner shall be responsible for obtaining, at his sole expense, insurance covering the personal property, wall coverings, decorations, and furnishings within his own Unit and the additions and improvements made by him to the Unit. (Typically referred to as an HO-6 Policy). Each Unit Owner shall also be responsible for obtaining, at his own expense, insurance covering his liability for the safety of the premises within his Unit and on the Limited Common Area O, specifically the pool area. All such insurance policies shall include, however, provisions waiving (i) any right of the insurer to subrogation claims against the Association and against individual Unit Owners, as well as their agents, servants, employees, and guests; and (ii) any right of the insurer to contribution or proration because of the master hazard policy.

As set forth in Section 5.6 and 7.3 of the Master Deed, the Co-Owner is responsible for any damage to his Unit or another Unit caused by his negligent action or inaction. If a claim is made against the Association's policy

as a result of such negligence by a Co-Owner, then the Board may make a determination to assess any non-reimbursable expenses, such as the deductible, attorney's fees, and the like, against the negligent Co-Owner, and such assessment shall be collectible just as any other assessment described in Section 1 of Article VII.

Section 7. **DISTINCTION ON OWNER'S COVERAGE AND REGIME COVERAGE.** As reflected above, both the Association and the Co-Owner has certain insurer's responsibilities. The Board, acting through the Management Agent, shall have the discretion to balance competing interests of said insurers, should such an occasion arise. Each Co-Owner shall, upon request, provide to the Management Agent, the name and address of his insurer.

Section 8. **SUBSTITUTION OF INSURANCE TRUSTEE.** The Board of Directors, in its discretion, may decline to serve as Insurance Trustee and may appoint in its place any financial institution which is qualified and willing to act as Trustee and which also has offices in Beaufort County, South Carolina. Any substitute Insurance Trustee appointed by the Board of Directors shall succeed to all of the powers and responsibilities vested in the Board as Insurance Trustee under the terms of this Master Deed.

ARTICLE IX RECONSTRUCTION AND REPAIR

Section 1. **PROCEDURE.** In the event of casualty loss or damage to the Property, the Board of Directors shall be responsible for applying the proceeds of all casualty insurance to the repair or reconstruction of the Property in accordance with the provisions of this ARTICLE IX. Reconstruction or repair shall be mandatory unless otherwise provided in the Act, as amended from time to time, or unless seventy-five (75%) percent or more of the Unit Owners vote, at a duly authorized meeting, not to reconstruct. In situation where reconstruction or repair is not to be undertaken, the insurance indemnity received by the Board of Directors shall be distributed pro-rata to the Unit Owners and their mortgagees jointly in proportion to their respective statutory interests. The remaining portion of the Property shall be subject to an action for partition at the suit of any Unit Owner or lienor as if owned in common. In the event of suit for partition, the net proceeds of sale, together with the net proceeds of insurance policies, shall be considered one fund and distributed pro-rata among all Unit Owners and their mortgagees jointly in proportion to their respective statutory interests. In the situation where reconstruction or repair is undertaken, then such Property shall be repaired in the following manner:

(a) Any reconstruction or repair must follow substantially the original plans and specifications of the Property (to be provided by Declarant to the Management Agent and a portion of which are referenced on Exhibit "B" to the Master Deed) unless the Unit Owners holding seventy-five percent (75%) or more of the total interest in Common Elements and their mortgagees, if any, vote to adopt different plans and specifications and all Owners whose Units are being reconstructed or repaired unanimously consent to the adoption of such different plans and specifications. The approval of such plans by Declarant shall likewise be required.

(b) The Board of Directors shall promptly obtain estimates of the cost required to restore the damaged property to its condition before the casualty occurred. Such costs may include such professional fees and premiums for bids as the Board of Directors deems necessary.

(c) If the insurance proceeds paid to the Board are insufficient to cover the cost of reconstruction, the Association may use funds out of its reserve or replacement accounts, and, if still not sufficient, then the Association shall levy and collect an assessment against all Owners in an amount which shall provide the funds required to pay for the repair, replacement or reconstruction.

(d) The insurance proceeds received by the Board of Directors and the mortgagees, and any special assessments collected to cover a deficiency in insurance shall constitute a construction fund from which the Board of Directors and the mortgagees, shall disburse payment of the costs of reconstruction and repair. The first disbursements from the construction fund shall be insurance proceeds; and if there is a balance in the fund after payment of all costs of reconstruction and repair, it shall be distributed to the Unit Owners who paid special

assessments in proportion to their payments. Any balance remaining after such distribution shall be retained by the Association.

Section 2. **POWER OF ATTORNEY.** In the event of casualty loss or damage to the Property the provisions of this Article of the Bylaws shall govern matters pertaining to reconstruction and repair, provided, however that the following specific provisions shall be applicable: In light of the primary and/or secondary home concept of the Townhomes at South Shore, and in order to assure the reconstruction and repair of the Property in the event of substantial casualty loss or damage, each Owner shall be deemed, by acceptance of a deed to a Unit, to have thereby delivered an irrevocable limited proxy and irrevocable limited power of attorney, on behalf of that Owner and his or her heirs, personal representatives, successors and assigns, vested in whomever shall hold the office of secretary of the Association from time to time. The irrevocable limited proxy and the irrevocable limited power of attorney coupled with an interest shall authorize the secretary to cast all votes in the Association appertaining to each Owner's Unit in favor of reconstruction and repair of the Property in the event that two-thirds (2/3) or more of the Property is destroyed or substantially damaged and in the event such a vote is required under the Act. The secretary of the Association shall have the responsibility to vote in favor of reconstruction or repair in such event. Every mortgagee shall be deemed, by acceptance of a mortgage to a Unit, to have thereby consented to such reconstruction or repair of the property.

ARTICLE X INSURANCE TRUST

In the event of casualty loss to the Property, all insurance proceeds indemnifying the loss or damage shall be paid to the Board of Directors as Insurance Trustee. The Board of Directors, acting as Insurance Trustee, shall receive and hold all insurance proceeds in trust for the purposes stated in this ARTICLE X, and for the benefit of the Association, the Unit Owners, and their respective mortgagees in the following share:

(a) Insurance proceeds paid on account of loss or damage to the Common Elements only shall be held in the same proportion as the undivided interests in the Common Elements which are appurtenant to each of the Units.

(b) Insurance proceeds paid on account of loss or damage to less than all of the Units, when the damage is to be restored, shall be held for the benefit of Unit Owners of the damaged Units and their respective mortgagees in proportion to the costs of repairing each damaged Unit.

(c) Insurance proceeds paid when the Property is not to be restored shall be held for the benefit of all Unit Owners, and their respective mortgagees the share of each being equal to the undivided share or interest in Common Elements appurtenant to the applicable Unit.

(d) In the event a Certificate of Insurance has been issued to a Unit Owner bearing a mortgage endorsement, the share of the Unit Owner shall be held in trust for the mortgagee and the Unit Owner as their interests may appear, provided, however, that no mortgagee shall have any right to determine or participate in the determination as to whether any damaged property shall be reconstructed or repaired, and no mortgagee shall have any right to apply or have applied to the reduction of a mortgage debt any insurance proceeds except for insurance proceeds required by the loan documents to be paid jointly to the Unit Owners and their respective mortgagees pursuant to the provisions of the Master Deed.

ARTICLE XI MORTGAGES

Section 1. **NOTICE TO BOARD.** A Co-Owner who mortgages his 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 Association shall maintain such information in a book entitled "Mortgages on Units" or in the individual Unit file.

Section 2. **NOTICE TO MORTGAGEE.** The Board shall give reasonable advance written notice of the following events to all mortgagees from which it receives a written request (the term "mortgagee" to include

the holder, insurer or guarantor with respect to any such mortgage). Such written request must identify the name and address of the holder, insurer or guarantor and the Unit number and address:

- (a) Any change in the condominium documents;
- (b) Any unpaid assessments due the Association for over ninety (90) days from the Co-Owner(s) (mortgagor(s)) of the Unit;
- (c) Any default by the Co-Owner (mortgagor) of a Unit in the performance of such Co-Owners' obligations under the Master Deed and associated condominium documents when such default is not cured within sixty (60) days.
- (d) Any notice of special or annual meetings of the Association.
- (e) Any condemnation loss or any casualty loss which affects a material portion of the Project or any Unit on which there is a first mortgage held, insured, or guaranteed by such eligible mortgage holder or eligible insurer or guarantor, as applicable;
- (f) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;
- (g) Any proposed action which would require the consent of a specified percentage of eligible mortgage holders as specified in these By-Laws or in the Master Deed.
- (h) Any proposed change from professional management of the Property to self management of the Property by the Association.

Section 3. STATEMENTS TO MORTGAGEE. Upon written request to the Association from any Mortgagee of which it has notice as herein provided, the Board, Manager or Management Agent shall supply such Mortgagee with a reasonably current financial statement of the Association within a reasonable time of such request.

ARTICLE XII RESTRICTIONS UPON LEASES OF UNITS

No Unit Owner may lease his Unit or any interest therein except for a use consistent with the use provisions of these By-Laws and Covenants said lease shall provide that the terms and conditions of the Master Deed and all exhibits, and the Covenants, shall be complied with by the tenant and that the Association shall have the power to terminate such lease, and bring summary proceedings to evict the tenant in the name of the landlord thereunder in the event of default by the tenant in the performance of said lease, or failure by the tenant to perform an obligation in the Master Deed, By-Laws or the Covenants.

ARTICLE XIII AMENDMENTS

Section 1. REQUIREMENTS FOR AMENDMENTS. Except as provided in the Master Deed, and except where a greater percentage is expressly required, either herein, or by law, these By-Laws may be materially amended only with the consent of the Owners of Units to which at least sixty-seven (67%) percent of the votes in the Association are allocated and the approval of eligible mortgagees from which the Association has received written notice holding mortgages on Units which have at least fifty-one (51%) percent of the votes of Units subject to such mortgages, as it relates to modification of any material provisions of these By-Laws, the Articles of Incorporation or other governing document, which establish, provide for, govern or regulate any of the following:

- (a) Voting;

- (b) Assessments, assessment liens or subordination of such liens;
- (c) Reserves for maintenance, repair and replacement of the Common Elements;
- (d) Insurance or Fidelity Bonds;
- (e) Rights to use of the Common Elements;
- (f) Responsibility for maintenance and repair of the several portions of the Property;
- (g) Expansion or contraction of the Project or the addition, annexation or withdrawal of property to or from the Project except as expressly provided in the Master Deed;
- (h) Boundaries of any Unit;
- (i) The interests in the General or Limited Common Elements;
- (j) Convertibility of units into common areas or of common areas into Units;
- (k) Leasing of Units;
- (l) Imposition of any additional or further right of first refusal or similar restriction on the right of a Unit Owner to sell, transfer, or otherwise convey his or her Unit;
- (m) Any provisions which are for the express benefit of mortgage holders, eligible mortgage holders or eligible insurers or guarantors of first mortgages on Units.

Notwithstanding the foregoing, so long as the Declarant remains the Owner of more than one Unit in this Regime, these By-Laws shall not be amended so as to adversely affect the Declarant without the Declarant's consent.

Section 2. MATERIALITY OF AMENDMENTS; MORTGAGEE APPROVAL PROCEDURE.

An addition or amendment to the By-Laws or Master Deed shall not be considered material if it is for the purpose of correcting technical errors, or for clarification only. An eligible mortgage holder who receives a written request to approve additions or amendments who does not deliver or post to the requesting party a negative response within thirty (30) days shall be deemed to have approved such request and proof of mailing such request in affidavit form, together with an affidavit of non-receipt, shall be sufficient evidence of such approval.

ARTICLE XIV MISCELLANEOUS MATTERS

Section 1. GENDER; NUMBER. The use of the masculine gender in these By-Laws includes the feminine gender, and when the context requires, the use of the singular includes the plural.

Section 2. DEFINITIONS. The definitions contained in Section 4 and elsewhere in the Master Deed also apply to these By-Laws.

Section 3. EXECUTION OF DOCUMENTS. The President or Vice President and Secretary or Assistant Secretary are responsible for preparing, executing, filing and recording amendments to the Master Deed and By-Laws, and shall be authorized to execute any other document which the Association may from time to time be required to execute.

Section 4. NOTICES. All notices required by these By-Laws shall be hand delivered or sent by mail to the Association at the address of the President; to Unit Owners at the address of the Unit or at such other address as may have been designated by such Unit Owner from time to time in writing to the Association. All

notices from or to the Association shall be deemed to have been given when mailed or delivered, except notice of changes of address which shall be deemed to have been given when received.

Section 5. CAPTIONS. The captions contained in these By-Laws are inserted as a matter of convenience and for reference, and in no way define, limit, or describe the scope of these By-Laws or the intent of any provision of the By-Laws.

Section 6. INVALIDITY. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws.

Section 7. CONFLICT. These By-Laws are set forth to comply with the requirements of the Horizontal Property Act of South Carolina, as amended, and the South Carolina Non-Profit Corporation Act of 1994, and may be amended from time to time. In the event of any conflict between these By-Laws and the provisions of such statutes or the Master Deed, the provisions of such statutes or the Master Deed, as the case may be, shall control.

Section 8. WAIVER. No restriction, condition, obligation, or covenant contained in these By-Laws shall be deemed to have been abrogated or waived by reason of failure to enforce the same, irrespective of the violations or breaches thereof which may occur.

(141913.6) 01595-34602

b. Unit C-2

The total heated square footage of this Unit is approximately 4556 square feet; first floor, 1837 square feet; second floor, 1729 square feet; and the third floor, 990 square feet. The C-2 Unit is identical in description to the C-1 Unit until the third floor.

The third floor starts at the Hall (132.0 square feet) and to the left is the Laundry Room (97.0 square feet), while passing the Elevator (20.0 square feet). To the right is Living Area (543 square feet) with a Bath (121 square feet) and four Closets (128 square feet).

The Berkeley Unit Typea. Unit M-1

The total heated square footage of this Unit is approximately 3912 square feet; first floor, 1963 square feet; second floor, 1360 square feet; and the third floor, 589 square feet.

Entering the ground floor at the Garage (1054.10 square feet), the Service Courtyard (40.68 square feet) is on the left. Besides the Stairs (65.81 square feet) to the first floor and the Elevator (16.0 square feet) the remainder of the ground floor is Storage (632.33 square feet).

Upon stepping from the Front Porch (148.27 square feet) into the Entry Hall (199.46 square feet) that extends past the kitchen, dining, and staircase back to the great room, which has access to a Rear Port (458.6 square feet). Off to the left side of the entry hall is the Kitchen (218.5 square feet) which has a breakfast area, cabinets, appliances, and a pass through to the Dining Room (199.7 square feet), located behind the kitchen. The kitchen also accesses a Pantry closet (26.89 square feet). The entry hall ends at a two story Great Room (409.98 square feet), which accesses the Covered Porch (285.92 square feet) and Rear Porch (174.31 square feet). After passing a Hall (20.93 square feet) on the right that leads to the Laundry Room (37.34 square feet), with a washer and dryer, and a Powder Room (35.88 square feet) the entry hall goes past a set of stacked Stairs (67.83 square feet), that lead up from the ground floor and up to the second floor. Where the entry hall terminates at the Great Room is a Hall with an elevator (29.94 square feet); from this hall is access to the Master Bedroom (251.33 square feet). The master bedroom opens up onto the rear porch and the master suite. The master suite has a Wardrobe Closet (94.13 square feet), and a Master Bath (179.91 square feet) with two lavatories, a dressing table, water closet, whirlpool tub, and shower.

After climbing the stair to the second floor one steps into a Hall/Loft (217 square feet), that accesses all the second floor rooms, stairs to the third floor, and looks down into the Great Room. To the right of the staircase is a Hall (31.93 square feet) with an elevator and a door into Bedroom #2 (232.39 square feet). Bedroom #2 has a Wardrobe closet (53 square feet) and Bath #2 (125 square feet) which has two lavatories, whirlpool tub, shower, and water closet. On the left of the staircase and down at the end of the hall is Bedroom #3 (248.47 square feet). Bedroom #3 accesses a Walk in Closet (29.83 square feet) and Bath #3 (48.56 square feet), which has a lavatory, water closet, and tub. Directly across from the stairs and accessible from the left area is a Study (216 square feet).

The third floor starts at the Hall (115.73 square feet) and includes the elevator; at the end of the hall is a Living Area (408 square feet), which accesses a Bath (65 square feet).

EXHIBIT "E"THE TOWNHOMES AT SOUTH SHORE HORIZONTAL PROPERTY REGIMEWALK THROUGH DESCRIPTIONSThe Ashborough Unit Typea. Unit C-1

The total heated square footage of this Unit is approximately 4607 square feet; first floor, 1837 square feet; second floor, 1729 square feet; and the third floor, 1041 square feet.

The ground floor has two garage doors to enter the Garage (1295.60 square feet), in between which lies the Service Courtyard (66.28 square feet). The remainder of the ground floor is the Elevator (10.48 square feet), Stairs (29.0 square feet) to the first floor, and Storage spaces (670.41 square feet).

On the front of the home is a Porch (262.66 square feet) that leads to a center Foyer (118.66 square feet) with a Dining Room (191.44 square feet) on the left, and a Den/Bedroom #2 (182.50 square feet) on the right. Walking forward from the foyer is a Hall (48 square feet) which on the left has a Closet (14.66 square feet), and an Elevator (20 square feet) and Bath #2 (82.19 square feet) on the right. Bath #2 has a lavatory, water closet, and shower. Beyond the hall is a Stair Hall (221.75 square feet) which accesses the stairs coming up from the ground floor, up to the second floor, and the Great Room (399.27 square feet). Adjacent to the left of the stair hall is the Kitchen (148.88 square feet) that has a center island, cabinets, and appliances. The kitchen accesses a Pantry (45.47 square feet), that leads to the dining room, and a Circular Staircase (39.59 square feet) that goes up to the second floor. Located behind the kitchen is a Breakfast Area (128.65 square feet) which has access to a Covered Porch (125.22 square feet) and the Rear Porch (453.70 square feet).

Coming up to the second floor the Master Bedroom (344.25 square feet) with a rear Covered Porch (128.57 square feet) is located on the right. The master bedroom accesses a Master Bath (183.29 square feet), which has two lavatories, whirlpool tub, shower, and water closet, followed by a Master Closet (102.86 square feet). Turning left from the stairs is a Hall (202.63 square feet) flanked by an Elevator (20 square feet) and a Circular stair (14.45 square feet) along with two closets. A Laundry Room (103.33 square feet) is located at the end of the hall with Bedroom #4 (186.25 square feet) on the left and Bedroom #3 (187.50 square feet) on the right. Off of Bedroom #4 is Bath #4 (51.70 square feet) and a Walk in Closet (20.76 square feet), while bedroom #3 has access to Bath #3 (48.81 square feet) and a Closet (13.49 square feet).

The third floor starts at the Hall (132.0 square feet) and leads to the Laundry Room (97.0 square feet), while passing the Elevator (20.0 square feet). To the right is a Living Area (594 square feet) with a Bath (121 square feet) and four Closets (128 square feet).

b. Unit M-2

The total heated square footage of this Unit is approximately 4109 square feet; first floor, 1963 square feet; second floor, 1400 square feet; and the third floor, 746 square feet. The M-2 Unit is virtually identical in description to the M-1 Unit until the third floor.

The third floor starts at the Hall (115.73 square feet) and includes the elevator; at the end of the hall is a Living Area (568 square feet) which has access to a Bath (72 square feet).

The Kensington Unit Typea. Unit B-1

The total heated square footage of this Unit is approximately 3976 square feet; the first floor, 1671 square feet; second floor, 1729 square feet; and the third floor, 576 square feet.

The Garage (1209.64 square feet) on the ground floor is flanked on the right by the Service Courtyard (75.39 square feet), Stairs (36.48 square feet) to the first floor, and an Elevator (16.0 square feet). The remainder of the ground floor is Storage (257.68 square feet).

Upon passing the Front Porch (307.70 square feet), and entering the two story Foyer (125.0 square feet), there is a Dining room (286.0 square feet) to the left. Continuing straight through the foyer is a Hall (83.16 square feet) with a Powder Room (70 square feet) and closet, to the left, the stairs to the ground floor and Elevator (16 square feet) to the right. To the left of the dining room is a Laundry Room (54.54 square feet) and a Butler's Pantry (38.50 square feet). Behind the butler's pantry is the Kitchen (187.21 square feet) which has cabinets, appliances, and a Pantry (29.59 square feet). Behind the kitchen is located the Breakfast Area (156.90 square feet) which accesses the Covered Porch (329.43 square feet) and rear Porch (186.41 square feet). From the breakfast area moving to the right is the Great Room (465.66 square feet).

The stairs in the foyer lead to a second floor Hall (110.33 square feet) which has a storage Closet (14.00 square feet), Closet (22.0 square feet) under the stairs to the third floor, and an Elevator (16 square feet). Proceeding down the hall on the right is the Master Bedroom (389.85 square feet). The Master Bedroom accesses two Wardrobe Closets (each 46.50 square feet) and the Master Bath (169.14 square feet) which has two lavatories, whirlpool tub, shower, and water closet. Located at the end of the hall on the left is Bedroom #2 (285.41 square feet) and on the right Bedroom #3 (246.38 square feet). Bedroom #2 has access to a Closet (15.66 square feet) and Bath #2 (57.50 square feet); which has a lavatory, water closet, and tub. Bedroom #3 has access to a Walk in Closet (23.52 square feet) and Bath #3 (52.52 square feet); which has a lavatory, water closet, and tub. Both Bedroom #2 and Bedroom #3 have access to Covered Porches; bedroom #2 (69.13 square feet) and bedroom #3 (56.60 square feet).

The third floor Hall and Elevator (136.55 square feet) provide access to storage areas, Living Area (384.45 square feet) and Bath (54.59 unheated square feet).

1680

b. B-2

The total square footage of this Unit is also approximately 3,976 square feet, 1,671 square feet, first floor; 1729 square feet, second floor; 576 square feet, third floor; and the B-2 Unit is virtually identical to the B-1 Unit insofar as a walk through description.

Note:

All square footage references are approximations. These Floor Plans are subject to change in Future Phase Buildings.

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JOHN A. SULLIVAN, JR.
R.M.C.
DEANWORTH COUNTY, S.C.

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BK 1189 PG 1629

Sharon G. Lewis
DEANWORTH COUNTY AUDITOR