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2. Assessment means co-owner's pro-rata share of the common expenses, which from time to time is assessed against a co-owner by the Association.

3. Association means Council of Co-Owners as defined by the Act, and also means the VILLAGE FLATS OWNERS ASSOCIATION, INC., a South Carolina Non-Profit Corporation, the form by which the council of co-owners shall operate and manage the Property.

4. Building means a structure or structures, containing in the aggregate two or more Flats, comprising a part of the property.

5. Common Elements means the General and Limited Common Elements, as defined herein and in the Act.

6. General Common Elements means and includes:

(a) The land, whether leased or in fee simple, on which the buildings stand;

(b) The foundations, main walls, roofs, walls, lobbies, stairways and entrance and exit or communication ways;

(c) Any basements, flat roofs, yards and gardens except as otherwise provided or stipulated;

(d) The premises for the lodging of janitors or persons in charge of the property, except as otherwise provided or stipulated;

(e) Any wells, pump houses, signs, and in general, any and all devices or installations existing for common use;

(f) The courtyard and parking lot and any all other elements of the Property rationally of common use or necessary to the existence, upkeep and safety of the Association.

7. Limited Common Elements means and includes those common elements that are designated herein or are agreed upon by all the co-owners to be reserved for the use of a certain number of Flats to the exclusion of the other Flats.

8. Common Expenses means the expenses for which Flat co-owners are liable to the Association and include:

(a) Expenses of administration, expenses of maintenance, insurance, operation, repair or replacement of the common elements, and of the portions of Flats that are the responsibility of the Association;

(b) Expenses declared common expenses by provisions of this Master Deed.

9. Common Surplus means the excess of all receipts of the Association, including but not limited to assessments, over the amount of common expenses.

10. Co-owner means a person, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof, who or which owns a Flat within a building.

11. Council of Co-Owners means all the co-owners as defined herein; but a majority, as defined herein, shall, except as otherwise provided, constitute a quorum for the adoption of decisions.

12. Flat Ownership means the individual ownership of a particular Flat in a Building and the common right to a share, with other co-owners, in the General and Limited Common Elements of the Property.

13. Grantor or Developer means Habersham Land Company, Inc., A South Carolina Corporation, its successors and assigns.

14. Majority of Co-Owners means the co-owners owning fifty-one percent (51%) or more of the total basic value of the Property, as then constituted and as defined herein.

15. Master Deed means the deed establishing and recording the property of the Horizontal Property Regime and all exhibits thereto.

16. Person means an individual, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof.

17. Property means and includes the land described in Exhibit "A", the buildings, all improvements and structures thereon, and all easements, rights and appurtenances belonging thereto. The Grantor specifically reserves the right at any time to remove from the Master Deed any undeveloped parcel incorporated herein to which it retains title.

18. Singular, Plural, Gender wherever the context so permits, the use of the plural shall include the singular, the singular the plural, and the use of any gender shall be deemed to include all genders.

19. Utility Services means and shall include, but not be limited to, electric power, gas, water, cable television, garbage, sewage disposal and the like.

II

FLATS

The Grantor, in order to implement Flat ownership for the above-described premises, covenants and agrees to, and hereby does, subdivide the Property vertically and horizontally into the following Freehold Estates:

1. A series of Flats, six (6) such flats to be constructed within the confines of a single building, together with the shares in the general and limited common elements appurtenant to each Flat, hereinbefore and hereinafter more particularly described, and as shown graphically in Exhibit "B" attached hereto. Each of the Flats consists of:

(a) The volumes or cubicles of space enclosed by the unfinished interior surfaces of perimeter walls and the unfinished surfaces of interior walls, ceilings and floors of the Flat, and by any vents, chimneys, doors, windows and such other structural elements that are ordinarily regarded as enclosures of space; and

(b) All interior dividing walls and partitions (including the space occupied by such walls or partitions) excepting, however, load bearing walls and those interior walls and partitions enclosing the common pipe chases and other common facilities; and

(c) The decorated interior surfaces of perimeter walls and the decorated surfaces of interior walls (including load bearing walls, chimneys and walls enclosing the common pipe chases), floors and ceilings, consisting of, as the case may be, wall paper, paint, plaster, carpeting, tiles and any and all other finishing materials affixed or installed as a part of the physical structure of the Flat; and

(d) All windows, glass doors and exterior doors, excluding the paint or stain on the exterior side of any exterior door; and

(e) All fixtures, appliances, mechanical systems and equipment installed in said Flat which are intended for the sole and exclusive use of the Flat. No pipes, wires, conduits or other public utility lines or installations constituting a part of the over-all systems designated for the service of any other Flat, nor any of the structural members or portions of the Flat building, nor any other property of any kind, including fixtures and appliances within the Flat, which are not removable without jeopardizing the soundness,

safety or usefulness of the remainder of the building, shall be deemed to be a part of any individual Flat. The word "Flat" when used throughout this instrument shall be deemed to refer to each of the aforesaid Flats as herein described, and shall have the same meaning as "Apartment", as set forth in the Act.

2. A description of the common elements of the Association (including both the general common elements and the limited common elements) as defined herein and in the Act is as follows:

(a) The portions which lie outside the confines of the individual Flats as that term is defined herein, to wit: the Property described in Exhibit "A" attached hereto, save and except the individual Flats; and

(b) Those portions of the Flat buildings not otherwise herein defined as being embraced within the confines of individual Flats, including but not limited to, balconies, the foundations, roofs, floors, ceilings, perimeter walls of Flats, load bearing interior walls and partitions, walls enclosing common pipe chases and other common facilities, slabs, lobbies, corridors, trash and recreation areas, stairways, entrance and exit or communication ways, patios, pipes, wires, conduits, air ducts and public utility lines, including the space actually occupied by the above; and

(c) All improvements to the premises constructed or to be constructed, such as utilities, roadways, walkways, plants, trees, shrubbery, yards, lawns, gardens, decks and docks, etc., located on said parcel of land; and

(d) Parking facilities; and

(e) All other elements of the buildings, not included within the Flats, constructed or to be constructed on the aforesaid parcel of land, rationally of common use or necessary to their existence, upkeep and safety and, in general, all other devices or installations existing for common use; and

(f) All other property of the Association, whether land, building, improvements, personal property or otherwise, except such as is included in the Flats; and

(g) Easements through Flats for conduits, ducts, plumbing, chimneys, wiring and other facilities for the furnishing of utility services to Flats and the general common elements; and

(h) An easement of support in every portion of a Flat which contributes to the support of the buildings; and

(i) Easements through the Flats and General Common Elements for maintenance, repair and replacement of the Flats and General Common Elements; and

(j) Installations for the furnishing of utility services to more than one Flat or to the General Common Elements or to a Flat other than the one containing the installation, which installation shall include conduits, ducts, plumbing, wiring and other facilities for the rendering of such service.

III

COMMON ELEMENTS

The ownership of each Flat shall include an undivided share in and to the common elements as defined herein and in the percentages set forth in Exhibit "C" attached hereto and incorporated by reference herein. It is the intention of the Grantor hereby to provide that the common elements shall be owned by the co-owners of the Flats as tenants-in-common, the undivided share of each co-owner being as stated above. The Association shall have the power to determine the use to be made of the common elements from time to time, provided that such use shall not discriminate against any co-owner. The Association may establish reasonable charges to be paid to the Association for the use of common elements not otherwise inconsistent with other provisions of this Master Deed or any exhibits hereto. The general and limited common elements are shown graphically in Exhibit "B" attached hereto.

IV

LIMITED COMMON ELEMENTS

Portions of the Common elements are hereby set aside and reserved for the restricted use of certain Flats to the exclusion of the other Flats, and such portions shall be known and referred to herein as Limited Common Elements. The limited common elements restricted to the use of certain Flats are those portions of any buildings which are for the common use of the Flats within said building including, but not limited to stairways, hallways and the like. Limited common elements shall also include parking spaces designated for separate Flats.

V

UNDIVIDED SHARE IN ASSOCIATION

The basic value of each Flat unit and the total value of all the property of the Association for the sole and exclusive purpose of determining the property rights and obligations of the co-owners is set forth in Exhibit "C" attached hereto. The percentage share in the common elements set forth in Exhibit "C" shall also be the percentage appertaining to the several Flats (and their co-owners) in the common expenses and rights in the common surplus, and said percentage shall constitute the proportionate representation appertaining to each Flat for voting purposes in the council of co-owners. It is the intent of the Grantor that all Flats shall hold an equal pro-rata share in the common elements.

VI

FLATS AND UNDIVIDED SHARES INSEPARABLE

The common elements, both general and limited, shall remain undivided and shall not be the object of an action for partition or division of the co-ownership. Any transfer, conveyance or encumbrance of an individual Flat shall be deemed to also transfer, convey or encumber the undivided interest of the co-owner in the common elements appertaining to the Flat without specifically or particularly referring to same. The Grantor, its successors and assigns, and its Grantees, their successors and assigns, further covenant and agree that any conveyance, transfer or alienation of any Flat shall conclusively be deemed to include all of the interest of the co-owner in the common elements and the Association, and any encumbrances upon any Flat shall also be conclusively deemed to attach to all of the interest of the co-owner of said Flat in the Association. The share of a co-owner in the funds and assets of the Association cannot be assigned, hypothecated or transferred except as an appurtenance to his Flat.

VII

ADMINISTRATION OF ASSOCIATION

The Association shall be administered, supervised and managed by a Board of Directors known as the Village Flats Owners Association, Inc. (the "Association") presently having its principal office at 22 Market, Beaufort, SC 29906, which shall act by and on behalf of the co-owners of the Flats in the Association in accordance with this instrument, the By-Laws of the Association, annexed hereto as Exhibit "D", and in accordance with the Act, as amended. The By-Laws form an integral part of the plan of ownership herein described, shall govern the

conduct and affairs of the co-owners of the Association as well as the members of the Association, and shall be construed in conjunction with the provisions of the Master Deed.

1. Pursuant to the Act, the Association, by and through its Board of Directors (the "Association"), is hereby designated as the form of administration of the Association, and the Board of Directors is hereby vested with the rights, powers, privileges and duties necessary or incidental to the proper administration of the Association, and the same being more particularly set forth in the By-Laws of the Association.

2. NOTWITHSTANDING ANY OTHER LANGUAGE OR PROVISION TO THE CONTRARY IN THIS DECLARATION, IN THE ARTICLES OF INCORPORATION OR IN THE BY-LAWS OF THE ASSOCIATION, The Grantor, also known as the Developer, shall have the right to appoint and remove all members of the Board and any officer or officers of the Association until such time as the first of the following events shall occur: (a) The date on which the last developer-owned Flat in all phases of the development intended herein is sold, or (b) the surrender by the Developer of the authority to appoint and remove directors and officers of the Association by an express amendment to this Declaration executed and recorded by the Developer. Each owner, by acceptance of a deed to or other conveyance of a Flat vests in the Developer such authority to appoint and remove directors and officers of the Association as provided by this Section VII. Upon the expiration of the Developer's right to appoint and remove directors and officers of the Association pursuant to the provisions of this Section, such a right shall pass to the co-owners, including Developer, if the Developer then owns one or more Flats, and at a special meeting of the Association, the co-owners shall have the option to elect a new Board which shall undertake the responsibilities of the Board, and Developer shall deliver all books, accounts and records, if any, which Developer has kept on behalf of the Association and any active agreements or contracts executed by on behalf of the Association.

3. The co-owner of a Flat shall automatically, upon acquiring title to a Flat, become a member of the Association, and shall remain a member of said Association until such time as his, her or its ownership ceases for any reason, at which time, his, her or its membership in said Association shall automatically cease. Other than as an incident to a lawful transfer of the title to a Flat, neither membership in the Association, nor any share in the assets of the Association, to include the co-owner's percentage share in the common elements, shall be transferable, and any attempted transfer shall be null and void.

4. Reasonable rules and regulations concerning the use of the property may be made and amended from time to time by the Association in the manner provided in its By-Laws. The Association shall furnish copies of such rules and regulations and amendments to all co-owners of Flats and residents of the Association upon request.

5. Notwithstanding the duty of the Association to maintain and repair portions of the Property, the Association shall not be liable to co-owners for personal injury or damage, other than the cost of maintenance and repair, caused by any latent condition of the Property to be maintained and repaired by the Association, or caused by elements or other co-owners or persons.

VIII

RESTRICTIVE AND PROTECTIVE COVENANTS, AGREEMENT AND EASEMENT GRANTS

To further implement this plan of Flat ownership, to make feasible the ownership and sale of Flat units in the Association, to preserve the character of the Flat units in the Association, to preserve the character of the Flat community and to make possible the fulfillment of the purpose of cooperative living intended, the Grantor, its successors and assigns, by reason of this Master Deed, and all future co-owners of Flats in the Association by their acquisitions of title thereto, covenant and agree as follows:

1. No partial conveyance. Each Flat as defined herein shall, for all purposes, constitute a separate parcel of real property which may be owned in fee simple and which may be leased, conveyed, devised, inherited, transferred or encumbered, along with its allocated percentage in the common elements, in the same manner as any other parcel of real property, independently of all other Flats, subject only to the provisions of this Master Deed, and By-Laws of the Association, and the Act. No part of any Flat or any common elements shall be conveyed, devised, inherited, transferred or encumbered apart from the whole of said Flat and its correlative percentage in the common elements.

2. Nuisances prohibited. No nuisance shall be allowed upon the Property of the Association, nor shall any use or practice which is the source of annoyance to residents, or which interferes with the peaceful possession and proper use of the property by its residents, be allowed thereon. All portions and areas of the Property shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage shall be allowed to accumulate, nor shall any fire hazard be allowed to exist. No co-owner shall permit any use of his, her or its Flat to make any use of the common elements which will increase the rate of insurance upon the property.

3. Improper use of Flat prohibited. No immoral, improper, offensive or unlawful use shall be made of the Property or any part thereof; and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed. The responsibility of meeting the requirements of governmental bodies, which require maintenance,

modification, or repair of such Property shall be the same as the responsibility for the maintenance and repair of the Property concerned.

4. Actual location control. In interpreting any and all provisions of this instrument, the Exhibits attached hereto, and subsequent deeds and mortgages to individual Flats, the actual location of a Flat shall be deemed conclusively to be the property intended to be conveyed, reserved or encumbered notwithstanding any minor deviations, either horizontally or vertically, from the proposed locations as indicated on Exhibits attached hereto.

5. Encroachment easement. To the extent that minor variations in location do or shall exist as set forth in subparagraph 4 hereinabove, i.e., in the event that any portion of the common elements now or hereafter encroaches upon any Flat, or vice-versa, or in the event that any portion of one Flat now or hereafter encroaches upon another Flat, then and in said event, a valid easement for the encroachment and for the maintenance of the same, so long as the property stands, does and shall exist.

6. Utility easement. A valid easement does and shall continue to exist throughout the property for the purpose of installation, maintenance, repair and replacement of cable television systems, sewer, water, power and telephone pipes, lines, mains, conduits, wires, poles, transformers and any and all other equipment or machinery necessary or incidental to the proper functioning of any utility systems.

7. Use of Common Elements. Each co-owner, tenant or occupant of a Flat may use the elements held in common in accordance with the purpose for which they are intended, without hindering or encroaching upon the lawful rights of the other co-owners, tenants or occupants. The Grantor intends that each Flat shall be designated one (1) parking space located in the rear of the Building in which the Flat is located. By virtue of this Master Deed, co-owner acknowledges the reservation of one (1) designated space and understands that any additional parking will be outside the boundary of General or Limited Common areas, as defined herein. Additional parking may be on the street or shared parking areas as provided and designated and permitted within the Habersham subdivision.

8. Right of access. The Association shall have the irrevocable right, to be exercised by its duly authorized officer or agent, to have access to each Flat and any Common Elements from time to time during reasonable hours as may be necessary for the maintenance, repair or replacement of any of the Common Elements therein or accessible from there; and at any time for making emergency repairs therein necessary to prevent damage to the Common Elements or to another Flat or Flats.

9. Use of Flats. All Flats shall be used exclusively for residential purposes. Grantor reserves the right to utilize one (1) Flat for sales / marketing purposes.

10. Window treatments. The co-owners of Flats located in all buildings of the condominium complex shall, prior to occupying the premises, be required to install, at the co-owner's expense, interior two-inch (2") white wooden louvered window blinds. The Developer, with approval from the HARB, reserves the right to change the required window treatment on a building-by-building basis.

11. Architectural Review Board. The Habersham Architectural Review Board (HARB) will have exclusive authority to approve or disapprove any modifications to the buildings or common areas, to include, but not be limited to approval or disapproval of the window treatments to be installed by the owner of each Flat prior to installation.

12. Prohibited acts. No co-owner, tenant or occupant shall:

(a) Place personal items of any kind on the General or Limited Common Elements, except as authorized by the Association.

(b) Install any television or radio antenna, or similar objects on the General or Limited Common Elements.

(c) Post any advertisements, posters or signs of any kind in or on the exterior of any portion of the individual Flats or General or Limited Common Elements except as authorized by the Developer and the Habersham Architectural Review Board.

(d) Hang garments, towels, rugs or similar objects on the General or Limited Common Elements or any exterior portion of the individual Flats (i.e., balconies, porches etc.)

(e) Place garbage or trash outside the areas provided for such purposes.

(f) No animals, livestock or poultry of any kind may be raised, bred, kept, or permitted on or in any Flat, General or Limited Common Elements or anywhere within the boundaries of Habersham, with the exception of dogs, cats or other usual and common household pets, but not more than a total of two (2) such pets; provided, however, those pets which are permitted to roam free, or, in the sole discretion of the Association, endanger the health, make objectionable noise or constitute a nuisance or inconvenience to the Owners of other Flats or any resident who resides in the Habersham subdivision may be ordered removed by the Board. No pets shall be kept, bred or maintained for any commercial purpose. Dogs and cats which are household pets shall, at all times whenever they are outside a Flat, be confined on a leash held by a responsible person. Dogs shall be walked only in those areas designated by the Association. All co-owners are responsible for clean-up behind their animal.

(g) Keep, park or maintain trailers, recreational vehicles, campers, and/or boats on any portion of the General or Limited Common areas. There shall be no abandoned vehicles permitted anywhere in the Habersham development without express written consent by the Board of Directors of the Association. "Abandoned vehicle" is defined as a vehicle that is not moved for a period of sixty (60) days or otherwise, in the discretion of the Board, after reasonable inquiry, reflects the intent of an abandoned vehicle.

IX

AMENDMENT OF MASTER DEED

1. Amendments by Developer: During any period in which the Developer retains the right to appoint and remove any directors and officers of the Association, Developer may unilaterally amend this Master Deed by an instrument in writing filed and recorded in the records of the Office of the Register of Mesne Conveyances of Beaufort County, South Carolina, without the approval of any co-owner or mortgagee; provided however that (a) in the event that such amendment materially alters or changes any co-owner's right to the use and enjoyment of his/her Flat as set forth in this Declaration or adversely affects the title to any Flat, such amendment shall be valid only upon the written consent thereto by a majority vote of the then existing co-owners affected thereby; or (b) in the event that such amendment would materially and adversely affect the interest of any Mortgagee, such amendment shall be valid only upon the written consent thereto of any such Mortgagee so affected. Any amendment made pursuant to this section shall be certified by the Developer as having been duly approved by the Developer, and by such co-owners and Mortgagees, if required, and shall be effective only upon recordation in the public records for Beaufort County, South Carolina, or at such subsequent date as shall be specified in the recorded amendment itself. Each co-owner, by acceptance of a deed or other conveyance to a lot, agrees that, if requested to do so by the Developer, such co-owner will consent to the amendment of this Declaration or any other instruments relating to the Property (a) if such amendment is necessary to bring any provision of any applicable governmental statute, rule or regulation or any judicial determination which shall be in conflict therewith, (b) if such amendment is necessary to enable any reputable title insurance company to issue title insurance coverage with respect to any Flat subject this declaration, (c) if such amendment is required by an institutional or governmental lender or purchaser of mortgaged land, including, for example the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, or (d) if any such amendment is necessary to enable any governmental agency or reputable private insurance company to insure mortgages on the Flats or other improvements subject to this Declaration.

2. Subject to the provisions set forth, neither this Master Deed nor any of its provisions shall be revoked or amended without the affirmative of sixty-six and two-thirds percent (66 2/3 %) of the co-owners affecting any Flat. Any such amendment shall become effective upon its filing in the public records of Beaufort County, South Carolina. Further, the system of administration as set forth in the By-Laws may be amended and modified from time to time in accordance with the provisions of the Act and any other applicable provisions of the Code of Laws of South Carolina and By-Laws of the Association.

X

Assessment of Costs and Establishment of Reserves

1. Budget; General Assessments.

(a) Budget Items. The budget shall estimate total expenses to be incurred by the Association in carrying out its responsibilities. These expenses shall include, but not limited to, the cost of wages, materials, insurance premiums, services, supplies and other expenses for the rendering of all services required by this Master Deed or properly approved in accordance with this Master Deed. The budget may include reserves, as described immediately below, working capital, and professional services, including fees for professional management of the Association, accounting services, and legal counsel.

(b) Reserves. The Village Flats Owners Association may establish and maintain a reserve account for repair and replacement of a building's roof based on the expected life and replacement cost. The Association may also establish reserves for repainting and other major expenses for the Common Elements of the Property as it deems reasonable, prudent and efficient.

(c) Adoption. At least one (1) month before the end of the fiscal year, the Board shall, by majority vote, adopt a budget for the coming year and set the assessments for budgeted expenses ("General Assessments"). At least two (2) weeks before the fiscal year to which the budget applies, the Board shall send to each co-owner a copy of the budget in reasonably itemized form, which shall include the amount of General Assessments payable according to Membership Interest.

(d) Review. If General Assessments are to be increased greater than 125% of the previous year's General Assessment, and at least 10% of the co-owners request review within seven (7) days of mailing of the budget to co-owners, the Board shall call a meeting of the co-owners to present the budget and to answer any questions. After presentation, the budget shall be deemed approved unless the percentage required in the

By-laws to transact business is present and the budget is rejected by co-owners representing a majority of the Membership Interests present. If the budget is rejected, the Board shall approve a new budget within ten (10) days and send a copy to each co-owner.

(e) Effect of Failure to Prepare or Adopt Budget. The Board's failure or delay in preparing or adopting the annual budget for any fiscal year, or review of the budget under paragraph (d) above, shall not waive or release an Owner's obligation to pay General Assessments whenever the amount of such assessments is finally determined. In the absence of an annual Association budget each co-owner shall continue to pay the assessment at the rate established for the previous fiscal period until notified otherwise.

2. Unanticipated or Extraordinary Expenses. When the Association is faced with an expense that cannot be paid from operating funds, it has two choices:

(a) Special Assessment. The Board may impose an additional assessment, ("Special Assessment") for any unusual or emergency maintenance or repair or other expense that this Master Deed and By-Laws or the Act requires the Association to pay, or for deferred maintenance for which reserves are insufficient. The Board may choose to spread the Special Assessment over a period of up to five (5) years.

(b) Using Reserves. If specifically authorized by the Board, reserves may be used for mandatory extraordinary expenses that are not included in the annual budget. However, rebuilding the reserve that is so utilized shall be a priority in the next budget. A Special Assessment may be used to which a certificate of occupancy has been replenish the reserve fund of the Association.

3. Payment of Assessments, Cost of Collection.

(a) Allocation. Except for costs specially mentioned as to a specific Flat, all General and all Special Assessments shall be shared among all Flats in accordance with each Village Flat's interest as noted in Exhibit C.

(b) Obligation. Each co-owner of a Flat, by acceptance of a deed, agrees to pay all General and Special Assessments established by the Association, and all costs assessed to that Flat as provided herein (together, the "Village Flat Assessment"). The obligation for assessments shall begin upon the transfer by deed of title to a Flat by the Grantor to a purchaser thereof. The Grantor shall not be liable for payment of assessments as to any Flat to which a Certificate of Occupancy has been issued and title is retained in Grantor's name.

XI

ALTERATIONS AND MODIFICATIONS

1. No co-owner shall make any structural modifications or alterations to a Flat, or remove any portion thereof, or make any additions thereto, or do anything which would jeopardize the safety or soundness of such Flat or Flat Buildings, adversely affect any of the Common Elements, or impair any easement, without first obtaining approval in writing of the Association and the Habersham Architectural Review Board (HARB).

2. There shall be no material alteration nor major capital improvement (any improvement requiring a capitalization of more than Twenty Five Thousand Dollars (\$25,000) other than "Special Assessments" requirements noted as they relate to repair and maintenance of existing structures of the common elements by the Association or any co-owner without the approval of the co-owners of sixty-seven percent (67%) or more of the common elements of the entire Association.

XII

RELIEF

Each co-owner, tenant and occupant of a Flat shall be governed by and shall comply with the terms of this Master Deed and all exhibits thereto, any regulations adopted hereunder, as same may be amended from time to time. Failure to comply therewith shall entitle the Association or other co-owners to the following relief:

1. Such relief may include but shall not be limited to an action to recover sums due for damages, the filing of a lien against an individual unit or injunctive relief, or all three, which actions may be maintained by the Association or, in a proper case, by an aggrieved co-owner.

2. A co-owner shall be liable to the Association for the expense of any maintenance, repair or replacement rendered necessary by the action, neglect, or carelessness of said co-owner or by that of any member of the co-owner's family or the co-owner's guests, employees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of a Flat or its appurtenances or of the Common Elements.

3. In any proceeding arising because of a default by a co-owner under any provisions of this Master Deed and all exhibits hereto, including violations of rules and regulations

established hereunder, the Association shall be entitled to recover the costs of the proceeding and such reasonable attorney's fees as may be awarded by the Court.

4. The failure of the Association or any person to enforce any covenant, restriction or other provision contained in the Act, this Master Deed, By-Laws and exhibits attached hereto, the rules and regulations adopted pursuant hereto and said documents as they may be amended from time to time, shall not constitute a waiver of the right to do so thereafter as to the offending co-owner or any other co-owner.

XIII

GRANTOR'S RESERVATION

Notwithstanding anything to the contrary herein, until the Grantor has completed and closed the sales of all of the Flats in the Association, neither the co-owners, the Association nor the use of the condominium property shall interfere with the sale of the Flats and Common Elements as may facilitate such completion and the sale of such Flats, including, but not limited to, maintenance of a sales office, the showing of any portion of the Property and the display of signs, at the discretion of the Grantor.

XIV

ANNEXATION

The Grantor, by executing this instrument, specifically reserves the right at its sole discretion to annex other properties to become part of the Property subject to this Master Deed and attachments hereto, as well as deleting and removing undeveloped parcels as provided in Article I, Section 17 herein. Any such action shall be by written instrument duly executed and recorded in the public records of Beaufort County, South Carolina.

XV

CONDITIONS OF TITLE

The present title to the property hereby subdivided by the Grantor and the title to each Flat which shall be hereafter conveyed or acquired in any manner, is hereby expressly declared and made subject to the terms and provisions of this instrument and its exhibits, and, further, to all covenants and restrictions of record as recited in the property description herein. The acquisition of title to a Flat shall be conclusively deemed to mean that the acquiring party

approves, adopts and ratifies the provisions of this Master Deed and all exhibits thereto, and will comply therewith. The covenants, agreements and restrictions set forth therein shall be appurtenant to each Flat, shall run with the land, and shall be binding upon the Grantor, its successors and assigns, and upon all persons whomsoever (including corporate and/or business entities) claiming by, through or under the Grantor, its heirs, executors, administrators, successors and assigns.

XVI

SEVERABILITY

It is the intention of the Grantor that the provisions of this instrument and its exhibits are severable so that if any provision, condition, covenant or restriction thereof shall be invalid or void under any applicable federal, state or local law, the remainder shall be unaffected thereby. In the event that any provision, condition, covenant or restriction thereof is, at the time of the recording of this instrument, void, voidable or unenforceable as being contrary to any applicable federal, state or local law, the Grantor, its successors and assigns, and all persons claiming by, through or under the Grantor, covenants and agrees that any future amendments or supplements to the said laws having the effect of removing said invalidity, voidability or unenforceability, shall be deemed to apply retroactively to this instrument and the exhibits thereto which otherwise might be invalid; and it is further covenanted and agreed that any such amendments and supplements to the said laws shall have the effect herein declared as fully as if they had been in effect at the time of the execution of this instrument.

XVII

RENTALS / LEASES

Subject to those conditions set forth in this instrument, including the By-Laws and rules and regulations thereunder, Flats may be leased. All leases will be subject to such other conditions, rules and regulations as are established from time to time by the Association's Board of Directors. A rental management company approved by the Association Board of Directors shall be engaged by the co-owner of a Flat as his/her/its agent for the purpose of managing the rental thereof.

XVIII

FNMA AND FHLMC REGULATIONS

Notwithstanding anything to the contrary contained in this Master Deed or in the exhibits attached hereto, all terms, conditions and regulations of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation pertaining to Condominiums (now existing or as may be amended, from time to time) are hereby incorporated herein as terms and conditions hereof and shall be governing upon the Association, the Grantor and the Association so long as the said terms, conditions and regulations are not inconsistent with or in violation of the laws of South Carolina.

XIX

CAPTIONS

Captions of titles in this document are inserted as a matter of convenience and for reference only, and in no way define, limit, extend or describe the scope of this document or the intent of any provision hereof.

IN WITNESS WHEREOF, the Grantor, Habersham Land Company, Inc., A South Carolina Corporation, has caused these presents to be executed this 22nd day of February, 2005.

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF

W. Dan E. Gatch
[Signature]

HABERSHAM LAND COMPANY, INC.,
A South Carolina Corporation

By: [Signature]
Robert J. Turner

Its: Vice President

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

PROBATE

PERSONALLY appeared before me the undersigned witness who made oath that s/he saw the within named Habersham Land Company, Inc., by Robert J. Turner, its Vice President, sign, seal and as its act and deed, deliver the within written instrument, and that s/he with the other witness above-named witnessed the execution thereof.

SWORN TO BEFORE ME, this 22nd day of February, 2005⁶.

Notary Public for South Carolina
My Commission Expires:

[Handwritten Signature]
9.4.06

[Handwritten Signature]
[Handwritten Signature]

EXHIBIT 'A'

ALL those certain pieces, parcels or lots of land, situate, lying and being on Port Royal Island, Beaufort County, South Carolina, shown and designated as Lot C51 and Lot C54, Phase 1-A, Habersham, on a plat thereof prepared by Davis & Floyd, Inc., consisting of 6 pages, dated June 24, 1997, and recorded in Plat Book 62 at Page 11, revised July 17, 1999, and recorded in Plat Book 71 at Page 76, Office of the Register of Deeds for Beaufort County, South Carolina.

DMP: R100 027 000 0129 0000 and R100 027 000 0131 0000

ALL that certain piece, parcel or lot of land, situate, lying and being on Port Royal Island, Beaufort County, South Carolina, shown and designated as Lot 604 (formerly Lot 604 and Lot 605), Phase V, Habersham, on a Lot Consolidation Plat prepared for Habersham Land Co. By David E. Gasque, R.L.S., dated November 23, 2005, and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Plat Book 110 at Page 88.

DMP: R100 027 000 0846 0000

ALL that certain piece, parcel or lot of land, situate, lying and being on Port Royal Island, Beaufort County, South Carolina, shown and designated as Lot 606 (formerly Lot 606 and Lot 607), Phase V, Habersham, on a Lot Consolidation Plat prepared for Habersham Land Co. By David E. Gasque, R.L.S., dated November 23, 2005, and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Plat Book 110 at Page 86.

DMP: R100 027 000 0848 0000

ALL that certain piece, parcel or lot of land, situate, lying and being on Port Royal Island, Beaufort County, South Carolina, shown and designated as Lot 608 (formerly Lot 608 and Lot 609), Phase V, Habersham, on a Lot Consolidation Plat prepared for Habersham Land Co. By David E. Gasque, R.L.S., dated November 23, 2005, and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Plat Book 110 at Page 87.

DMP: R100 027 000 0850 0000

EXHIBIT 'A', continued

ALL that certain piece, parcel or lot of land, situate, lying and being on Port Royal Island, Beaufort County, South Carolina, shown and designated as Lot 610 (formerly Lot 610 and Lot 611), Phase V, Habersham, on a Lot Consolidation Plat prepared for Habersham Land Co. By David E. Gasque, R.L.S., dated November 23, 2005, and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Plat Book 110 at Page 89.

DMP: R100 027 000 0582 0000

ALL those certain pieces, parcels or lots of land, situate, lying and being on Port Royal Island, Beaufort County, South Carolina, shown and designated as Lots 618, 619, 620, 621, 622, 623, 624, 625, 648, 649, 650, 651, 652, 653, 661, 662, 663, 664, 665 and 666, Phase V, Habersham, on a plat thereof prepared by Gasque & Associates, Inc., consisting of 3 pages, dated November 1, 2004, last revised March 14, 2005, and recorded in Plat Book 106 at Page 39, Office of the Register of Deeds for Beaufort County, South Carolina.

DMP: R100 027 000 0860 0000
R100 027 000 0861 0000
R100 027 000 0862 0000
R100 027 000 0863 0000
R100 027 000 0864 0000
R100 027 000 0865 0000
R100 027 000 0866 0000
R100 027 000 0867 0000
R100 027 000 0890 0000
R100 027 000 0891 0000
R100 027 000 0892 0000
R100 027 000 0893 0000
R100 027 000 0894 0000
R100 027 000 0895 0000
R100 027 000 0903 0000
R100 027 000 0904 0000
R100 027 000 0905 0000
R100 027 000 0906 0000
R100 027 000 0907 0000
R100 027 000 0908 0000

The properties hereinabove described are also subject to the Declaration of Covenants, Conditions, Restrictions and Easements for Habersham and the By-Laws of Habersham Neighborhood Association, Inc., dated September 15, 1997, and recorded in the RMC Office for Beaufort County, South Carolina, in Records Book 973 at Page 2537, and any amendments thereto.

EXHIBIT "B"

(Page 1)

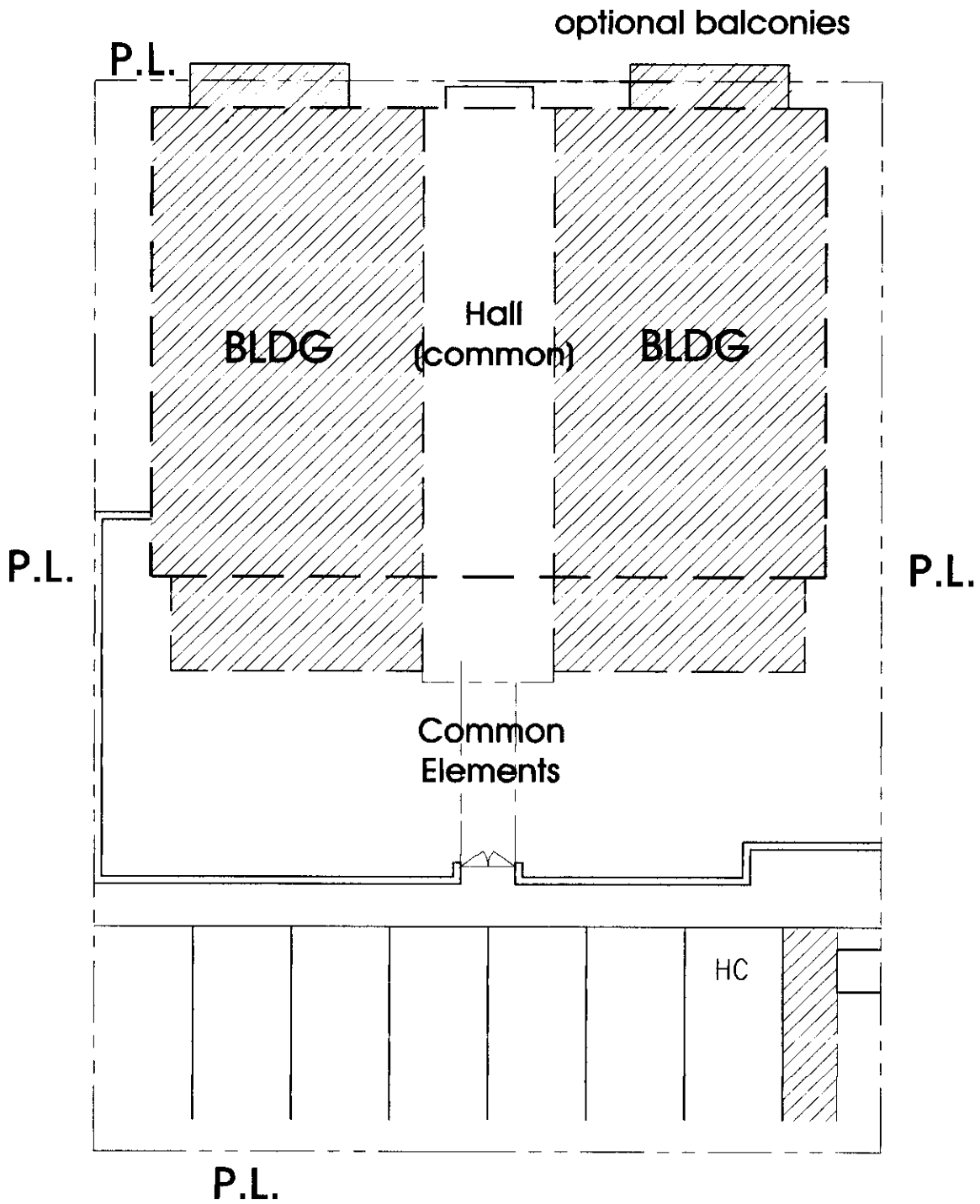


EXHIBIT B
PREPARED BY: ERIC BROWN

<p>DATE: 08/08/08 DRAWN: [signature]</p>	<p>BROWN DESIGN studio Architecture Urban Design 200 Bremer Ave. Ste. 202, Oakland, CA 94612 ph. (510) 533-4300 fax. (510) 533-4374</p>	<p>Habersham Village Flats Typical Flats Buildings and Common Areas</p>	
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HABERSHAM LAND COMPANY, INC.
A South Carolina Corporation

EXHIBIT "B"

(Page 2)

Plans and Specifications for all Units are available for review and inspection at the offices of Habersham Land Company, Inc., 22 Market, Beaufort, SC 29906.

HABERSHAM LAND COMPANY, INC.,
A South Carolina Corporation

EXHIBIT 'C'

SCHEDULE OF BASIC VALUES AND UNDIVIDED PERCENTAGE INTERESTS OF
VILLAGE FLATS HORIZONTAL PROPERTY ASSOCIATION

All Flats shall have equal percentage of ownership.

Exhibit "D"
BY-LAWS OF
VILLAGE FLATS OWNERS ASSOCIATION, Inc.
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BY-LAWS
OF
The Village Flats Owners Association, Inc.

ARTICLE I: Registered Office

The Village Flats Owners Association, Inc. a South Carolina nonprofit corporation (hereinafter the "Association"), shall have at all times within the State of South Carolina a registered office and a registered agent. The Association may have other offices within the State of South Carolina as may be determined from time to time by its Board of Directors (the "Board").

ARTICLE II: Membership in Association

- 2.1 **Eligibility:** The Association membership shall consist of the owners of Flats located on the real property described in Exhibit A to the Master Deed for Village Flats Horizontal Property Regime.
- 2.2 **Succession:** The membership of each Flat owner shall automatically terminate when he ceases to be a Flat owner, and upon the conveyance, transfer or other disposition of a Flat, said Flat owner's membership in the Association shall automatically be transferred to the new Flat owner.
- 2.3 **Annual Meetings:** The members shall regularly hold an annual meeting for the purpose of electing directors (subject to the rights reserved to Habersham Land Company, Inc. (the "Developer") to appoint and remove directors in accordance with the Master Deed for Village Flats Horizontal Property Regime and transacting such other business as may properly be brought before the meeting. The first regular annual meeting of members may be held, subject to the terms hereof, on any date, at the option of the Board, within one (1) year after the incorporation of the Association. Subsequent to the first meeting, there shall be a regular annual meeting. All such meetings of members shall be held at such place in Beaufort County, SC, and at such time as is specified in the written notice of such meeting. Subject to the terms of the Master Deed for Village Flats Horizontal Property Regime, (hereinafter the "Master Deed") such notice shall be delivered to all members at least fifteen (15) days and not more than forty-five (45) days prior to the date of such meeting. Such notice shall also state the purpose of such meeting.
- 2.4 **Special Meetings:** Special meetings of the members may be called by the

President or by a majority of the directors, or by 50% or more of the members. Special meetings shall be called by delivering written notice to all members not less than (7) days nor more than thirty (30) days prior to the date of said meeting, stating the date, time, place and purpose of the special meeting.

2.5 **Delivery of Notice of Meeting:** Notices of meetings shall be delivered by or at the direction of the Secretary of the Association and may be delivered either personally or by mail to a member at the address given to the Board by said member for such purpose, or to the member's Flat, if no address for such purpose has been given to the Board. Upon written request, any holder of a first mortgage shall be entitled to written notice of all meetings and shall be permitted to designate a representative to attend and observe any such meetings.

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

2.7 **Voting:** Each member shall be entitled to vote as set forth in the Master Deed, which vote may be cast by the member, the member's spouse or by a lawful proxy as provided below. When more than one person owns a Flat, the vote for such Flat shall be exercised as they between or among themselves determine, but in no event shall more than one vote be cast with respect to such Flat. In the event of disagreement among such persons and an attempt by two or more of them to cast the vote for such Flat, such persons shall not be recognized and the vote for such Flat shall not be counted. No member shall be eligible to vote, either in person or proxy, or be elected to the Board, if that member is shown on the books or management accounts of the Association to be more than thirty (30) days delinquent in any payment due the Association. Developer, as the developer of the Subdivision, shall be entitled to exercise the voting rights with respect to Flats owned by it. The following matters shall be subject to the affirmative vote of members owning not less than 67% of the Flats at a meeting duly called for the purpose: (a) the sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of property and assets of the Association; and (b) the purchase or sale of land or Flat on behalf of all members.

2.8 **Voting List:** A list of names and addresses of members entitled to vote shall be maintained at the registered office of the Association.

- 2.9 **Quorum:** Subject to the terms of the Master Deed, a quorum of members for any meeting shall be deemed present throughout such meeting if members represented in person or by proxy and holding more than fifty percent (50%) of the votes entitled to be cast at such meeting are present at the beginning of such meeting. If the required quorum is not present at any such meeting, a second meeting may be called by the Board, notice of which shall be given in accordance with the provisions of Section 2.5 hereof. The required quorum at such second meeting shall be thirty percent (30%) of the votes entitled to be cast at such meeting. No such second meeting shall be held more than sixty (60) days following the first meeting.
- 2.10 **Adjournment:** Any meeting of the members may be adjourned from time to time for periods not exceeding forty-eight (48) hours by vote of the members holding the majority of the votes represented at such meeting, regardless of whether a quorum is present. Any business which could be transacted properly at the original session of the meeting may be transacted at an adjourned session, and no additional notice of such adjourned session shall be required.
- 2.11 **Proxy:** Any member entitled to vote may do so by written proxy duly executed by the member setting forth the meeting at which proxy is valid. To be valid, a proxy must be filed with the Secretary prior to the opening of the meeting for which it is to be used. Proxies must be dated and may be revoked only by written notice delivered to the Association. Presence in person at the meeting for which a proxy is given or transfer of ownership of a Flat shall automatically revoke the proxy.
- 2.12 **Consents:** Any action which may be taken by a vote of the members may also be taken by written consent signed by all members.
- 2.13 **Rules of the Meeting:** The Board may prescribe reasonable rules for the conduct of all meetings of the Board and members.

ARTICLE III: Board of Directors

- 3.1 **Composition:** The affairs of the Association shall be governed by the Board. The Board shall be composed of at least three (3) but no more than seven (7) persons. As provided in the Master Deed, the Developer shall have the exclusive right to appoint and remove all members of the Board until such time as such right expires in accordance with the terms of the Master Deed. All directors shall be Flat owners or spouses of such; provided, however, that no Flat owner and his or her spouse may serve on the Board at the same time.

3.2 Term of Office: The directors shall be elected as provided in Section 3.7 of this Article. Each director, except in case of death, resignation, retirement, disqualification or removal, shall serve until the next succeeding annual meeting and thereafter until his successor shall have been elected and qualified.

3.3 Removal of Directors:

(a) At any regular or special meeting of the Association duly called, any one or more of the directors may be removed with or without cause by a majority vote of the members of the Association and a successor may then and there be elected to fill the vacancy thus created; provided, however, that so long as Developer has the right to appoint and remove directors of the Association pursuant to the Master Deed, the members of the Association shall not have the right to remove any director appointed by Developer. Any director whose removal has been proposed by the members shall be given at least ten (10) days' notice of the calling of the meeting and the purpose thereof and shall be given an opportunity to be heard at the meeting.

(b) With respect to directors appointed by Developer, such directors may be removed by Developer at any time and from time to time and successors appointed to serve in their place for so long as Developer has the right to appoint and remove directors of the Association pursuant to the Master Deed.

3.4 Vacancies: Subject to the provisions of Section 3.3, vacancies in the Board caused by any reason, including the addition of a new director or directors but excluding the removal of a director by the Developer or by vote of the Association, shall be filled by a vote of the majority of the remaining directors, even though less than a quorum, at any meeting of the Board for the remainder of the term of the Director being replaced. Said director shall serve until a successor shall be elected at the next annual meeting of the Association to fill the unexpired portion of the term.

3.5 Compensation: Directors shall not be compensated unless and to the extent the members of the Association authorize such at any meeting duly called for the purpose.

3.6 Nomination: Nomination for election to the Board shall be made by a nominating committee which shall consist of three (3) members appointed by the President to serve from the close of one annual meeting to the close of the succeeding annual meeting. Such appointment shall be announced at the annual meeting. The nominating committee may nominate any number of qualified individuals, but no less than the number of directors to be elected. The nominations shall be made at least twenty-one (21) days prior

to the annual meeting and a brief statement about the qualifications of each individual so nominated shall be included with the notice of the annual meeting. Nominations shall also be allowed from the floor at the meeting. Failure to comply with the provisions hereof shall in no way invalidate the election of directors so nominated.

3.7 Elections: Directors to be elected by the members of the Association shall be elected, from those nominated, by a majority vote at the annual meeting, a quorum being present.

3.8 Regular Meetings: Regular meetings of the Board may be held at such time and place as shall be determined from time to time by the Board, but such meeting shall be held at least once every four (4) months. The Board shall meet within ten (10) days after each annual meeting of members.

3.9 Special Meetings: Special meetings of the Board may be called by the President on three (3) days notice to each director.

3.10 Waiver of Notice: Any director may, in writing, waive any notice of any meeting of the Board, either before or after such meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall also constitute a waiver of notice by him or her of the time and place of such meeting. If all directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

3.11 Quorum: A quorum of directors shall be deemed present throughout any Board meeting at which a majority of the directors are present at the beginning of such meeting.

3.12 Conduct of Meeting: The President shall preside over all meetings of the Board and the Secretary shall keep a minute book recording therein all resolutions adopted by the Board and a record of all transactions and proceedings occurring at such meetings. Roberts Rules of Order (latest edition) shall govern the conduct of the meetings of the Board when not in conflict with the Master Deed or these By-Laws.

3.13 Action Without a Meeting: Any action by the Board required or permitted to be taken at any meeting may be taken without a meeting if all of the directors consent in writing to such action. Such written consent or consents shall be filed with the minutes of the Board.

3.14 Powers and Duties: The Board shall exercise for the Association all powers, duties and authority vested therein by the Master Deed and these By-Laws, except for such powers, duties and authority reserved thereby to the members of the Association or the Developer, The Board shall have the following powers and duties:

- (a) To elect and remove the officers of the Association as hereinafter provided;
- (b) To administer the affairs of the Association;
- (c) To engage the services of an agent (hereinafter sometimes referred to as the "Managing Agent"), to maintain, repair, replace, administer and operate the Common Areas (as defined in the Master Deed) or any part thereof, and to collect and disburse, or to assist in the collection and disbursement of, the assessments for Common Expenses (as defined in the Master Deed), upon such terms and for such compensation as the Board may approve, including a Managing Agent which is affiliated with one or more directors, or the Developer, or both;
- (d) To administer, manage and operate the Common Areas and to formulate policies thereof;
- (e) To adopt rules and regulations, with written notice thereof to all members of the Association, governing the details of the administration, management, operation and use of the Common Areas, and to amend such rules and regulations from time to time;
- (f) To have access to each Flat from time to time as may be necessary for the maintenance, repair, replacement and improvement of the Commons therein or accessible therefrom and those portions of the Flat, if any, for which the Association is responsible, or for making emergency repairs therein necessary to prevent damage to the Common Areas or to one or more other Flats;
- (g) To obtain adequate and appropriate kinds of insurance, specifically building insurance and common area liability insurance;
- (h) To engage or contract for the services of others, and to make purchases for the maintenance, repair, replacement, administration, management and operation of the Common Areas and those portions of Habersham for which the Association is responsible, and to delegate any such powers to a Managing Agent (and any employees or agents of a Managing Agent);
- (i) To appoint committees and to delegate to such committees the Board's authority to carry out certain duties of the Board;
- (j) To determine the fiscal year of the Association and to change said fiscal

year from time to time as the Board deems advisable;

- (k) To estimate the amount of, prepare, adopt and distribute the budget for the Association not less frequently than annually, to provide the manner of assessing, levying on and collection from the members the annual and special assessments, dues and fees, and to levy fines and individual assessments against one or more occupants or members in accordance with the Master Deed; and
- (l) To keep detailed, accurate records of the receipts, if any, and expenditures affecting the use and operation of the Common Areas; and
- (m) To bid and purchase, for and on behalf of the Association, any Flat, or interest therein, at a sale pursuant to a mortgage foreclosure, a foreclosure of the lien for annual assessments, or an order of a court, or at any other involuntary sale, upon the consent or approval of members owning not less than 67% of the Flats, provided that such consent shall set forth a maximum price that the Board or its duly authorized agent may bid and pay for such Flats or interest therein; and
- (n) To make such mortgage arrangements and special assessments proportionately among the respective members, and other such financing arrangements, as the Board may deem desirable, in order to close and consummate the purchase or lease of a Flat, or interest therein, by the Association; provided, however, that no such financing arrangement shall be secured by an encumbrance on any interest in the Property (as defined in the Master Deed) other than the Flats, or interest therein, to be purchased or leased; and
- (o) To act in a representative capacity in relation to matters involving the Common Areas or more than one Flat, on behalf of the members of the Association as their interest may appear; and
- (p) To enforce by legal means the provisions of the Master Deed and these By-Laws with respect to the Property; and
- (q) To renew, extend or compromise indebtedness owed to or by the Association; and
- (r) Unless otherwise provided herein or in the Master Deed for Village Flats Horizontal Property Association, to comply with the instruction of a majority of the members as expressed in a resolution duly adopted at any annual or special meeting of the Association; and

(s) In addition to, and in furtherance of, the powers referred .

3.15 **Nondelegation:** Nothing in this Article or elsewhere in these By-Laws shall be considered to grant to the Board, the Association or the officers of the Association any powers or duties which, by law, have been delegated to the members.

ARTICLE IV: Officers

4.1 **Designation:** At each regular annual meeting of the Board, after the members elect the Board, The directors present at said meeting shall elect the following officers of the Association by a majority vote; provided, however, that such officers shall be appointed by Developer for as long as Developer has the exclusive right to appoint and remove all officers of the Association pursuant to the Master Deed.

1 (a) a President, who shall be a director and who shall preside over the meeting of the Board and of the members, and who shall be the chief executive officer of the Association.

(b) a Secretary, who may be a director, shall keep the minutes of all meetings of the Board and of the members, and shall be designated as the officer to mail and receive all notices served by or upon the Board or the Association and execute amendments to the Master Deed and these By-Laws, and shall in general, perform all the duties incident to the office of Secretary, and may be a representative of the Managing Agent;

(c) a Treasurer, who may be a director, shall be responsible for financial records and books of account and the manner in which such records and books are kept and reported; provided, however, that the duties of the Treasurer may be performed by an employee or independent contractor retained by the Board; and

(d) such additional officers as the Board shall see fit to elect. Any two or more officers may be held by the same person, except the offices of President and Secretary.

4.2 **Powers:** The respective officers shall have the general powers usually vested in such officers; provided that the Board may delegate any specific powers to any other officer or impose such limitations or restrictions upon the powers of any officer as the Board may see fit.

4.3 **Term of Office:** Each officer shall hold office for the term of one (1) year and until his successor shall have been appointed or elected and qualified.

4.4 **Vacancies:** Developer shall fill Vacancies in any office, for as long as Developer has the exclusive right to appoint and remove officers of the Association pursuant to the Master Deed, or by the Board by a majority vote at a special meeting of said Board, as the case may be. Any officer so appointed by Developer or elected by the Board to fill a vacancy shall hold office for a term equal to the unexpired term of the officer replaced.

4.5 **Compensation:** The officers shall receive no compensation for their services as officers, unless expressly provided for in a resolution duly adopted by the members at a meeting duly called for that purpose.

4.6 **Removal:** Any officer elected by the Board may be removed from office, either with or without cause, by a majority vote of the Board. Any officer appointed by Developer may be removed by Developer at any time and from time to time and successors appointed to serve in their place for as long as Developer has the exclusive right to appoint and remove officers of the Association pursuant to the Master Deed.

ARTICLE V: Contractual Powers

No contract or other transaction between the Association and one or more of its directors or between the Association and any corporation, firm or association in which one or more of the directors are also directors, or are financially interested, is void or voidable because such director or directors are present at the meeting of the Board or a committee thereof which authorizes or approves the contract or directors are counted toward such authorization or approval, if the circumstances specified in either the following subparagraphs exists.

- (a) the fact of the common directorship or financial interest is disclosed or known to the Board or committee and noted in the minutes thereof, and the Board or committee authorizes, approves or ratifies the contract or transaction in good faith by a vote sufficient for the purpose, without counting the vote or votes of such director or directors; or
- (b) the contract or transaction is just and reasonable as to the Association at the time it is authorized or approved.

Such common or interested directors may be counted in determining the presence of a quorum at meeting of the Board of a committee thereof which authorizes, approves or ratifies such a contract or transaction.

ARTICLE VI: Indemnification

6.1 Definitions: The term "director", "expenses", "liability", "party" and "proceeding" shall have the meanings found in the Code of Laws of South Carolina.

6.2 Authority to Indemnify:

(a) Except as provided in subsections (c) and (d) of this Section 6.2, the Association may indemnify or obligate itself to indemnify an individual made a party to the proceeding, because he is or was a director, against liability incurred in the proceeding if he acted in a manner he believed in good faith to be in or not opposed to the best interests of the Association and, in the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful.

(b) The termination of a proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that the director did not meet the standard of conduct set forth in subsection (a) of this Section 6.2.

(c) The Association may not indemnify a director under Section 6.2.

(i) In connection with a proceeding by or in the right of the Association in which the director was adjudged liable to the Association; or

(ii) In connection with any other proceeding in which he was adjudged liable on the basis that personal benefit was improperly received by him.

(d) Indemnification permitted under this Section 6.2 in connection with a proceeding by or in the right of the Association is limited to reasonable expenses incurred in connection with the proceeding.

6.3 Mandatory Indemnification: To the extent that a director has been successful, on the merits or otherwise, in the defense of any proceeding to which he is or was a director of the Association, the Association may indemnify the director against reasonable expenses incurred by him in connection with the proceeding.

6.4 Advance for Expenses:

(a) The Association may pay for or reimburse the reasonable expenses incurred by a director who is a party to a proceeding in advance of final disposition of the proceeding if:

- (i) The director furnishes the Association a written affirmation of his good faith belief that he has met the standard of conduct set forth in subsection (a) of Section 6.2; and
- (ii) The director furnishes the Association a written undertaking executed personally or on his behalf, to repay any advances if it is ultimately determined that he is not entitled to indemnification under this part.

6.5 Determination and Authorization of Indemnification:

- (a) The Association may not indemnify a director under Section 6.2 unless authorized thereunder and a determination has been made in the specific case that indemnification of the director is permissible in the circumstances because he has met the standard of conduct set forth in subsection (a) of Section 6.2.
- (b) The determination shall be made;
 - (i) By the Board of Directors by majority vote of a quorum consisting of directors not at the time parties to the proceeding;
 - (ii) If a quorum cannot be obtained under paragraph (1) of this subsection, by majority vote of a committee duly designated by the Board of Directors (in which designation directors who are parties may participate), consisting solely of two or more directors not at the time parties to the proceeding;
 - (iii) By special legal counsel:
 - a. Selected by the Board of Directors or its committee in the manner prescribed in paragraph (1) or (2) of this subsection; or
 - b. If a quorum of the Board of Directors cannot be obtained from paragraph (1) of this subsection and a committee cannot be designated under paragraph (2) of this subsection, selected by majority vote of the full Board of Directors (in which selection directors who are parties may participate);

6.6 Indemnification of the Developer, Officers, Employees, Agents, etc.

- 1. An officer of the Association who is not a director is entitled to

indemnification hereunder to the same extent as a director of the Association; and

2. The Association may also indemnify against liability and advance expenses to the Developer, each member of any committee appointed pursuant to the By-Laws of the Association and the Association's officers, employees, or agents who are not directors to the same extent as a director as provided in this Article VI, so long as the same is consistent with public policy and the Articles of Incorporation, these By-Laws, general or specific action of this Boards of Directors, or contract.

6.7 Insurance. The Association may purchase and maintain insurance on behalf of an individual who is or was a director, officer, employee, or agent of the Association against liability arising from his status as a director, officer, employee, or agent, whether or not the Association would have power to indemnify him against the same liability under Sections 6.2 or 6.3.

6.8 Limitations.

(a) The provision for indemnification of or advance for expenses to the directors contained in the Articles of Incorporation, these By-Laws, a resolution of the Association's members or Board of Directors, or in a contract or otherwise, is valid only if and to the extent the provision is consistent with South Carolina Law. If the Articles of Incorporation limit indemnification or advance for expenses, indemnification and advance for expenses are valid only to the extent consistent with the Articles of Incorporation.

(b) This Article VI does not limit the Association's power to pay or reimburse expenses incurred by a director in connection with his appearance as a witness in a proceeding at a time when he has not been made a named defendant or respondent to the proceeding.

6.9 Severability. In the event that any of the provisions of this Article VI (including any provision within a single sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, the remaining provisions are severable and shall remain enforceable to the fullest extent permitted by law.

6.10 Amendment to Code. If the South Carolina Law hereinafter is amended to authorize broader indemnification of such directors, officers, agents and employees of the Association shall be expanded to the fullest extent permitted by such amendment.

6.11 Non-Exclusive Remedy. The indemnification provided by this article VI

shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute, agreement, vote of members of the Association or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

ARTICLE VII. Use Restriction and Rule Making

7.1 Authority and Enforcement. The property shall be used only for those uses and purposes set out in the Master Deed for Village Flats Horizontal Property Regime. The Board shall have the authority to make and to enforce reasonable rules and regulations governing the conduct, use and enjoyment of Flats and the Commons. The Board shall have the power to impose reasonable fines which shall constitute an equitable charge and a continuing lien upon a member's Flat and to suspend a members right to vote for violation of any duty imposed under the Master Deed, these By-Laws and/or rules and regulations duly adopted hereunder.

7.2 Procedure. Except with respect to the Failure of any member to pay assessments, dues or fees, the Board shall not impose a fine, suspend a member's right to vote or infringe upon any other rights of a member or other occupant for violation of any rules or regulations of the Association unless and until the following procedure is followed:

(a) **Demand.** Written demand to cease and desist from an alleged violation shall be served by certified mail upon the alleged violator specifying: (1) the alleged violation; (2) the action required to abate the violation; and (3) a time period, not less than (10) days, during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any further violation of the same rule or regulation may result in the imposition of sanctions after notice and hearing, if the violation is not a continuing one.

(b) **Notice.** At any time within twelve (12) months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty, or if the same rule or regulation is subsequently violated, the Board may serve the violator with written notice of a hearing to be held by the Board in executive session. The notice shall contain: (1) the nature of the alleged violation; (2) the time and place for the hearing, which time shall be not less than (10) days from giving of the notice; (3) an invitation to attend the hearing and produce any statement, evidence and witnesses on his or her behalf; and (4) the proposed sanction to be imposed.

(c) **Hearing.** The hearing shall be held in executive session pursuant to the notice affording the violator a reasonable

opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the officer, director or other individual who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any imposed.

ARTICLE VIII. Amendments

These By-Laws may be amended, modified or restricted, from time to time, in the following manner:

- 8.1 Notice.** Notice of the subject matter of a proposed amendment shall be included in the notice of any meeting at which a proposed amendment is to be considered.
- 8.2 Adoption.** The Board shall have the power to alter, amend or repeal any of these By-Laws or to adopt new by-laws by the affirmative vote of a majority of all of the directors, but any by-laws adopted by the Board may be altered, amended or repealed and new by-laws adopted by the affirmative vote of at least two-thirds (2/3) of the members of the Association. The members may prescribe in any by-law adopted by them that such by-law shall not be altered, amended or repealed by the Board.
- 8.3 Provision.** No amendment may be adopted which would eliminate, modify, prejudice, abridge or otherwise adversely affect any right, benefits, privileges or priorities granted or reserved to the Developer or any mortgagee without the prior written consent of the Developer and/or said mortgagee(s), as the case may be. No amendment that is in conflict with the Articles of Incorporation of the Association or the Master Deed for Village Flats Horizontal Property Regime shall be adopted.

ARTICLE IX. Miscellaneous

- 9.1 Notices.** Unless otherwise provided in these By-Laws, all notices, demands, bills, statements or other communications under these By-Laws shall be in

writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

- (a) If to a member of the Association, at the address which such member has designated in writing and filed with the Secretary, or if no such address has been designated, at the address of the Flat of such member; or
- (b) If to the Association, the Board or the Managing Agent, at the principal office of the Association or the Managing Agent, if any, or at such other address as shall be designated by the notice in writing to the members pursuant to this Paragraph.

9.2 Severability. 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.

9.3 Captions. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of these By-Laws or the intent of any provision thereof.

9.4 Gender and Grammar. The use of the masculine gender in these By-Laws shall be deemed to include the feminine gender, and the use of the singular shall be deemed to include the plural, whenever the context so requires.

9.5 Fiscal Year. The fiscal year of the Association shall be the calendar year, unless otherwise determined by the Board.

9.6 Compilation of Financial Statements. A compilation of financial statements and tax returns of the Association shall be made annually as a common expense by a public accountant, and a copy of the report shall be furnished to each member who requests a copy in writing. Upon written request of any holder of a first mortgage, such holder shall be entitled to receive a copy of the annual audited financial statement within ninety (90) days after the end of each fiscal year.

9.7 Mortgagees' Notice. A first mortgagee, upon written request, will be entitled to written notification from the Association of any default by a member, who is the mortgagee's mortgagor, in the performance of his obligations under the Master Deed which is not cured within thirty (30) days.

9.8 Conflicts. In the event of conflicts between the Master Deed, the Articles of Incorporation and these By-Laws, the Master Deed and Articles of Incorporation shall control, in that order.

IN WITNESS WHEREOF, the Grantor, Habersham Land Company, Inc., has caused these presents to be executed this 22nd day of February, 2006.

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF:

[Signature]
[Signature]

HABERSHAM LAND COMPANY, INC.,
A South Carolina Corporation

By: [Signature]
Robert J. Turner
Its: Vice President

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT) PROBATE

PERSONALLY appeared before me the undersigned witness who made oath that s/he saw the within named Habersham Land Company, Inc., by Robert J. Turner, its Vice President, sign, seal and as his act and deed, deliver the within written instrument, and that s/he with the other witness above-named witnessed the execution thereof.

SWORN TO BEFORE ME, this 22nd day of February, 2006.

[Signature]
Notary Public for South Carolina
My Commission Expires: 9.4.06

[Signature]

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