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**MASTER DEED
CONTINENTAL CLUB**

**CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME
HILTON HEAD ISLAND, SOUTH CAROLINA**

BY

JAMES P. FITZGERALD

OCTOBER 12, 1998

* R550-18-4B-0

**CONTINENTAL CLUB
HORIZONTAL PROPERTY REGIME**

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STATE OF SOUTH CAROLINA)
)
 COUNTY OF BEAUFORT)
)
 JAMES P. FITZGERALD)
)
 TO)
)
 CONTINENTAL CLUB)
 HORIZONTAL PROPERTY)
 REGIME)

MASTER DEED ESTABLISHING
 CONTINENTAL CLUB HORIZONTAL
 PROPERTY REGIME

At Hilton Head Island, County of Beaufort, State of South Carolina, on this 12th day of October, 1998, James P. Fitzgerald, hereinafter referred to as "Declarant", does hereby declare:

ARTICLE I
LAND

Declarant is the owner of the land described in Exhibit "A" attached hereto and made a part hereof which is also shown on the "as built" survey thereof, said "as built" survey being designated as Exhibit "B" and being attached hereto and made a part hereof and being recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Plat Book 67 at Page 24.

ARTICLE II
PROPERTY; REGIME; ASSOCIATION

Declarant does hereby submit the land described on Exhibit "A", together with the building and improvements erected thereon, and all easements, rights and appurtenances belonging thereto (the "Property") to the provisions of the Horizontal Property Act of South Carolina, as amended, 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 CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME (the "Regime") to be governed by and be subject to the provisions of this Master Deed and the provisions of the Horizontal Property Act of South Carolina, as amended. Declarant does further declare that it has caused to be incorporated under the laws of the State of South Carolina an association known as Continental Club Owners' Association, Inc., which shall, pursuant to the provisions of Section 27-31-90 of the Horizontal Property 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.

**ARTICLE III
IMPROVEMENTS**

The improvements constructed on and forming a part of the Property are constructed in accordance with the as-built survey attached as Exhibit "B" hereto and the floor plans attached as Exhibit "C" hereto and made a part hereof which survey was prepared by, Coastal Surveying Co., Inc.; Antoine Vinel, S.C. R.L.S. No. 9064, and floor plans which were prepared by Corkern, Wiggins, Lee, Lominach-Architects, architects duly licensed to practice in the State of South Carolina. Attached to this Master Deed as Exhibit "D" is a certificate by said architect that the Condominium Units constructed on the Property were constructed substantially in compliance with said plans.

**ARTICLE IV
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 from time to time.

(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 Continental Club 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) "Building" 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 ARTICLE VII 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; and

(2) Expenses declared Common Expenses by provisions of this Master Deed.

(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" or "Owner" means a person, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof, who owns a Unit within the Building.

(j) "Condominium" means a Unit in the CONTINENTAL CLUB 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) "Declarant" means James P. Fitzgerald, a resident of Hilton Head Island, Beaufort County, South Carolina, and his heirs and assigns.

(n) "Majority of Co-Owners" means the Co-Owners owning fifty-one (51%) percent or more of the value of the Property.

(o) "Master Deed" means this deed establishing and recording the Property of the Regime and all exhibits hereto.

(p) "Person" means an individual, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof.

(q) "Property" means and includes the land, the Buildings, all improvements and structures thereon, as shown and depicted on Exhibit "A" and Exhibit "B" and all easements, rights and appurtenances belonging thereto.

(r) "Regime" means CONTINENTAL CLUB 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.

(s) "Utility services" means and shall include, but shall not be limited to, electric power, hot and cold water, heating, refrigeration, air conditioning, telephone, cable television, gas, garbage and sewage disposal.

(t) "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.

ARTICLE V
DESCRIPTION OF UNITS, USE, REPAIRS

Section 1. General Description of Units and Use.

The Property includes three (3) Buildings, one Building containing eight (8) individual Units and the other two (2) Buildings containing four (4) individual Units each, all of which are to be used for residential purposes only. The Units are capable of individual utilization due to 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 Act.

Section 2. Individual Units.

There are two (2) basic types of Units in the CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME. These two types are described as follows:

- Two Bedroom: A two (2) bedroom floor plan containing approximately 1090 heated square feet;**
- Three Bedroom: A three (3) bedroom floor plan containing approximately 1330 heated square feet;**

The floor plans of the above-described Units are more particularly designated and described in the Architect's Walk Through Description attached hereto and incorporated herein as Exhibit "E".

The eight (8) Units contained in Building #1 are located and numbered as follows:

<u>Unit No.</u>	<u>Residence Type</u>
101B	3 Bedroom
102A	2 Bedroom
103A	2 Bedroom
104A	2 Bedroom
105A	2 Bedroom
106A	2 Bedroom
107A	2 Bedroom
108B	3 Bedroom

The four (4) Units contained in Building #2 are located and numbered as follows:

<u>Unit No.</u>	<u>Residence Type</u>
109B	3 Bedroom
110A	2 Bedroom
111A	2 Bedroom
112B	3 Bedroom

The four (4) Units contained in Building #3 are located and numbered as follows:

<u>Unit No.</u>	<u>Residence Type</u>
113B	3 Bedroom
114A	2 Bedroom
115A	2 Bedroom
116B	3 Bedroom

All of the aforementioned Units are more particularly shown on the plans thereof attached hereto as Exhibit "C" which plans are incorporated herein in the same manner as if expressly set forth in this Section 2 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 3, shall constitute a complete description of the Units within the Regime.

Section 3. Boundaries: General Rule.

(a) The upper and lower boundaries of each Unit are the interior unfinished surfaces of the floors and ceilings of each Unit. The perimetric 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, it shall be the vertical plane of the interior surface of the exterior sheathing subject to such encroachments as now exist or may be caused or created by the construction, settlement or movement of the Building or by repairs, construction or alterations. All insulated glass windows and all doors directly accessing the Unit are part of the Unit.

(2) As to all Unit exterior walls which physically divide one Unit from another Unit, it shall be the vertical plane of the centerline of said partition walls.

(3) 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

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 and any and all other similar mechanical or physical fixtures which are within the perimetric 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 heating, air conditioning and ventilation system, located in the service area and in the equipment rooms, 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 non-bearing partitions, and other fixtures and improvements within the boundaries of a Unit installed with the perimetric walls or ceilings whether, as a part of the original construction or as a part of subsequent construction, are a part of the Unit.

Section 4. 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 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) the 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 pump units, (compressors, air handlers and condensers), water heaters, lavatories, bath tubs, toilets, carpeting, floor covering, flooring, trim, ceilings, walls, insulation, 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, lattice work, partitions, railings, or balustrades bounding or enclosing any deck, walkways, porch or service area that is integral and exclusive to the Unit, and the concrete surface, and/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 lamps attached to the exterior of the Unit;

(8) any damage to the Unit itself or to a contiguous (i.e. either adjacent, upstairs or downstairs) 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; and

(9) no Unit Owner may conduct exterior maintenance or exterior cleaning on their Unit without the express consent of the Association. Any interior maintenance or cleaning shall be conducted in such a manner as not to cause unreasonable noise or disturbance to other Unit Owners.

(b) Except in the event of an emergency situation, in the event that the Association determines that any Owner has failed or refused to discharge properly 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, 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. In the event of emergency situations or the failure of any Owner to comply with the provisions hereof after such notice, the Association may provide any such maintenance, cleaning, repair, or replacement at such Owner's sole cost and expense, and said cost shall be added to and become a part of the Assessment to which such Owner and his Unit are subject and shall become a lien against such Unit as provided herein.

Section 5. 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) 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.

(c) 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 and such entry shall not be deemed as a trespass. 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.

(d) 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.

(e) Each Unit shall be used for single-family residential purposes only, and no trade or business of any kind may be carried on therein. The utilization of any Unit, or any portion thereof, as an office by any owner or tenant thereof shall be considered to be a violation of this Declaration where such utilization of a Unit as an office creates any type of regular customer, client, or employee vehicular or pedestrian traffic to and from any such dwelling. Additionally, no Unit, or any portion thereof, shall be used as the office or storage area for any building contractor or real estate developer, except those sales offices of the Declarant as permitted in this Declaration.

Section 6. 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.

Section 7. 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 "F".

ARTICLE VI
AREAS COMPRISING PROPERTY

The Property as originally constructed has a total of approximately 1.209 acres on which are situated three (3) Buildings containing approximately 10,704 square feet of such acreage and

the remaining approximately 41,949 square feet is made up of parking, sidewalks, outside landscape areas and other Common Elements. The Units within the Building are located on two (2) floors.

ARTICLE VII
COMMON ELEMENTS

The Common Elements of the Property are as follows:

Section 1. The General Common Elements are as follows:

(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, the roofs, exterior portions of perimeter walls, including exterior 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 ARTICLE V, Section 3. In each instance, there shall also be included the space actually occupied by the above.

(b) Parking facilities located on the Property which are shown on the plat of the Property attached hereto and identified as Exhibit "B".

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

(d) The fire equipment rooms and appurtenant equipment room, and sprinkler systems and area occupying same.

(e) 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.

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

(g) The mail box area and all appurtenances thereof.

(h) The easement for access as described on Exhibit "A".

(i) 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 reconstruction of all or any part thereof, except such easements as may be defined as "Limited Common Elements".

(j) All areas not designated as a Limited Common Element and not described as lying within the boundary of a Unit as described in ARTICLE V, Section 3 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.

Section 2. The Limited Common Elements are as follows:

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 Continental Club, the Limited Common Elements are as follows:

(a) All balconies, porches, stairways and decks immediately adjacent to each Unit or to which each Unit has direct access from the interior thereof as shown on the floor plans identified as Exhibit "C" and on the "as built" survey attached as Exhibit "B".

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

(c) All other areas depicted as Limited Common Elements to the Units on the floor plans attached as Exhibit "C".

**ARTICLE VIII
REVOCATION AND AMENDMENT**

The dedication of the Property to the CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME herein shall not be revoked, or the Property removed from the CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME, or any of the provisions herein amended unless all of the Co-Owners and the mortgagees of all the mortgages covering the Units unanimously agree to such revocation, or amendment, or removal of the Property from the CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME by duly recorded instrument.

**ARTICLE IX
PERCENTAGE OF INTEREST OF UNITS**

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 in Exhibit "G" attached hereto

and made a part hereof. 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 and in Exhibit "G" 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 ARTICLE VIII hereof.

ARTICLE X
ADMINISTRATION AND BY-LAWS

Section 1. Association: By-Laws.

As noted in ARTICLE II hereof, Declarant has caused to be incorporated under the laws of the State of South Carolina a corporation known as Continental Club 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 in ARTICLE I, II and III, 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 "F".

Section 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 upon Exhibit "G" attached hereto. 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.

ARTICLE XI
CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME CONSTITUTED

As appears above, a CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME is hereby constituted under and subject to the provisions of the Act, 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.

ARTICLE XII
DECLARANT SUBJECT TO MASTER DEED;
DECLARANT USE

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 CONTINENTAL CLUB HORIZONTAL PROPERTY 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 or short 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.

ARTICLE XIII
COMMON ELEMENTS NOT PARTITIONED

Except as provided herein, the Common Elements shall remain undivided and no Co-Owner shall bring any action for partition and/or division.

ARTICLE XIV
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.

ARTICLE XV
PROVISIONS AND COVENANTS APPLICABLE TO UNITS

Each Co-Owner shall comply with the provisions of this Master Deed and authorized amendments thereto and the 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.

ARTICLE XVI
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.

ARTICLE XVII
ALL USERS OF PROPERTY SUBJECT TO MASTER DEED

All present or future Co-Owners, 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.

ARTICLE XVIII
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 encumbering 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 prior to the acquisition of title through foreclosure or deed in lieu of foreclosure, the Association shall be free to file and claim liens for such assessments and enforcing same as provided by law, and that such assessment shall be subordinate to such mortgage.

ARTICLE XIX
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 "F" attached hereto and made a part hereof.

ARTICLE XX
RECONSTRUCTION AND REPAIR

In the event of casualty loss or damage to the Property, the provisions of ARTICLE IX of the By-Laws as set forth in Exhibit "F" shall govern all matters pertaining to reconstruction and repair.

ARTICLE XXI
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 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 Elements, 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 (as provided for in the By-Laws), for the use and benefit of the Unit Owners and their mortgagees as their interests may appear.

ARTICLE XXII
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.

ARTICLE XXIII
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.

ARTICLE XXIV
SEVERABILITY

The provisions hereof 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.

ARTICLE XXV
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.

ARTICLE XXVI
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.

ARTICLE XXVII
APPLICABLE LAW

This Master Deed is set forth to comply with the requirements of the Horizontal Property Act of South Carolina 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.

ARTICLE XXVIII
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.

ARTICLE XXIX
EXHIBITS

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

1227

IN WITNESS WHEREOF, Declarant has executed this Master Deed this 12th day of October in the year of Our Lord One Thousand Nine Hundred and Ninety-eight and in the Two Hundred and Second year of the Sovereignty and Independence of the United States of America.

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF:

Ed H
Margaret B. Luckey James P. Fitzgerald
JAMES P. FITZGERALD

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

ACKNOWLEDGMENT

I, Margaret B. Luckey, a Notary Public for the State of South Carolina, do hereby certify that James P. Fitzgerald, personally appeared before me this day and, in the presence of the two witnesses above named, acknowledged the due execution of the foregoing instrument.

Witness my hand and seal this 12th day of October, 1998.

Margaret B. Luckey
Notary Public for South Carolina
My Commission expires: 3/9/08

INDEX OF EXHIBITSCONTINENTAL CLUB HORIZONTAL PROPERTY REGIME

- Exhibit "A" - Description of Land
- Exhibit "B" - As-Built Survey
- Exhibit "C" - Elevations and Floor Plans of Building and Units
- Exhibit "D" - Architect's Certificate
- Exhibit "E" - Description of Units ("Walk Through")
- Exhibit "F" - By-Laws of Continental Club Horizontal Property Regime and Continental Club Owners' Association, Inc.
- Exhibit "G" - Percentage of Interest applicable to Units

EXHIBIT "A" TO MASTER DEED OF
CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME
DESCRIPTION OF LAND

All that certain piece, parcel or tract of land, situate, lying and being in Forest Beach Subdivision, Hilton Head Island, Beaufort County, South Carolina, having and containing 1.0108 acres, more or less, and being described as follows: Starting at the Northeastern intersection of the Rights-of-Way of Forest Beach Drive (100' Right-of-Way) and the 20 foot utility easement, thence along the Eastern Right-of-Way line of the 20 foot utility easement 65 feet to the point of beginning. From said point of beginning, proceed along the Eastern Right-of-Way line of said 20 foot utility easement North 26° - 06' - 20" West for a distance of 115.93 feet to a point; thence proceed North 18° - 53' - 40" East for a distance of 88.39 feet to a point; thence proceeding North 26° - 06' - 20" West for a distance of 90 feet to a point; thence turning and running along a curved line in a generally Northeasterly to Southeasterly direction for a distance of 134.91 feet to a point; thence proceeding in a generally Southeasterly direction along a curved line for a distance of 173.14 feet to a point; thence proceeding South 7° - 56' - 38" East for a distance of 55.69 feet to a point; thence proceeding South 63° - 53' - 40" West for a distance of 183.81 feet to the point of beginning. The above parcel is more clearly shown on that certain plat entitled "Plat of Portion of Forest Beach Subdivision", prepared by W. E. Gilbert and Associates, Inc., Engineers, dated September 27, 1973, which plat is recorded in the Office of the Register of Mesne Conveyances for Beaufort County, South Carolina in Plat Book 21 at Page 131.

Together with a non-exclusive easement for access, ingress and egress on, over and across that certain piece, parcel or tract of land situate, lying and being on Hilton Head Island, Beaufort County, South Carolina as shown and described as "30' Easement - Future Road" on that certain plat entitled "Portion of Forest Beach Subdivision", prepared by W. E. Gilbert and recorded in Plat Book 21 at Page 131, aforesaid records..

The property described above is a portion of the property conveyed to the JAMES P. FITZGERALD, by Deeds of the Federal Deposit Insurance Corporation and the U.S. Marshal for the District of South Carolina, recorded in Deed Book 333 at Page 306 and Deed Book 334 at Page 1562, aforesaid records.

1230

EXHIBIT "B"

CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME

PLAT/AS-BUILT SURVEY OF PROPERTY

ALL that certain piece, parcel or lot of land containing 1.209 acres, more or less, as shown on that certain plat entitled "An As-Built Plat of The Continental Club" dated October 8, 1998 prepared by Coastal Surveying Co., Inc. and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina in Plat Book 67 at Page 24.

1231

EXHIBIT "C"

CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME

ARCHITECTURAL DRAWINGS OF FLOOR PLANS

Those certain floor plans and elevations described as:

<u>Sheet Nos.</u>	<u>Description</u>	<u>Prepared By</u>
A-4	Lower Floor Plan 2/2 Bedroom Upper Floor Plan 2/2 Bedroom	Corkern, Wiggins, Lee, Lominach - Architects
A-6	Lower Floor Plan - 3/2 Bedroom Upper Floor Plan 3/2 Bedroom	Corkern, Wiggins, Lee, Lominach - Architects

and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina in Plat Book 67 at Page 24.

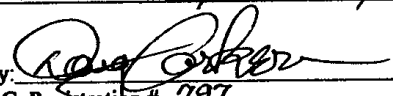
EXHIBIT "D"

CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME

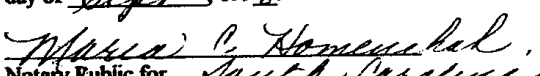
ARCHITECT'S CERTIFICATE

This is to certify the CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME, consisting of the sixteen (16) Phase I Units are built substantially in accordance with the floor plans attached to the Master Deed creating said Regime, as Exhibit "C" to be recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, except for minor variations which are customary in projects of this nature.

DOUG CORKERN, ARCHITECTS, INC.

By: 
S.C. Registration # 797

Certified to this 22nd
day of Sept, 1998.


Notary Public for South Carolina

My Commission Expires: MY COMMISSION EXPIRES 10-4-1998

EXHIBIT "E"CONTINENTAL CLUB HORIZONTAL PROPERTY REGIMEWALK THROUGH DESCRIPTION OF UNITS

There are two different floor plans used in the Continental Club Horizontal Property Regime. A walk through description of each floor plan is:

TWO BEDROOM

The two bedroom unit contains a total gross heated area of approximately 1,090 square feet and has a first and second floor. On the first floor, the heated square footage includes: a main foyer with closet, a powder room, a kitchen, a utility room, a dining room, a living room and a stairway leading to the second floor. On the second floor, the heated square footage includes: a hallway with linen closet, a bedroom with closet, a master bedroom with walk-through closet and storage room, and a large bathroom accessed directly from either bedroom. Additionally, the two bedroom unit includes a 25 square foot loggia (first floor entry), a 38 square foot covered deck off the master bedroom (second floor) and a 40 square foot concrete porch (first floor--off living room).

Access to the two bedroom unit is from the loggia.

Through the loggia and front door is the main foyer. The main foyer contains approximately 25 square feet and provides access to a stairway leading to the second floor (straight ahead), a closet containing approximately 14 square feet (to the left) and a hallway (to the right) which leads to a powder room (half bath) on the left containing approximately 25 square feet, continuing straight into the dining room area containing approximately 80 square feet and directly to the right, the kitchen containing approximately 90 square feet has a pass-through to the living area. There is a utility room located at the back of the kitchen containing approximately 15 square feet.

The dining room is open to the living area which contains approximately 250 square feet. To the rear of the living room are glass sliding doors leading out to a concrete porch of approximately 40 square feet.

The stairway up to the second floor contains a mid-point landing with turn of ascent opening to a hallway straight ahead. To the immediate right is a bedroom suite consisting of approximately 154 square feet with a closet and door to a large shared bathroom. Continuing down the hall on the right is a linen closet and straight ahead the master bedroom consisting of approximately 168 square feet with a walk-through closet to a storage room straight ahead as you enter the bedroom and turning slightly right to enter the bedroom. The master bedroom has glass sliding doors out to a balcony consisting of approximately 38 square feet. The master bedroom has a door to a large shared bathroom consisting of approximately 66 square feet. The doors

granting entry to the large upstairs bathroom are directly opposite one another with a lavatory on one side of the room and a shower stall, jacuzzi and toilet on the other.

THREE BEDROOM

The three bedroom unit contains a total gross heated area of approximately 1,330 square feet and has a first and second floor. On the first floor, the heated square footage includes: a main foyer with closet, a bathroom, a kitchen, a utility room, a dining room, a living room, a bedroom, a storage room and a stairway leading to the second floor. On the second floor, the heated square footage includes: a hallway with linen closet, a bedroom with closet, a master bedroom with walk-through closet and storage room, and a large bathroom accessed directly from either bedroom. Additionally, the three bedroom unit includes a 25 square foot loggia (first floor entry), a 38 square foot covered deck off the master bedroom (second floor) and a 40 square foot concrete porch (first floor--off living room).

Access to the three bedroom unit is from the loggia with a separate front entrance leading to the downstairs bathroom/bedroom area.

Through the loggia and front door is the main foyer. The main foyer contains approximately 25 square feet and provides access to a stairway leading to the second floor (straight ahead), a closet containing approximately 14 square feet (to the left) and a short hallway (to the right) which leads to the dining room containing approximately 80 square feet. To the immediate left in the dining room are two doors, one to a storage room under the stairway and the other to a small hall with access to a bathroom and bedroom. The bathroom (straight ahead) contains approximately 35 square feet, a bedroom (to the right) contains approximately 145 square feet with a closet and glass sliding doors to the rear of the unit and an exterior door (to the left) goes out to a service area in the front of the unit. Returning to the dining room, the kitchen is directly to the right containing approximately 90 square feet and has a pass-through to the living area. There is a utility room located at the back of the kitchen containing approximately 15 square feet.

The dining room is open to the living area which contains approximately 250 square feet. To the rear of the living room are glass sliding doors leading out to a concrete porch of approximately 40 square feet.

The stairway up to the second floor contains a mid-point landing with turn of ascent opening to a hallway straight ahead. To the immediate right is a bedroom suite consisting of approximately 154 square feet with a closet and door to a large shared bathroom. Continuing down the hall on the right is a linen closet and straight ahead the master bedroom consisting of approximately 168 square feet with a walk-through closet to a storage room straight ahead as you enter the bedroom and turning slightly right to enter the bedroom. The master bedroom has glass sliding doors out to a balcony consisting of approximately 38 square feet. The master bedroom has a door to a large shared bathroom consisting of approximately 66 square feet. The doors granting entry to the large upstairs bathroom are directly opposite one another with a lavatory on one side of the room and a shower stall, jacuzzi and toilet on the other.

EXHIBIT "F"
BY-LAWS OF
CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME
AND
CONTINENTAL CLUB OWNERS' ASSOCIATION, INC.

ARTICLE I

PLAN OF UNIT OWNERSHIP

Section 1. Horizontal Property Regime. The Property (the term "Property" as used herein means and includes the land, the building, all improvements and structures thereon) located in Indigo Run on Hilton Head Island in Beaufort County, South Carolina, known as CONTINENTAL CLUB 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 CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME (the "Regime"). All defined terms not specifically defined herein shall have the same meaning as ascribed to such terms in the Master Deed.

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 Continental Club Owners' Association, Inc. (the "Association") which shall, pursuant to the provision of the aforementioned Master Deed, constitute the incorporated Continental Club Owners' Association, Inc.

Section 3. By-Laws Applicability. The provisions of these By-Laws are applicable to the Property and the Regime.

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 (the "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 Article IV(m) of the Master Deed and any authorized recorded amendments to the foregoing Master Deed are accepted and ratified, and will be complied with.

ARTICLE II

VOTING, MAJORITY OF CO-OWNERS QUORUM, PROXIES

Section 1. Eligibility. Any person who acquires title to a Unit in the Regime shall 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 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 percentages assigned in the Master Deed, and any authorized amendments thereto.

Section 4. Quorum. Except as otherwise provided in Section 6 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 before the appointed time of each meeting.

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

CONTINENTAL CLUB OWNERS' ASSOCIATION, INC.

Section 1. Association Responsibilities. The Co-Owners of the Units will constitute the Association of Co-Owners (the "Association") who will have the responsibility of administering the Property, electing the Board of Directors and arranging for the management of the Property pursuant to an agreement containing provisions relating to the duties, obligations, removal and compensation of the management agent. Except as otherwise provided, decisions and resolutions of the Association shall require approval by a majority of Co-Owners.

Section 2. Place of Meetings. Meetings of the Association shall be at such place, convenient to the Co-Owners, as may be designated by the Association.

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. The first annual meeting shall occur during November 20, 1999. 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. 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 resolution of the Board of Directors, at the request by a majority of the Directors, or upon a petition signed by a majority of Co-Owners 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 thereof. No business shall be transacted at a special meeting except as stated in the notice except by consent of four/fifths (4/5) of the votes present, either in person or by proxy.

Section 5. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Co-Owner of record, at least 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 shall be considered notice served.

Section 6. 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. Upon the reconvening of said meeting, a quorum shall be constituted if Co-Owners holding at least twenty-five (25%) percent 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 7. 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.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors (the "Board") comprised of 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. Until the later of September 30, 2003, or until the Declarant waives this right in writing (the "Termination of Declarant Rights"), the Declarant shall be entitled to elect at least three (3) members of the Board of Directors, who need not be a Unit Owner. After the Termination of Declarant Rights, 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, the Common Elements and the Limited Common Elements.
- (c) Collection from the Co-Owners (excluding the Declarant), at the time of the closing of the 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.
- (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 and Limited Common Elements.
- (f) Employment, dismissal and control of the personnel necessary for the maintenance and operation of the Common Elements and Limited Common Elements.
- (g) Borrowing funds deemed necessary to carry out its duties hereunder, and in doing so, pledging future assessments to be collected from Co-Owner.
- (h) Performing repairs caused by any natural disaster or man-made damage from the reserve account and any special assessment, or causing the same to be done.
- (i) 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.
- (j) Grant or relocate easements which are not inconsistent with the Owners' full use and enjoyment of the Common Properties.
- (k) Making of 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; provided, however, that the Board of Directors shall not undertake any repair covered by the warranty without the consent of a majority of the Unit Owners.
- (l) 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.

Section 4. Management Agent. The initial management agent shall be the Declarant, whose contract extends for a period of two (2) years from the establishment of CONTINENTAL CLUB HORIZONTAL PROPERTY 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.

Section 5. First Board of Directors. The first Board of Directors consisting of five (5) members shall be designated by the Declarant. 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. If staggered terms are permissible under South Carolina law, at the first Annual Meeting of the Association, the initial term of office for one (1) member of the Board shall be fixed at one (1) year. The term of office of two (2) members of the Board shall be fixed at two (2) years, and the term of office of two (2) members of the Board shall be fixed at three (3) years. 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. 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 Board 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. Except for the Declarant's designees, 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 (except as provided in Section 5 regarding Declarant's designees).

Section 8. Organizational Meeting. The first meeting of a newly elected Board shall be held within thirty (30) 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 two (2) such meetings 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 fifteen (15) days prior to the day named for such meeting.

Section 10. Special Meetings. Special meetings of the Board may be called by the President on seven (7) 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 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 three (3) Board members.

Section 11. Waiver of Notice. Before or at any meeting of the Board, any member of the Board may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Board Member at any meeting of the Board shall be a waiver of notice by him of the time, place and purpose thereof. If all members are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 12. Board Quorum. At all meetings of the Board, a majority of the Board members shall constitute a quorum for the transaction of business, and acts of the majority of the members present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board, there is less than a quorum present, the majority of the Board members present may adjourn the meeting from time to time. At any such adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 13. Fidelity Bonds. The Board may require that any and all officers and employees of the Regime handling or responsible for Regime funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Regime.

Section 14. Compensation. No member of the Board of Directors shall receive any compensation from the Regime for acting as such.

Section 15. Liability of the Board of Directors. 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. 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. 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.

ARTICLE V

OFFICERS

Section 1. Designation. The principal officers of the Association shall be a President, 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.

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. Except for appointees of the Declarant, no officer shall continue to serve as such if, during his term of office, he shall cease to be a Unit Owner.

Section 4. 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.

Section 5. 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 or the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board.

Section 6. Secretary-Treasurer. The Secretary-Treasurer shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board may direct; 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, any manager or Unit Owner, it shall not be construed to mean personal notice; but such notice may be given in writing, by 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, 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, 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. 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 Unit is 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.

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 escrow or reserve account set aside to provide a contingency fund for the maintenance and repair of the Association Property.

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 Common Elements or Limited Common Elements or by abandonment of his Unit.

Section 3. Special Assessments. In addition to the annual Assessments for Common Expenses as authorized in Sections 1 and 2 of this Article VII, the Board may levy, in any assessment year, special assessments for Common Expenses, applicable to that year only, provided that any such assessment shall be approved by Co-Owners holding fifty-one (51%) percent or more of the total value of the Property, voting in person or by proxy at a meeting duly called for this purpose. The Directors may make such special assessments payable in installments over a period which may, in the Board's discretion, extend in excess of the fiscal year in which adopted.

Section 4. Records. The Manager or Board of Directors shall keep detailed records of the receipts and expenditures affecting the Common Elements and Limited Common Elements and any other expenses incurred. Records and vouchers authorizing the payments involved shall be available for examination by any Owner during reasonable business hours.

Section 5. Default in Payment of Common Charges. The Board shall take prompt action to collect any common charge 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 Association the common charges as determined by the Board, such Unit Owner shall be obligated to pay a late charge of one and one-half (1 1/2%) percent of the delinquent amount per month on such unpaid common charge 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 charges. The Board shall have the right and duty to attempt to recover such common charges, 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. In addition to the rights and duties provided herein, the Board shall also have the right to suspend the voting privileges of the Unit Owner until all due and unpaid Assessments are paid.

Section 6. Statement of Common Charges. The Board shall, for a reasonable fee not to exceed Ten (\$10.00) Dollars, promptly provide any purchaser, Unit Owner, encumbrancer or prospective encumbrancer of a Unit so requesting the same in writing, with a written statement of

all unpaid common charges 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 encumbrancer holding a lien on a Unit may pay any unpaid common charges payable with respect to such Unit and upon such payment such encumbrancer shall have a lien on such Unit for the amounts paid of the same rank as the lien of his encumbrance.

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 4 of Article V 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. Water Charges and Sewer Rents. Water shall be supplied and sewer services shall be supplied to all Units through one or more meters by the South Island Public Service District or its successor, and each Owner shall be required to pay for all charges for water consumed and sewer services in his Unit promptly after the bills for the same have been rendered.

Section 9. Electricity. 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.

Section 10. Use of Units--Internal or External Changes.

(a) Except for Units used by Declarant as a sales office as provided for in the Master Deed, all Units shall be utilized for residential purposes only. This shall expressly include the right of the Owner to rent such Units to others for residential purposes in accordance with the provisions of Article V of the Master Deed and of Article XII of these By-Laws.

(b) A Co-Owner shall not make internal structural modifications or alterations in his Unit or installations located therein without previously notifying the Association in writing, through the Management Agent, if any, or through the President if no manager is employed. The Association shall have the obligation to answer within thirty (30) days from the actual receipt of

such notice and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration.

(c) A Co-Owner shall make no changes or additions whatsoever to the exterior of the Unit, any stairs or decks, appurtenant thereto, or to any of the Limited Common Elements without prior written approval of the Board. The Board may also approve minor additions to landscaping and other exterior minor changes or additions of this nature which in its sole discretion will not interfere or conflict with the overall scheme and appearance of the common areas. 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. The Board, through its agent, may include this additional maintenance cost in the periodic assessment for the Unit in question.

Section 11. Use of Common Elements. Except as authorized by Section 9(c), 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 such areas and for normal vehicular parking.

Section 12. Right of Entry.

(a) A Co-Owner shall grant the right of entry to the manager or to any person authorized by the Board in case of any necessary pest control or 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 13. 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 element constitutes two-thirds of the total interest, at any 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 of the Property 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 or utilize any charcoal or gas grills, either permanent or portable, on the decks or balconies or in the close proximity of the Units, it being understood that such use is a violation of local fire ordinances;
- (8) 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 antenna or satellite signal receiving dish or radio antenna, air conditioning fixtures, or similar objects outside of his Unit or which protrudes through the walls or the roof of his Unit except as authorized by the Board

Section 14. 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.

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, the following insurance, without prejudice of the right of the Co-Owner to obtain additional individual insurance at his own expense:

(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.

(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 mortgages collectively, as their respective interests may appear. In the event of loss or damage, all insurance proceeds shall be paid to the Board of Directors as Insurance Trustee under the provisions of this Master Deed, 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 in Paragraph 1 above. 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.

(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.

(3) Workmen's Compensation Insurance. The Board of Directors, as necessary, shall obtain Workman's Compensation Insurance to meet the requirements of law.

(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.

(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.

(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. 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. 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 pro-rata because of the master hazard policy.

As set forth in Section 4 of Article V 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 of these By-Laws.

(7) 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

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 two-thirds (2/3) or more of the Property is destroyed or substantially damaged. If two-thirds or more of the Property is destroyed or substantially damaged, reconstruction shall not be mandatory and unless reconstruction is agreed upon by seventy-five (75%) percent or more of the Unit Owners, 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 interests in Common Elements. The remaining portion of the Property shall be subject to an action for partition at the suit of any Unit Owner or line or 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 interests in the Common Elements. If less than two-thirds (2/3) of the Property is destroyed or substantially damaged, then such Property shall be repaired in the following manner:

(1) Any reconstruction or repair must follow substantially the original plans and specifications of the Property unless the Unit Owners holding seventy-five (75%) percent 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.

(2) 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.

(3) If the insurance proceeds paid to the Board are insufficient to cover the cost of reconstruction, the deficiency shall be paid as a special assessment by the Unit Owners whose units are being reconstructed or repaired in proportion to the damage done to their respective Units.

(4) The insurance proceeds received by the Board 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 in an amount not to exceed such payments. Any balance remaining after such distribution shall be retained by the Association.

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:

(1) 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.

(2) 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.

(3) Insurance proceeds paid when the Property is not to be restored shall be held for the benefit of all applicable 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.

(4) In the event a Certificate of Insurance has been issued to a Unit Owner bearing a mortgagee 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 of which it has notice or 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. Moreover, if no audited current financial statements are available, the holders of fifty-one (51%) percent or more of first mortgages shall be entitled to have such an audited statement prepared at their expense.

ARTICLE XII

RESTRICTIONS UPON LEASES OF UNITS

Section 1. Lease Restrictions. All leases shall be subject to all provisions of the Master Deed and any and all rules or regulations adopted by the Association in accordance with these By-Laws and the Master Deed.

Section 2. Mandatory Lease Provisions. All leases shall provide that the terms and conditions of the Master Deed and all exhibits shall be complied with by the tenant and that the Association shall have the unilateral right and power to terminate such lease and bring summary proceedings to evict the tenant in the name of the landlord under such lease in the event of default by tenant thereunder, or failure by the tenant to fully comply with the provisions of the Master Deed, By-Laws or Rules and Regulations.

ARTICLE XIII

AMENDMENTS

Section 1. Requirements for Amendments. Except as provided in the Master Deed for an amendment or amendments to admit further Phases to the Regime, if appropriate, and except where a greater percentage is expressly required, either herein, in the Master Deed or by the Horizontal Property Act, these By-Laws or the Master Deed to which it is attached may be amended only with the consent of the Owners of Units to which at least sixty-six and 67/100ths (66.67%) percent of the votes in the Association are allocated and the approval of eligible holders about which the Association has received written notice holding mortgages on Units which have at least sixty-six and 67/100ths (66.67%) percent of the votes of Units subject to eligible holder mortgages, as it relates to modification of any material provisions of the said By-Laws and Master Deed, etc., 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 Common Elements 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 retains the right to appoint members to the Board, these By-Laws or the Master Deed shall not be amended so as to adversely affect the Declarant without the Declarant's consent.

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 Article IV 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. In the event of any conflict between these By-Laws and the provisions of such Statute or the Master Deed, the provisions of such Statute 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.

**EXHIBIT "G" TO MASTER DEED
CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME
PERCENTAGE OF UNDIVIDED INTEREST IN THE COMMON ELEMENTS
AND VALUE FOR SOUTH CAROLINA STATUTORY PURPOSES**

For purposes of the South Carolina Horizontal Property 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 Exhibit "G" and in any amendments to Master Deed.
- "A" - Aggregate Valuation of all Units existing in the Regime and added to the Regime as provided in Articles VIII and IX of the Master Deed.

UNIT TYPES/STATUTORY VALUES:

As set forth in Section 2 of Article V, there are two (2) basic types of Units in CONTINENTAL CLUB. These Residence Types have the following statutory value for purposes of the South Carolina Horizontal Property Act:

Two Bedroom	=	\$ 120,000
Three Bedroom	=	\$ 140,000

STATUTORY PERCENTAGE INTEREST:

Based upon the above values, the percentage of undivided interest in the common elements appurtenant to each Unit in CONTINENTAL CLUB HORIZONTAL PROPERTY REGIME is set forth below:

<u>Unit No./Type</u>	<u>Statutory Value</u>	<u>Percentage</u>
Two Bedroom	\$ 120,000	.05882%
Three Bedroom	\$ 140,000	.06862%

Hughes
6032

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JOHN A. CULLINAN - DMS
BEAUFORT COUNTY, S.C.

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RECORDED THIS 11 DAY
OF November 1998
IN BOOK A0 PAGE 2338

Sharon B. Burris
AUDITOR, BEAUFORT COUNTY, S.C.

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