

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

MASTER DEED OF
THE SPA ON PORT ROYAL SOUND
HORIZONTAL PROPERTY REGIME

KNOW ALL MEN BY THESE PRESENTS, THIS MASTER DEED is made this 22nd day of August, 1984, by RESORT INVESTMENT CORPORATION (hereinafter called the "Declarant"), a Delaware corporation, authorized to do business in the State of South Carolina, with its principal office and place of business at 1400 Main Street, Post Office Box 11506, Columbia, South Carolina 29211, for the purposes hereinafter set forth.

W I T N E S S E T H :

WHEREAS, Declarant is the owner in fee simple of certain real property, buildings and improvements thereon located in the County of Beaufort, State of South Carolina, which is more particularly described in the Exhibits attached hereto and incorporated herein by reference (hereinafter called the "Submitted Property" or "Property"); and

WHEREAS, Declarant desires to submit the Submitted Property to the provisions of the South Carolina Horizontal Property Act, Title 27, Chapter 31, Code of Laws of South Carolina, 1976, (hereinafter called the "Act"), hereby creating a Horizontal Property Regime known as The Spa On Port Royal Sound Horizontal Property Regime (herein the "Regime"); and

WHEREAS, Declarant desires to publish a plan for the individual ownership of the several Apartments of the Submitted Property together with an undivided ownership interest in the general common elements and limited common elements (if any) of the Submitted Property as defined herein and in the Act; and

WHEREAS, Declarant desires to convey the Submitted Property pursuant to and subject to certain protective covenants, conditions, restrictions, reservations, liens and charges hereinafter set forth;

NOW, THEREFORE, Declarant does hereby submit the Property to the provisions of the South Carolina Horizontal Property Act, Title 27, Chapter 31, Code of Laws of South Carolina, 1976, and hereby publishes its plan for the division of the Property and the imposition of conditions, restrictions, reservations, liens and charges thereon and the individual ownership thereof, and Declarant hereby specifies that this Master Deed and the declarations herein shall constitute covenants, conditions, reservations and restrictions which shall run with the Submitted Property and shall bind and inure to the benefit of the Declarant, its successors and assigns and all subsequent owners of any interest in the Submitted Property, their grantees, successors, heirs, executors, administrators, legatees and/or assigns.

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Definitions

As used in this Master Deed and all Exhibits hereto, all amendments hereof and thereof unless the context otherwise requires, the following definitions shall prevail:

1. Act means the South Carolina Horizontal Property Act, Title 27, Chapter 31, Code of Laws of South Carolina, 1976, as presently constituted.
2. Apartment means as defined in the Act. The floor plan and dimensions of each are as shown in the Exhibits hereto.

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BEAUFORT COUNTY TAX MAP REFERENCE

Dist	Map	Submap	Parcel	Block
510	5		TA	

1984027361

3. Association or Council of Co-Owners means the Council of Co-Owners as defined in the Act and specifically formed for the purpose of exercising the powers and duties of such for the Property Regime.

4. Assessment means a share of the fund required for the payment of common expense, capital improvements or expenses which from time to time are assessed to some or all of the Unit Owners.

5. Board of Directors or Board means an executive and administrative body designated as the governing body of the Association.

6. Building means as defined in the Act.

7. By-Laws means the by-laws of the Association as they exist from time to time.

8. Common Elements means and includes all of the Submitted Property excluding the Apartments and specifically includes both the general common elements and limited common elements (if any).

9. Common Expenses means and includes:

(a) All expenses incident to the administration, maintenance, repair and replacements of the Submitted Property after excluding therefrom any and all expenses which are the responsibility of a particular Co-Owner as hereinafter set forth;

(b) Expenses determined by the Board of Directors of the Association to be Common Expenses;

(c) Expenses in this Master Deed and/or its Exhibits denominated as Common Expenses; and

(d) Any other expenses declared by the Act to be Common Expenses.

10. Common Surplus means the excess of all receipts of the Association over and above the amount of common expenses and not otherwise reserved or designated for a specific use.

11. Ownership means as defined in the Act.

12. Condominium Unit or Unit means an individual Apartment as defined herein, in the Act and as described in the Exhibits hereto together with an undivided share of the common elements, vote, common surplus and liability for common expenses and other assessments appurtenant thereto.

13. Control means the right of the Declarant to control the Association, the Association Board, the Project or the Unit Owners in any manner except through votes allowed to Units it owns on the same basis as voting pertaining to sold Units.

14. Co-Owner means as defined in the Act, and specifically owning an apartment in the Regime.

15. Declarant or Developer means Resort Investment Corporation, its successors and assigns.

16. Exhibits means the exhibits to this Declaration, as they may be amended from time to time.

17. General Common Elements means as defined in the Act.

18. Institutional Mortgagee means a bank, savings and loan association, insurance company or union pension fund authorized to do business in the United States of America, an agency of the

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United States Government, a real estate or mortgage investment trust, the Declarant, any of its affiliates and any lender generally recognized as an institutional type lender, having a lien on the Property or any part or parts thereof.

19. Limited Common Elements means as defined in the Act.

20. Long Term Lease means those certain leases and agreements which are included in the Exhibits to this Master Deed or shall be added by Amendment to the Exhibits to this Master Deed and to which the Association and each and every Co-Owner is and shall be bound.

21. Majority or Majority Vote or Majority of the Co-Owners means as defined in the Act.

22. Master Deed means this Master Deed establishing and recording the Property of the Regime and thereby submitting it to Condominium Ownership.

23. Occupant means any person or persons residing in a Unit.

24. Person means as defined in the Act.

25. Record means as defined in the Act.

26. Submitted Property or Property means and includes the Property as it may exist from time to time as contained within the Regime as described in the Exhibits hereto and includes the land, the buildings, all improvements and structures thereon and all easements, rights and appurtenances belonging thereto and subject to all easements, rights-of-way and rights of use as described herein, in the Exhibits and/or of record.

ARTICLE II

The Spa On Port Royal Sound Horizontal Property Regime Council of Co-Owners

1. The administration of the affairs of the Regime and the maintenance, repair, replacement and operation of the Common Elements as herein provided, the enforcement of all rules, regulations, by-laws and those acts required of the Association by the Master Deed and/or by the Act shall be the responsibility of the Association acting through the Board of Directors. Such administration shall be in accordance with and under the powers granted by the provisions of the Act, this Master Deed, the Articles of Incorporation (if any) and the By-Laws of the Association.

2. The Association through its Board of Directors shall be and hereby is authorized to enter into such agreements and to bind itself and all Co-Owners as it may deem necessary or desirable for the administration and operation of the Regime. Each Co-Owner who acquires an interest in a Unit shall thereby be deemed to agree to be bound by the terms and conditions of all such agreements. A copy of each such agreement shall be made available at the office of the Association for review by any Co-Owner.

3. There shall be only one Voting Member for each Unit. If a Unit is owned by more than one person, the Owners thereof shall designate one of their number as the Voting Member. If a person other than an individual owns a Unit, a partner, trustee, officer or employee thereof shall be designated as the Voting Member for such Unit. The designation of the Voting Member shall be made as provided in the By-Laws. The vote of a Voting Member shall not be divisible.

Each Voting Member (and only the Voting Member) shall be entitled to cast the vote for each Unit he represents, on each matter submitted to a vote at a meeting of the Association, regardless of the number of Persons who own such Unit. The Declarant shall be entitled to cast the vote for each Unit it owns.

Each Voting Member shall be entitled to cast his vote(s) at each meeting of the Association in person or, if permitted by the By-Laws, by proxy.

4. Declarant shall appoint an initial Board of Directors to serve until Declarant shall relinquish control and their successors have been elected and qualified. Declarant shall release control upon calling a meeting of the Unit Owners for purposes of taking control, which meeting shall be called no later than the earlier of the following events:

(i) 4 months after 75% of the Units have been conveyed to the Unit purchasers; or (ii) 3 years following the conveyance of the first Unit conveyed in a single-phase project; or (iii) 5 years following such conveyance if an expandable project.

For purposes of this subsection of Article II the term "control" shall mean the right of the Declarant to control the Association, the Association Board, the project, or the Co-Owners in any manner except through votes allocated to units the Declarant owns on the same basis as votes pertaining to sold units.

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Property Rights FILED AT 150000 ON 08/30/84

1. The Condominium consists essentially of Apartments in buildings, and other improvements and certain lands as the same are described in the Exhibits. For the purposes of identification, each Apartment in the Regime is identified by number and is delineated in the Exhibits hereto. No two Units have the same identifying number combination.

The aforesaid buildings and Apartments therein and other improvements are constructed in accordance with the plats, plans, descriptions and surveys contained in the Exhibits.

2. Ownership of an Apartment includes title to the Apartment and an undivided interest in the Common Elements and the Common Surplus (if any). Any attempt to divide a Apartment by separating title to the Apartment from the undivided interest in the Common Elements and Common Surplus (if any) shall be void.

The undivided interests in the Common Elements, the Common Surplus (if any) and the liability for Common Expenses which the Co-Owners of the Apartments are acquiring are set forth, as percentages, in the Exhibits.

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

Initial rules and regulations governing the use of the Submitted Property shall be promulgated by the Declarant on behalf of the Board of Directors. Additional and/or amended rules and regulations may be adopted or repealed by the Board of Directors. The Board of Directors may amend or repeal any rule or regulation adopted by it or by the Declarant provided such does not affect any right(s) of Declarant or any affiliate of it. All rules and

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regulations shall be posted in conspicuous places in the Common Elements.

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

The Association shall have the right to deny any Co-Owner or Occupant the right to use the Common Elements for a period not to exceed thirty (30) days for a violation of the rules and regulations promulgated for the use of the Property.

Any Occupant may use the Common Elements reserved for the use of the Apartment he occupies during the time such Occupant is actually in residence in the Apartment. Guests and invitees of an Occupant of a Apartment and the Co-Owner of an Apartment (while another occupies his Apartment) may only use the Common Elements with the express permission of the Board of Directors and subject to such terms and conditions as the Board of Directors may specify.

4. There are no Limited Common Elements presently designated except:

(a) The portion of the Common Elements so designated in the Exhibits which is adjacent to Commercial Unit B. Said Limited Common Element so designated shall and may be used by the Co-Owner of Commercial Unit B his lessees, assignees, successors and guests for seating, tables and like furnishings and for the service and consumption of food and beverage, storage and such other uses as are consistent with or required thereby;

(b) The portion of the Common Elements so designated in the Exhibits which are appurtenant to Commercial Unit A. Said Limited Common Elements so designated shall and may be used by Co-Owner of Commercial Unit A his lessees, assignees, successors and guests for storage, vending machines, laundry facilities or such other uses as are deemed necessary by the Co-Owner of such Commercial Unit A.

5. Parking spaces shall not be reserved solely for the use of Occupants of any particular Apartment nor shall they be numbered. Further, Declarant hereby reserves unto itself (including the right to grant to others) and grants to all Occupants and visitors of the Regime an easement for vehicular parking upon the parking spaces within the Regime, together with an easement for ingress and egress for access to and from such parking.

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6. Common Expenses:

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(a) All costs of maintenance, repair and replacements of Common Elements (including General Common Elements and Limited Common Elements, if any) necessitated by the negligence or misuse by any Occupant of an Apartment shall be borne solely by the Co-Owner of such Apartment and the Board of Directors shall have the right to assess such Co-Owner for such costs.

(b) All other costs of maintenance, repair, replacements, preservation and improvement of the Common Elements (including General Common Elements and Limited Common Elements) and all other assessments and payments declared in the Act and/or herein declared to be Common Expenses shall be, unless the Board of Directors otherwise decides, Common Expenses.

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7. Development Plan:

(a) Declarant has included within the Regime as initially constituted certain property and improvements including buildings containing 154 residential Apartments and two (2) Commercial Units. Of the 154 residential Apartments, 124 are two-bedroom Apartments and are numbered 1107-1130, 1207-1230, 1307-1330, 2101-2114, 2201-2214, 2301-2314, 2119-2120, 2219-2222, and 2319-2322. There are 30 one bedroom residential Apartments numbered 1101-1106, 1201-1206, 1301-1306, 2115-2118, 2215-2218, 2315-2318. The two Commercial Units are numbered A and B. The principal improvements included within the Common Elements are a Natatorium (containing an indoor pool with deck and pool equipment room, an exercise room, sauna, hot tub, and bathrooms with lockers), reflecting pool, storage, electrical storage and laundry rooms, paved entrance with a guard house, traffic and parking areas, an outdoor pool, jogging trail, a lagoon with a gazebo, vending areas, wine storage room, meeting room utility centers the same being shown and designated in the Exhibits hereto. By reason of the relative values of the Commercial Units, the two bedroom Units (each having an equal value to the others), and the one bedroom Units (each having an equal value to the others) with regard to the Submitted Property as a whole, there is appurtenant to each Commercial Unit an undivided percentage share of ownership interest in the Common Elements as described in the Exhibits, to each two bedroom Unit an undivided percentage share of ownership interest in the Common Elements as described in the Exhibits, and to each one bedroom Unit an undivided percentage share of ownership interest in the Common Elements, all as described in the Exhibits.

(b) Declarant reserves the right to annex and include additional property, improvements and Apartments and to amend this Master Deed by its sole action for the purpose of creating Phase II of the Spa on Port Royal Sound Regime. Phase II, if so annexed, will include property and improvements, including buildings containing two bedroom apartments, one bedroom apartments and/or suites, additional Common Elements and, if the Declarant so elects, additional Commercial Units, amenities and Common Elements; provided, however, Phase II if included will in no event contain more than 100 two bedroom apartments, 12 one bedroom apartments and/or 2 commercial units. Should the Declarant determine to so annex and include Phase II, it hereby covenants that the necessary annexation and amendment to the Master Deed and the election to proceed with Phase II shall be made not later than twenty years from the date this Master Deed is first recorded and the necessary annexation and amendment to the Master Deed shall be filed with the Clerk of Court for Beaufort County, South Carolina, no later than that date. Phase II, if included, will not increase the proportionate amount of the Common Expenses payable by the Co-Owners of and comprising the Regime as presently constituted (herein "Phase I"). Should Phase II be included, the percentage interest in the Common Elements of each Co-Owner in Phase I shall be reduced and each of the Co-Owners of Phase I shall own an undivided interest as indicated in the Exhibits attached hereto. Likewise, although each Co-Owner of Phase I shall retain the vote presently appurtenant to his Apartment (votes for a one bedroom Apartment and votes for a two bedroom Apartment), there shall be additional votes and, therefore, the percentage value of each vote, compared to the total votes, shall be reduced as described in the Exhibits.

(c) In connection with Phase I of the Property, the Declarant reserves the right (but is not obligated) to in its sole discretion, locate and construct upon the Property a swimming pool and/or a boardwalk to the beach provided the location and construction of such pool and/or the boardwalk does not materially adversely affect the value of the Property, the interest of any Co-Owners, or the Association. In the event the pool and/or the boardwalk are built, the Declarant reserves the right (but is not obligated) to annex and include such improvements into the Submitted Property as Common Elements.

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ARTICLE IV
Architectural Control

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

ARTICLE V
Expenses and Common Surplus

The Common Expenses of the Regime and the monetary obligations of the Co-Owners under any agreements entered into by the Association shall be shared by the Co-Owners in the percentages set forth in the Exhibits. Such percentages shall not be altered because of any increase or decrease in the purchase price or square footage of a Unit or because of its location.

Each Co-Owner's interest in the Common Surplus (if any) shall be equal to his interest in the Common Elements.

ARTICLE VI
Amendment of the Master Deed
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This Master Deed may be amended at the regular or any special meeting of the Association of the Regime, called and convened in accordance with the By-Laws, upon the affirmative vote of 67 percent of all the Voting Members of the Association; provided, however, that this Master Deed may not be cancelled nor any amendment be made hereto having as its effect a termination of the Regime without the written agreement of all of the Co-Owners in the Regime and all Institutional Mortgagees holding mortgages of record upon the Regime or any portion thereof, as provided in the Act.

All amendments hereto shall be recorded and certified as required by the Act. No amendment(s) shall change any Apartment or the proportionate share of the Common Expenses or Common Surplus attributable to each Apartment, nor the voting rights of any Apartment, unless all Co-Owners of the Regime and all mortgagees holding any mortgages or other liens upon the Property or any part(s) thereof shall join in the execution of such amendment. No amendment shall be passed which shall impair or prejudice the rights and/or priorities of any Institutional Mortgagee or change the provisions of this Master Deed with respect to Institutional Mortgagees without the written approval of all Institutional Mortgagees of record.

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No amendment shall change the rights and privileges of Declarant, its successors and assigns, without written approval and consent of the Declarant, or its successors or assigns.

Notwithstanding the foregoing provisions of this Article, the Declarant reserves the right to alter the interior design and arrangement of and to alter the boundaries between Apartments as long as the Declarant owns all the Apartments so altered; however, no such change shall increase the number of Apartments nor alter the boundary of the Common Elements, except the party wall between any Apartments, without amendment of this Master Deed in the manner herein set forth. If the Declarant shall make any changes in Apartments as provided in this paragraph, such changes shall be reflected by an amendment of this Master Deed and the recording thereof reflecting such authorized alteration of Apartments and said amendment need only be executed and acknowledged by the Declarant and any holder of mortgage(s) encumbering the said altered Apartments. Such shall be certified and recorded in the manner required in the Act.

Notwithstanding the foregoing provisions of this Article, it is understood and agreed that as of the time this Master Deed is dated and recorded in the public records of Beaufort County, South Carolina, all of the improvements shown on the Exhibits may not be completed; however, said improvements shall be as and located as described and shown in the Exhibits; provided, however, that all improvements will be completed within twelve (12) months of the date of recording hereof; provided, however, said time may be extended by virtue of delays caused by acts of God, acts of governmental authorities, strikes, labor conditions or any other condition(s) beyond Declarant's control.

ARTICLE VII By-Laws

The operation of the Regime shall be governed by the By-Laws of the Association which are attached to this Master Deed as an Exhibit and made a part hereof.

No modification of, or amendment to, the By-Laws of the Association shall be valid unless set forth in or annexed to a duly recorded amendment. The By-Laws may be amended in the manner provided for therein but no amendment to said By-Laws shall be adopted which will affect or impair the validity or priority of any mortgage upon the Submitted Property or any portion thereof without written consent of the mortgagee thereof and of all Institutional Mortgagees of record. No amendment shall change the rights and privileges of the Declarant without written approval of the Declarant, its successors or assigns.

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The Operating Entity

The operating entity of the Regime shall be the Association. The Association shall have all the powers and duties set forth in the Act as well as all the powers and duties granted to and imposed upon it by the Master Deed, and the By-Laws of the Association, and, in addition, all other powers and duties necessary to operate the Regime which shall be exercised through its Board of Directors.

Every Co-Owner, whether he has acquired his Apartment by purchase, gift, devise or other conveyance or transfer, by operation of law or otherwise, shall be bound by this Master Deed, the Act, the By-Laws, all other Exhibits hereto and any and all Rules and Regulations of the Association.

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ARTICLE IX
Assessments

The Association, through its Board of Directors, shall have the power and duty to fix and to provide for the Common Expenses of the Regime and such other sums as are necessary for the care, repair, replacement, maintenance, preservation and improvement of the Submitted Property and shall establish and maintain a adequate reserve fund to cover these periodic expenses. The reserve fund shall be maintained out of regular assessments for Common Expenses. The Board of Directors shall have the power and duty to fix and determine from time to time the sum or sums necessary and adequate to provide for the Common Expenses of the Regime and such other expenses as are provided for herein, in the Act or deemed necessary and appropriate expenses of the Regime. The procedure for the determination of sums necessary and Assessments upon Co-Owners and the method of collection of the same shall be as set forth in the By-Laws of the Association, as provided herein and in the Exhibits hereto and in the Act.

A Co-Owner shall become liable for the payment of Assessments upon issuance of a statement of Assessment by the Board of Directors of the Association.

Upon assessments that are unpaid for over ten (10) days after due date, at the sole discretion of the Board of Directors (and if not forbidden by law), a late charge not to exceed \$10.00 or 10% of the amount due, whichever is greater, to the extent allowed by law, shall also be due and payable to defray the expense of late collection. Regular Assessments shall be due and payable on the first day of each month and monthly bills for the same need not be delivered or mailed to the Co-Owners by the Board; provided, however, that on or before December 1st of the preceding year, the amount of regular monthly Assessments due from each Co-Owner for each month of that year shall be mailed by the Board of Directors to each Co-Owner and provided, further, that a notice of any increase or decrease in regular monthly Assessments shall likewise be mailed or delivered to each and every Co-Owner by the Board of Directors no later than thirty (30) days prior to the time the first regular monthly Assessment so changed shall be due.

Further, the Board of Directors, on behalf of the Council, shall have a lien on each Apartment together with the Common Elements appurtenant thereto in the amount of each Assessment not paid when due as provided in the Act, which may be collected and/or the lien foreclosed upon as provided in the Act. Reasonable attorneys' fees incurred by the Board of Directors incident to the collection of such Assessments or the enforcement (including but not limited to foreclosure) of such lien together with all sums advanced and/or paid by the Association for taxes and payments on account of a superior mortgage lien(s) or encumbrance(s) which may be required to be advanced by the Association to preserve and/or protect its lien and all other charges allowed by the Act shall be payable by the delinquent Co-Owner and secured by such lien. The Board of Directors may take such action as it deems necessary to collect Assessments as provided in the Act and further may settle and/or compromise the same if deemed in its best interest. Each Assessment against a Unit shall be the personal obligation of the Unit Owner at the time the Assessment fell due. Such personal obligation shall not pass to successors in title unless assumed by them, or required by the Act.

Any lien of the Association for Common Expenses or Assessments, or other charges becoming payable on or after the date of recordation of the first mortgage on any Unit shall be subordinated to the mortgage holder. A lien for Common Expenses or Assessments shall not be affected by any sale or transfer of a Unit, except that a sale or transfer pursuant to a foreclosure of

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a first mortgage shall extinguish a subordinate lien for Common Expenses or Assessments which became payable prior to such sale or transfer.

No mortgagee of any mortgage of record or other purchaser of an Apartment who obtains title to the same at the foreclosure sale upon foreclosure of such mortgage shall be liable for the share of the Common Expenses or Assessments accruing after the date of recording of such mortgage but prior to the acquisition of title by such acquirer. Rather, such shall become Common Expenses payable pro rata by all Unit Owners (including such acquirer) as provided in the Act. In addition, any Co-Owner, person having executed a contract for the purchase of a Apartment or lender considering the loan of funds to be secured by a Apartment shall be entitled upon request to a statement setting forth the amount of Assessment(s) past due as provided in the Act. Failure to respond timely shall extinguish the lien for such assessment(s), to be extinguished as provided in the Act. Except in the foregoing circumstances, any acquirer shall be jointly and severally liable for such expenses with the former Co-Owner. Any such sale or transfer pursuant to a foreclosure does not relieve the purchaser or transferee of a Unit from liability for, nor the Unit from the lien of any assessments made thereafter.

The Board of Directors shall have the right to assign any claim and/or lien rights for the recovery of any unpaid Assessments.

No Co-Owner may exempt himself from liability for his share of the Common Expenses or any other Assessment by waiving the use or enjoyment of any of the Common Elements or by abandoning his Apartment.

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ARTICLE FILED AT 150000 ON 08/30/84
Insurance

1. The Board of Directors of the Association shall obtain insurance upon the Submitted Property insuring it (including both Common Elements and all Apartments) against all risks, all premiums of which shall be included as part of the Common Expenses. The provisions of this Article shall relate to all residential Units and all Common Elements including all fixtures, building service equipment, common personal property and supplies belonging to the Association; provided, however, because of the unique nature of the Commercial Units, the Co-Owner of a Commercial Unit may have that Unit exempted from any master hazard, casualty, liability or other insurance policy(ies) required to be maintained upon the Units (and have the amount of Common Expenses due from that Unit reduced accordingly), provided such Co-Owner provides evidence to the Board, and any Institutional Mortgagee requesting same, of equivalent insurance coverage with a carrier equivalent to that herein required.

The Board, on behalf of the Association, shall obtain extended insurance coverage (by policies, each having, if such can be obtained, a term of not less than three (3) years) upon the Submitted Property and improvements thereon, including the Apartments and Common Elements, insuring the Co-Owners and their mortgagees against loss from fire, earthquake, flood, vandalism and the elements (windstorm, etc.), as well as any other risks the Institutional Mortgagees described in Section 2 (if any) may deem it reasonable to require, in amount(s) sufficient to completely restore and replace the damage and/or destroyed elements in the event of loss or in the event the improvements are not to be repaired or replaced (as described in Section 6), sufficient to, after pro rata division among the Apartments to provide funds to pay off all outstanding mortgages held by Institutional Mortgagees upon Apartments in the Regime, whichever is greater. In the event such coverage as obtained contains deductible(s) and/or is

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insufficient to so restore or replace, the Insurance Trustee (as hereafter described), with the advice of the Board, shall determine the amount(s) necessary to cover such deductible(s) and/or deficiencies and establish a self-insurance fund to provide insurance to cover the same. Such self-insurance fund shall be established and funded in the same manner as are escrow payments for insurance premiums as hereafter described. Such self-insurance fund shall have the same loss payee as the policies obtained (i.e. the Insurance Trustee for the benefit of the Co-Owners and their mortgagees, etc.). Such self-insurance fund and any increase and/or replacement(s) thereto shall be funded by assessment of all of the Co-Owners by the Insurance Trustee acting on behalf of the Board, which shall be, when so assessed, an item of Common Expense. Such funds so maintained (except for excess funds, which shall be distributed as provided in Section 4), together with interest thereon (if any) may be expended only in the event of: (i) a loss which such funds insure against; (ii) the obtaining of other insurance to cover such deductible(s) and/or insufficiency(ies); (iii) the consent of all Co-Owners and their mortgagees; or (iv) upon termination of the Regime. In the event of distribution of such funds for any of the latter three events, such funds so expended and/or distributed shall be considered as, owned as and distributed as Common Surplus.

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

3. Insurance premiums are and shall be a part of the Common Expenses; provided, however, they shall be paid separately and to the Insurance Trustee by each Co-Owner at such address as it shall designate. The Insurance Trustee shall notify the Co-Owners of the place of payment and monthly payment amount, which shall be due and payable by the first day of each month by each Co-Owner. The amount collected monthly from each Co-Owner shall be an amount equal to his percentage share in the Common Expenses multiplied by not less than 1/12th of the annual premiums of all insurance policies maintained upon the Regime. Further, the Insurance Trustee is hereby subrogated to and assigned the lien rights of the Council of Co-Owners as to each Co-Owner failing to pay any payment due from him to the Insurance Trustee for insurance premiums or self-insurance to the extent of the amounts due and owing but unpaid, which rights include the right to file notice of, perfect and foreclose upon a lien(s) against such Co-Owner(s) as granted to the Council of Co-Owners by the Act and this Master Deed. Sufficient funds shall be collected and maintained, if necessary in advance, by the Insurance Trustee (as hereinafter defined) such that with monthly installments received by it, it will have sufficient funds to pay the next annual premium on each policy maintained under Section 1 hereof not less than sixty (60) days prior to the date such premium on such policy is due and payable. Such funds so held shall be disbursed and used by it solely to pay premiums on said insurance policies described in Section 1. Unless such carrier fails to meet the requirements of Section 13 hereof or unless otherwise instructed by the Board of Directors and agreed to by the Institutional Mortgagees described in Section 2, the Insurance Trustee shall renew each policy with and pay the renewal premium to the same carrier then carrying said coverage. Such funds shall not be otherwise used or disbursed except upon written instruction of the Board of Directors consented to by all of the Institutional Mortgagees within the classification described in Section 2 of this Article.

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4. Mellon Bank, N.A., its successors and assigns, is hereby appointed and designated Insurance Trustee. The Insurance Trustee shall receive all funds designated for the self-insurance fund (if any) described in Section 1 hereof, to be held in trust for the benefit of the Co-Owners and their mortgagees, to be distributed as provided, and only as provided, in this Article. The funds comprising such self-insurance fund shall be placed in one or more demand accounts of a federally insured bank or trust company (which shall be interest bearing account(s) if allowed by such institution and permitted by law). To the extent such funds exceed those required (as defined in Section 1), they shall be paid over to the Council of Co-Owners as Common Surplus.

5. The Insurance Trustee is hereby designated and appointed as agent for the Council of Co-Owners, its Board of Directors, each and every present and future Co-Owner thereof and each and every mortgagee and lienholder (if any) of each and every such Co-Owner for the purposes of this Article. Any Person, by acquiring any ownership or security interest whatsoever in any Apartment, shall be deemed to have appointed the Insurance Trustee as his, her or its agent for the purposes of this Article. Further, such appointment is and shall be irrevocable; provided, however, the present Insurance Trustee may resign upon the acceptance by a successor insurance trustee of all rights, powers and duties herein granted the Insurance Trustee and, further, provided such successor must be a federally insured bank or other federally insured depository having a corporate trust department, and must be acceptable to all Institutional Mortgagees within the classification described in Section 2 of this Article. In its capacity as agent, the Insurance Trustee shall cause itself, as Insurance Trustee, to be designated as named insured and loss payee, for the benefit of those for whom it is herein designated as agent, of the insurance policies procured pursuant to Section 1 of this Article, and in such capacity to receive all proceeds from such policies and execute as duly authorized agent such releases, endorsements or other documents or things as may be necessary to be able to receive such proceeds. In the event of any casualty or loss which is less than 2/3rds (as defined in Section 6 of this Article), the Board of Directors shall be responsible to accomplish substantial reconstruction, replacement and repair, provided the Insurance Trustee shall collect the proceeds of insurance (and to the extent appropriate, from the self-insurance fund) and distribute such proceeds (by, if appropriate, a percentage of completion basis) to the parties entitled thereto upon satisfying itself as to the effectuation of such repairs, replacement and reconstruction. In the event reconstruction is not required (in accordance with the provisions of Section 6 of this Article), the Insurance Trustee shall receive the proceeds and shall divide them, pro rata, among the Apartments according to the percentage of Common Elements appurtenant to each Apartment. The Insurance Trustee shall then pay over to the mortgagee (and, if more than one, in order of priority of lien) of that Apartment, the share of proceeds appurtenant thereto up to the amount of indebtedness due such mortgagee upon his mortgage, and any balance then remaining to the Co-Owner thereof. If there be no mortgagee or other lien holder of that Apartment, the entire proceeds allocable to that Apartment shall be paid over to the Co-Owner thereof. The Insurance Trustee shall not be required to distribute any funds until it is satisfied in its sole judgment or assured of the parties entitled to such proceeds and the amounts to which they are entitled.

6. The proceeds of any such insurance shall be applied to reconstruct the improvements as provided in the Act; provided, however, reconstruction shall not be compulsory where it comprises the whole or more than two-thirds of the Property. In such event, unless unanimously agreed otherwise in writing by the Co-Owners and all Institutional Mortgagees, the proceeds shall be divided pro rata among the Apartments according to the share of Common Elements appurtenant to each and distributed by the Insurance

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Trustee as provided in this Article. In the event of such pro rata division, the Institutional First Mortgagee of record shall have first claim upon such insurance proceeds delivered to the Co-Owner of the Apartment upon which such Institutional Mortgagee holds a mortgage lien to the extent of the indebtedness due and owing upon the debt which such mortgage secures.

7. If the Property is not insured or if the insurance proceeds are insufficient to cover the costs of reconstruction, rebuilding costs shall be paid by all of the Co-Owners directly affected by the damage and each shall be responsible for a share equal to the total cost times a fraction, the numerator of which is one and the denominator of which is the number of Apartments so directly affected. Failure or refusal of payment of any of the Unit Owners so affected shall result in a lien upon his Unit in favor of the Association in such amount and may be enforced in the manner provided for collection of unpaid Assessments herein and/or in the Act.

8. Nothing herein contained or contained in the By-Laws shall prevent or prejudice the right of each Co-Owner and/or his mortgagee(s) from insuring his Apartment on his account and for the benefit of himself and/or his mortgagee(s).

9. Any repair and/or restoration must be substantially in accordance with the plans and specifications for the original buildings and improvements or as the buildings or improvements were last constructed or according to plans approved by the Board of Directors and all Institutional Mortgagees of record, which approval shall not be unreasonably withheld.

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

11. Should the Association fail to pay insurance premiums when due or should the Council or Co-Owners fail to comply with other insurance requirements required herein or by the Act or imposed by Institutional Mortgagees having the right to impose the same, said Institutional Mortgagees or any one of them shall have the right to obtain insurance policies and to advance such sums as are required to maintain or procure such insurance and to the extent of the monies so advanced said mortgagee(s) shall be subrogated to the Assessment and lien rights of the Association and its Board of Directors against the individual Co-Owners for reimbursement of such sums.

12. The Board of Directors of the Association is authorized and directed to purchase such additional insurance and for such additional purposes, including liability insurance (in an amount of not less than \$1,000,000.00 per occurrence). Said policy shall cover bodily injury and property, damage that results from the operation, maintenance or use of the projects common areas; and any legal liability that results from law suits related to employment contracts in which the Association is a party. If required by law or deemed advisable by it, workmen's compensation insurance, to carry out its purposes and/or to protect itself, the Regime, its Common Elements, Apartments, the Co-Owners thereof and their mortgagees.

13. Any and all insurance coverage(s) obtained under Section 1 above by the Association pursuant to this Article must be obtained from an insurance carrier(s) admitted and authorized to do business in the State of South Carolina, and having an Alfred M. Best Financial Rating of at least "A+15", which company(ies) shall be affirmatively presumed to be a good and responsible company(ies) and the Declarant, the Board of

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Directors, the Association and Institutional Mortgagees shall not be responsible for the quality or financial responsibility of the insurance company(ies) provided same are so rated and are so licensed, admitted and approved to do business and provide such coverage in the State of South Carolina.

14. The officers and/or employees of the Association responsible for the conduct of the Association's financial affairs shall be bonded at the Association's expense in accordance with the Federal National Mortgage Association Lending Guide, Chapter Three, Part 5, Insurance Requirements.

15. In addition to the foregoing provisions, the Association will maintain casualty and liability insurance and fidelity bond coverage meeting the specifications of the Federal National Mortgage Association Lending Guide, Chapter Three, Part 5, Insurance Requirements as constituted on the date of this Master Deed.

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ARTICLE XI
Use and Occupancy

The Co-Owner of each Apartment (other than a Commercial Unit) shall occupy and use his Apartment as a single family private dwelling for residential purposes for himself and the members of his family and/or his social guests or designees and for no other purposes; provided, however, nothing herein contained nor any present or future action by the Council of Co-Owners or its Board of Directors shall prevent any Co-Owner from leasing or renting his Apartment for such period or periods as he shall determine in his sole discretion to third parties; provided, however, such Apartment shall, if so rented or leased, be used for residential purposes only by such lessee or renter and in compliance with this Master Deed and its Exhibits, the Act and Rules and Regulations properly promulgated. Such renter or lessee may be removed from the Property and/or refused further entrance by the Board of Directors of the Association or its designee for non-compliance, and the Co-Owner of that Apartment shall be liable for all damages caused by his lessee or renter and all costs of removal which shall be a lien upon his Apartment the same as the lien for unpaid Common Expenses. No commercial or business activity shall be carried out in any Apartment or other part of the Submitted Property except a Commercial Unit and further except that the Declarant, its successors and assigns, may maintain and use one or more Apartments of the Condominium owned or leased by it, its successors or assigns, designated by Declarant as a model and/or for management, sales and/or rental offices, and commercial laundry and vending equipment may be maintained and maintenance and laundry equipment kept and maintained in areas of the Common Elements suitable for such purposes. Notwithstanding the foregoing, nothing contained in this Declaration shall be construed to restrict the Declarant or any successor in interest to the Declarant as developer of the Regime from selling and/or conveying any Apartment under any plan of multiple use, interval ownership or time sharing arrangement; provided, further, no Apartment may be sold, leased or otherwise marketed under any plan of multiple use, interval ownership or time sharing arrangement without express written consent of Declarant.

No Co-Owner shall permit or suffer anything to be done or kept in or about his Apartment or upon the Common Elements which will obstruct or interfere with the rights of other Co-Owners, their guests or assigns or annoy them by creating any unreasonable noises or otherwise, nor shall any Co-Owner permit or commit any nuisance or illegal act in or about the Submitted Property.

No animals or pets of any kind shall be kept in any Apartment or on any property of the Regime except with written consent of, and subject to, the Rules and Regulations adopted by the Board of Directors of the Association; provided, however, that in no case shall they be kept, bred or maintained for any commercial purposes; and provided, further, any animal or pet causing or creating a nuisance or unreasonable disturbance may be permanently removed from the Submitted Property by the Board of Directors upon three (3) days written notice to the owner thereof. Once permission to allow a pet to be kept in any Apartment is given, it shall not be withdrawn or terminated unless such pet has caused or created a nuisance or unreasonable disturbance as provided herein.

No Co-Owner shall cause anything to be affixed or attached to, hung, displayed or placed on the exterior walls, doors or windows of the Apartments or upon the general or limited Common Elements; provided, however, the Co-Owner or lessee of a Commercial Unit may display upon the Common Elements signs advertising such commercial establishment provided such must be in keeping with the decor of and not detract from the appearance of the Regime; nor shall he plant any type of plants, shrubbery, flower, vine or grass outside a Apartment nor shall he cause

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awnings or storm shutter, screens, enclosures and the like to be affixed or attached to any Apartment, limited or general Common Element; nor shall he place any furniture or equipment outside a Apartment except with the written consent of the Board of Directors of the Association (provided, however, the Co-Owner of the Commercial Unit or his lessee(s) or assign(s) shall have the right, as aforesaid, to place furniture and furnishings upon the Limited Common Elements adjacent to that Unit); and, further, where approved, subject to the Rules and Regulations of the Board of Directions. No clothesline or similar device shall be allowed on any portion of the Submitted Property nor shall clothes be hung anywhere except where designated by the Board of Directors. Co-Owners may not screen or enclose any exterior patio which abuts a Unit, where applicable, nor may any Co-Owner screen or enclose any exterior deck and/or balcony which abuts his Apartment, where applicable, with any type of material without the prior written consent of the Board of Directors.

No person shall use the Common Elements or any part(s) thereof or an Apartment or any part of the Submitted Property in any manner contrary to, or not in accordance with, such Rules and Regulations pertaining thereto as may from time to time be promulgated by the Board of Directors of the Association.

The Board of Directors may, if it determines appropriate, suspend use of the Common Elements for a period of up to thirty (30) days for any violation of the provisions hereof and/or said Rules and Regulations. Such remedy is not exclusive.

Notwithstanding the provisions hereof, the Declarant, its successors and assigns in interest as developer of the Regime, shall be allowed to maintain one (1) or more Apartments as laundry and/or maintenance areas, management, sales and/or rental office(s); to display and place signs upon the premises to aid in sales or rentals; and to engage in sale or rental activities and provide laundry and maintenance service upon the Submitted Property.

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Maintenance and Alterations ~~REVISION~~ ON 08/30/84

1. The Board of Directors including the initial Board appointed by the Declarant) may enter into contracts with firm(s), person(s) or corporation(s), or may join with other regimes and/or entities in contracting for the maintenance and/or repair of the Submitted Property and any properties belonging to the Regime; may contract for or may join with other associations in contracting for the maintenance and management of the Regime; and may delegate to such contractor or manager all power and duties of the Association and its Board of Directors except such as are specifically required by this Master Deed, by its By-Laws or by the Act to have approval of the Board of Directors and/or of the Association.

2. There shall be no alterations or additions to the Common Elements or any part(s) thereof except as authorized by the Board of Directors and approved by not less than seventy-five (75%) percent of the total vote of the Co-Owners of the Regime provided the aforesaid alterations or additions do not affect the rights of any Co-Owner and/or his Institutional Mortgagee(s) of record unless the consent of both have been obtained. The cost of the foregoing shall be assessed as Common Expenses. Where alterations or additions as aforesaid are exclusively or substantially for the benefit of the particular Co-Owner(s) requesting the same, then the cost of such alterations or additions shall be assessed against and collected solely from the Co-Owner(s) exclusively or substantially benefiting therefrom. The assessment shall be levied in such proportion as may be determined as fair and equitable by the Board of Directors taking

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into account the benefit to each and the relative value of each such Apartment as opposed to the others so improved. Where such alterations or additions exclusively or substantially benefit Co-Owner(s) requesting same, said alterations or additions shall only be made when authorized by the Board of Directors approved by not less than seventy-five (75%) percent of the total votes of the Co-Owners exclusively or substantially benefiting therefrom, and where said Co-Owners are ten (10) or less, the approval of all but one (1) shall be required.

Where the approval of Co-Owners for alterations or additions to the Common Elements of this Regime is required, the approval of Institutional Mortgagees whose mortgages encumber Apartments representing not less than ninety (90%) percent of the total unpaid dollar indebtedness as to principal on said Apartments at said time shall also be required.

3. Each Co-Owner is hereby required:

(a) To maintain in good condition and repair his Apartment, all interior surfaces and the entire interior of his Apartment and to maintain and repair the fixtures and equipment therein, which includes, but is not limited to, the following, where applicable: air conditioning and heating units, including condensers and all appurtenances thereto wherever situated; hot water heaters; refrigerators, ranges and ovens and all other appliances; drains, plumbing fixtures and connections, sinks, all plumbing and water lines within the Apartment; electric panels; lines outlets and fixtures within the Apartment; interior doors, windows, screens and glass; all exterior doors (except the painting of the exterior of an exterior door shall be a Common Expense). Water, sewerage, disposal and waste fees, electricity or other utility charges, if applicable, shall be part of the Common Expenses if billed to the Regime; however, if the individual bills are sent to each Co-Owner by the provider of such services, each such Co-Owner shall pay said bill for his Apartment individually. Electricity for the Units and all other purposes for the Regime may be metered to the Regime as a whole, rather than to individual Apartments, and, if so, shall be a Common Expense. Where an Apartment is carpeted, the cost of maintaining and replacing the carpeting shall be borne by the Co-Owner of said Apartment. Each Co-Owner shall maintain, care for and preserve those portions of the Limited Common Elements (if any) exclusively for his use or exclusively for his use together with certain other Co-Owners. Where there is a light fixture or fixtures attached to the exterior wall or walls of the Apartment, the Co-Owner thereof shall replace the bulb(s) by the same color and bulb wattage at his cost and expense unless the Board of Directors decides to replace same as a Common Expense. Each Co-Owner is responsible for and will pay for his telephone service.

(b) Not to make or cause to be made any structural addition or alteration to his Apartment or to the Common Elements or any part(s) thereof. Alterations within a Apartment may be made with prior written consent of the Board of Directors and any Institutional Mortgagee holding a mortgage upon such Apartment as could be affected by such alteration. Upon approval of such alteration, the Board of Directors shall have the right to require approval of any contractor and/or sub-contractor employed by such Co-Owner for such purpose. Said parties shall comply with all Rules and Regulations adopted by the Board of Directors. Further, such Co-Owner shall be liable for all damages to any other Apartment(s), Common Element(s) or Submitted Property caused by the Co-Owner's contractor, sub-contractor or employee whether such damage be caused by negligence, accident or otherwise.

(c) To allow the Board of Directors or its representative, agent or employee to enter into his Apartment for the purposes of maintenance, inspection, repair or replacement of improvements within the apartment and/or Common Elements; to

determine and remedy in the case of emergency, circumstances threatening the Apartment and/or Common Elements; or to determine compliance with the provisions of this Master Deed and/or any By-Law or Rule or Regulation of the Association.

(d) To show no signs, advertisements or notices of any type on the Common Elements, Apartments or buildings (except for the Co-Owners and/or operators of a Commercial Unit as provided in this Master Deed) and to erect no exterior antennae or aerials except as consented to by the Board of Directors.

4. In the event that a Co-Owner fails to maintain his Apartment and all parts thereof as required, makes any alterations or additions without the required consent, or otherwise violates the provisions hereof, the Board of Directors, on behalf of the Association, shall have the right to proceed with an action at law for damages or to obtain an injunction to prevent such activity and/or to require compliance with the provisions hereof, with the By-Laws, the Act or any Rules or Regulations. In lieu thereof and in addition thereto, the Board of Directors shall have the right to levy an assessment against such Co-Owner for such necessary sums to remove any unauthorized additions or alterations and/or to restore the property to good condition and repair. Said assessments shall have the same force and effect as all other special assessments. The Board of Directors shall have the right to have its employees or agents, or subcontractors appointed by it, enter an Apartment at all reasonable times to do such work as it deems necessary to enforce compliance with the provisions hereof.

5. The Board of Directors shall determine the exterior color scheme of all buildings and all exterior and interior color scheme(s) of the Common Elements (subject to the approval rights of the Association), and shall be responsible for the maintenance thereof. No Co-Owner shall paint an exterior wall, door, window or any exterior surface or place anything thereon or affix anything thereto without the written consent of the Board of Directors.

6. The Council of the Co-Owners shall be responsible for the maintenance and repair and replacements of the Common Elements and all portions of the Submitted Property not required to be maintained and/or repaired and/or replaced by individual Co-Owners. Notwithstanding each Co-Owner's duty of maintenance, repair, replacement and other responsibilities to his Apartment, the Association, through its Board of Directors, may enter into an agreement with such firm(s) or company(ies) as it may determine from time to time to provide certain services and/or maintenance for and/or on behalf of the Co-Owners whereby maintenance and services are provided on a regularly scheduled basis, such as air conditioning maintenance services, exterminating services and other types of maintenance and services as the Board of Directors deems advisable and for such periods of time and on such basis as it determines. Further, the Board of Directors may lease equipment (such as MATV or Cable TV service and telephone equipment and service) and grant easements for the location and/or installation of the same if it determines advisable. Said agreements shall be on behalf of each of the Co-Owners and the Monthly Assessment due from each Co-Owner for Common Expenses shall be increased by such sum as the Board of Directors deems fair and equitable under the circumstances in relation to the monthly charge for said equipment maintenance or services. Each Co-Owner shall be deemed a party to such agreement with the same force and effect as though said Co-Owner has executed said agreement. It is understood and agreed that the Association through its Board of Directors shall execute said agreements as the agent for each Co-Owner. The aforesaid assessment shall be deemed to be an Assessment under the provisions of the Article regarding Assessments contained in this Master Deed.

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ARTICLE XIII
Termination

This Regime may be voluntarily terminated at any time upon the terms and conditions and in the same manner set forth and described in the Act; provided, however, that unless otherwise required by law or in the Act, before the Regime may be terminated, all Co-Owners must agree thereto and all Institutional Mortgagees of record of all Apartments or any other part of the Submitted Property of the Regime must agree in writing to accept such termination and to accept as security the undivided portion of the Submitted Property owned by the debtor(s) of each. In the event of such termination, all Co-Owners shall become tenants in common of the real property and improvements constituting the Apartment and Common Elements. The ownership of each Co-Owner upon such termination as tenant in common shall be the same percentage as his percentage ownership in the Common Elements at that time.

ARTICLE XIV
EASEMENTS

Each Person who acquires an interest in an Apartment shall be deemed, thereby, to agree that: (i) if any portion of a Apartment shall encroach upon any portion of the Common Elements or another Apartment or any portion of the Common Elements shall encroach upon any Apartment, there shall exist a valid easement for such encroachment and for the maintenance and repair of the same so long as it stands; and (ii) in the event a building or other improvement or a Apartment is partially or totally destroyed and the reconstruction thereof shall create an encroachment on portions of the Common Elements or on any Apartment, there shall exist a valid easement for such encroachment and the maintenance thereof.

The Property is subject to all conditions, limitations, restrictions, reservations and all other matters of record, the rights of the United States of America, the State of South Carolina and any governmental authority or agency, including those pertaining to the use and ownership of any submerged lands and any lands lying below the natural high water line of the surrounding bodies of water, any taxes, applicable zoning ordinances which now exist or are hereafter adopted and easements for ingress and egress, for pedestrian and vehicular purposes and for utility services and drainage which now exist or are hereafter granted by the Declarant for the benefit of such persons as the Declarant designates. The Declarant shall have the right to grant easements and designate the beneficiaries thereof for such time as it determines in its sole discretion. Such rights include, but are not limited to, reservation unto itself, its successors and assigns, and the right to grant to third parties easements for access and ingress and egress across the Property suitable for such purposes, for pedestrian and vehicular purposes and for utility services and drains, and easements and licenses of use of the amenities and facilities of the Regime, provided any such grant of use(s) shall require the grantee(s) thereof to pay fees commensurate with such use(s) for such use(s). When the Declarant relinquishes such right, the Association shall be empowered to grant such easements. While the Declarant has the right to grant easements, the consent and approval of the Association to the granting thereof shall not be required. The Association shall have the right to grant permits, licenses, and easements over the common areas for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the Property. No easement shall be granted by the Declarant or the Association if as a result thereof any buildings or other improvement in the Regime would be structurally weakened or the security of any mortgagee of record would be adversely affected without its written consent.

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

The Association, all present and future Unit Owners and Occupants, the Declarant and their respective successors, assigns, designees, invitees, licensees and guests are hereby granted a easement to certain property described in Exhibit One on which three (3) tennis courts are constructed. Said easement may be terminated by Declarant with (90) days' notice to the Unit Owners, provided, further that Declarant may, in its sole discretion, commit the property described in Exhibit One to the Common Elements by annexing and including such property into the Submitted Property. The Declarant further grants a ten foot wide easement from the Property to said tennis courts for the sole purpose of providing a general access, ingress and egress to those courts across such area that is suitable for that purpose; provided, however, that the Declarant reserves the right to extinguish, narrow or broaden such easement, make it more specific and further reserves the right to relocate said easement across any other area that Declarant deems suitable.

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

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ARTICLE XV

Certain Rights of Declarant

1. Notwithstanding any other provisions herein, so long as the Declarant continues to own any of the Apartments, the following provisions shall be deemed to be in full force and effect, none of which shall be construed so as to relieve the Declarant from any obligations as a Co-Owner to pay assessments as to each Apartment owned by the Declarant after the construction of said Apartment has been completed.

(a) The Declarant shall have the right at any time to sell, transfer, lease or re-let any Apartment(s) which the Declarant continues to own after this Master Deed has been recorded, without regard to any restrictions relating to the sale, transfer, lease or form of lease of Apartments contained herein and without the consent or approval of the Association or any other Co-Owner being required.

(b) During the period of time in which structures are under construction by the Declarant and not completed, no dues shall be charged against the Declarant as the Co-Owner of the Apartments included therein until the completion of said Apartments and the dues shall be assessed against the Co-Owners

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(including the Declarant) of those Apartments which shall have been completed, proportionately, inter se.

(c) Without limiting the foregoing and to the extent allowed by law, the Declarant shall have the power, but not the obligation, acting alone, at any time (and from time to time) so long as the Declarant owns or holds a mortgage upon at least one Apartment to amend the Declaration to cause the same to conform to the requirements of the Federal National Mortgage Association and/or the Federal Home Loan Mortgage Corporation, as set forth, respectively, in "FNMA Conventional Home Mortgage Selling Contract Supplement" and "Seller's Guide Conventional Mortgages," as the same may be amended from time to time.

(d) The Declarant shall have the rights: (i) to use or grant the use or a portion of the Common Elements for the purpose of aiding in the sale or rental of Apartments; (ii) to use portions of the Submitted Property for parking for prospective purchasers or lessees of Apartments and such other parties as the Declarant determines; (iii) to erect and display signs, billboards and placards and store and keep the same on the Submitted Property; (iv) to distribute audio and visual promotional material upon the Common Elements; and (v) to use any Apartment which it owns as a sales and/or rental office, model, management office or laundry and/or maintenance facility.

(e) In order to provide the Regime with, among other things, adequate and uniform water service, sewage disposal service, utility services, telephone service and television service, reception and programming, the Declarant reserves the exclusive right to contract for the provision of such services. The Declarant, as agent for the Association and the Co-Owners, has entered into or may enter into arrangements, binding upon the Association and the Co-Owners, with governmental authorities or private entities for furnishing such services. The charges therefor will be Common Expenses.

(f) The Declarant reserves the right to enter into, on behalf of and as agent for the Association and the Co-Owners, agreements with other Persons for the benefit of the Regime, the Association and the Co-Owners. The provisions of any such Agreement shall bind the Association and the Co-Owners. The Declarant, as agent for and on behalf of the Association and the Co-Owners, has entered into an agreement with Capital Telecommunications Corporation, pursuant to which it will provide a color television set in each Unit together with cable and satellite television reception, service, programming and maintenance and service therefor. This agreement, a copy of which is attached as an Exhibit and incorporated herein by reference is binding upon the Association and the Co-Owners, to the extent allowed by law. The fees for rental of such television sets and for such services shall be Common Expenses. If the Association fails to pay the amounts due under the agreement with Capital Telecommunications Corporation, the latter, if it duly performs its obligations under such agreement, shall be subrogated to all rights of the Association as to Common Expenses. The agreement with Capital Telecommunications Corporation may be amended only by a written amendment executed by the Association and Capital Telecommunications Corporation. The Declarant has also entered into an agreement with Capital Telecommunications Corporation, pursuant to which it will provide a telephone in each Apartment tied to a central PBX system and maintenance and service therefor. This agreement, a copy of which is attached as an Exhibit and incorporated herein by reference is binding upon the Association and the Co-Owners, to the extent allowed by law. The fees for rental of such telephone sets and service shall be Common Expenses. If the Regime fails to pay the amounts due under the agreement with Capital Telecommunications Corporation, the latter, if it duly performs its obligations under such agreement, shall be subrogated to all rights of the Association as to Common Expenses. The agreement with Capital Telecommunications Corporation may be

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amended only by a written amendment executed by the Association and Capital Telecommunications Corporation.

2. THE DECLARANT SPECIFICALLY DISCLAIMS ANY INTENTION TO HAVE MADE ANY WARRANTY(IES) OR REPRESENTATION(S) IN CONNECTION WITH THE SUBMITTED PROPERTY (INCLUDING ANY WARRANTIES AS TO MERCHANTABILITY OR FITNESS FOR USE OR FITNESS FOR A PARTICULAR PURPOSE) OR THE DOCUMENTS ESTABLISHING OR GOVERNING THE REGIME, EXCEPT THOSE WARRANTIES AND REPRESENTATIONS (IF ANY) EXPLICITLY SET FORTH HEREIN. NO PERSON SHALL BE ENTITLED TO RELY UPON ANY WARRANTY OR REPRESENTATION NOT EXPLICITLY SET FORTH HEREIN. STATEMENTS (IF ANY) AS TO COMMON EXPENSES, TAXES, ASSESSMENTS OR OTHER CHARGES MADE BY THE DECLARANT OR ANY REPRESENTATIVE THEREOF ARE ESTIMATES ONLY AND NO WARRANTY, GUARANTEE OR REPRESENTATION IS MADE THAT THE ACTUAL AMOUNT OF SUCH COMMON EXPENSES, ASSESSMENTS OR OTHER CHARGES WILL CONFORM WITH SUCH ESTIMATES. The Buildings and the other improvements located in the Regime have been or will be constructed substantially in accordance with the representations made in the Exhibits. Such representations specify the full extent of the Declarant's liability and responsibility for the materials and methods utilized in the construction of the Buildings and the other improvements located in the Condominium.

The Declarant shall not be responsible for any condition caused by condensation on or expansion or contraction of materials, including paint (over interior or exterior walls), for loss or injury in any way due to the elements, the water tightness (or absence thereof) of windows and doors, the collection of water within the buildings or on any portion of the Submitted Property or defects which are the result of characteristics common to the type of materials used, or for damage due to ordinary wear and tear or abusive use or any other cause, except as the Declarant and a Co-Owner may specifically agree in writing. The enforcement of any guaranty or warranty from any contractor, sub-contractor, supplier or manufacturer shall be the obligation of the Association and its members and the Declarant shall bear no responsibility therefor.

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ARTICLE XVI

Provisions Respecting Construction Lender

Notwithstanding anything to the contrary contained in this Master Deed, until the satisfaction of record of any construction mortgage given by Declarant upon the Submitted Property to secure a loan with which to develop the improvements for the Submitted Property such as would be commonly classified as a construction loan mortgage (hereinafter referred to as the "Construction Mortgage"), the following provisions shall be a part of this Declaration and shall supersede any inconsistent provisions contained heretofore in this Master Deed.

1. Whenever the consent of the Declarant is required under this Master Deed, the written consent of the holder of the Construction Mortgage (hereinafter referred to as "Construction Mortgagee") shall also be required.

2. In the event that the Declarant shall violate any of its obligations as a Co-Owner, the Association shall be required to give Construction Mortgagee written notice of such failure or violation, and the Association shall be prohibited from instituting any suit or exercising any other remedy against the Declarant for any such failure or violation until it has given Construction Mortgagee ten (10) days' prior written notice of its intention to file such suit or exercise such remedy during which time Construction Mortgagee shall have the right to cure any such failure or violation.

3. Construction Mortgagee shall be given written notice by the Association of any meeting of the Co-Owners together with the agenda of such meeting.

4. No amendment shall be made to this Declaration or to the By-Laws of the Association, which would alter the rights of Construction Mortgagee or in any way affecting the security of Construction Mortgagee without its joinder and written consent to such amendment.

5. If Construction Mortgagee either assumes possession of any portion of the Submitted Property or Common Elements upon which said Construction Mortgage is a lien or acquires title to unsold Submitted Property upon foreclosure of the Construction Mortgage, by purchase of the unsold Submitted Property upon foreclosure sale, or by deed in lieu of foreclosure, Construction Mortgagee and its successors and assigns shall have and enjoy all of the rights, privileges and exemptions granted to Declarant by this Master Deed and/or by the By-Laws.

ARTICLE XVII
Rights of Lenders

Notwithstanding any other provision hereof, any insurer, guarantor, or mortgagee of record (including, but not limited to, the Construction Mortgagee while such Construction Mortgage shall remain unsatisfied and the Federal National Mortgage Association) shall:

1. Upon request, be permitted to inspect the books and records of the Association during normal business hours;

2. Receive a copy of any audit performed by or for the Association and all proposed and adopted budgets and any proposed action that requires the consent of a majority of the mortgage holders;

3. Upon request, receive written notice of all meetings of the Association and be permitted to designate a representative to attend and observe all such meetings;

4. Receive written notification from the Association of any default by any of its mortgagors in the performance of his obligations to the Association which is not cured within thirty (30) days;

5. Receive written notice of any condemnation or casualty loss that affecting either a material portion of the Condominium or the Unit securing its mortgage; and

6. Receive written notice of a lapse, cancellation, or material modification or any insurance policy or fidelity bond maintained by the Association.

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ARTICLE XVIII
The Spa On Port Royal Sound

The Regime is located within and is a part of a certain 21.471 more or less, acres tract of land owned/or under option by Declarant lying between S.C. Highway No. 334 and the Atlantic Ocean, portions of which Declarant presently has included within and has named The Spa On Port Royal Sound (herein "Resort"). Declarant has heretofore included within the Resort a horizontal property regime named The Spa On Port Royal Sound Horizontal Property Regime (which was established by Master Deed which is recorded in the Office of the Clerk of Court for Beaufort County, South Carolina, in Deed Book ___ at Page ___). Developer does, by the recording of this Master Deed, include the Regime within the Resort and does hereby grant to the Council of Co-Owners, the present and further Co-Owners thereof, all Occupants of the Apartments and their successors and assigns, non-exclusive easements and licenses of use of the pathways, streets and roads (together with roadside and entrance areas), paved areas and recreational facilities and amenities of the Resort (herein "Resort Facilities"). Developer may, in its sole discretion, add additional property up to the entire 21.471 acres tract, build additional streets and roads, pathways, develop certain portions for other multi-family complexes, tennis courts, parking facilities, recreational facilities and develop portions for commercial facilities within the Resort, provided any such development shall be in Developer's sole discretion and no representations are made as to the same whatsoever. As a consequence, Declarant reserves unto itself, its successors and assigns in interest as developer of the Resort, and the present owner of the balance of the real property shown within the Resort in the Exhibits (herein "Present Owner"), the right to include up to the entire tract within the Resort.

Declarant does hereby grant and does further reserve unto itself, its successors and assigns, and Present Owner as owner of the balance of the 21.471 acres tract the right to grant to and for all present and future owners and occupants within the Resort which presently consists of the Co-Owners and Occupants of The Spa On Port Royal Sound Horizontal Property Regime non-exclusive easements over, across and through, and right to use, the paved areas of the Resort (including within the Regime) and its paths and ways for normal pedestrian and vehicular access and ingress and egress from the public road and for parking and a license to use the areas of the Common Elements (including amenities) in the manner ordinarily intended, such easements and licenses to exist in perpetuity. Provided, further, such owners and occupants to whom such easements, licenses and rights are granted must, in order to preserve such easements and licenses, pay their pro rata share of upkeep, maintenance and repair of such Common Elements so used based upon a fair and equitable system.

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

Declarant, pursuant to the power reserved to it in the Master Deed of The Spa On Port Royal Sound Horizontal Property Regime to which reference is made above, does hereby grant unto all Co-Owners and the Occupants of their Apartments non-exclusive easements over, across and through, and the right to use the paved areas of that regime and its paths and ways for normal pedestrian and vehicular access and ingress and egress from the public road and for parking and a license to use the areas of the common elements (including amenities) in the manner ordinarily intended, such easements and licenses to exist in perpetuity. Provided, further, the Co-Owners shall, as part of the Common Expenses and in order to preserve such easements and licenses, pay their pro

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rata share of upkeep, maintenance and repair of such common elements so used based upon a fair and equitable system.

Developer, its successors and assigns in interest as developer may retain some or all of the recreational facilities included within the Resort Facilities in trust, provided, however, Declarant reserves the right to convey the same to The Spa On Port Royal Sound Homeowners Association (as hereinafter defined) upon the terms hereinafter described.

Declarant, its successors and assigns in interest as developer, and/or Present Owner may elect, in its sole discretion, to include portions or all of the additional property shown in the Exhibits within the Resort and construct and develop additional Resort Facilities upon which the Council of Co-Owners, all present and future Co-Owners, all Occupants of the Apartments and their respective successors and assigns, shall be granted non-exclusive easements and licenses of use to use in common with all others whom Declarant shall designate. Said easements and licenses to use shall be established by one or more easements and licenses which shall be recorded in the public records of Beaufort County, South Carolina, and which shall require the Council of Co-Owners and the Co-Owners thereof to bear their pro rata share of the costs associated with such facilities (including, but not limited to, insurance, taxes, maintenance, upkeep, repair and replacement). Such shall be recorded as an amendment to this Master Deed in the public records of Beaufort County, South Carolina. Such additional real property and/or Resort Facilities shall become a part of the Resort and all costs and expenses in connection therewith or associated therewith as determined and set by Declarant, its successors and assigns in interest as Developer (and/or Present Owner) or its designee shall, as aforesaid, become part of the Resort Expenses to be paid pro rata by the Council of Co-Owners and the Co-Owners thereof as an item of Common Expense (together with others having like rights of use) as is herein described.

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

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

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The Co-Owners shall each be members of The Spa On Port Royal Sound Homeowners Association and as such shall pay pro rata with the Owners of other dwelling Apartments and other interests in real property within the Resort who shall be given similar easements and licenses of use all costs of maintenance, upkeep and repair arising out of or associated with the Resort Facilities as such exist from time to time; such costs to include, but not be limited to, providing management supervision and control thereof, property taxes, insurance, maintenance and reserve funds and all other costs connected or associated therewith (herein collectively "Resort Expenses"). Such Resort Expenses shall be included as an item of Common Expense and paid over by the Council of Co-Owners to Declarant, its successors or assigns in interest as developer of the Resort (or Present Owner, as the case may be), or its designee, upon such schedule (but not more frequently than once a month) and in advance for use for such purposes, provided the Board or the Council of Co-Owners shall be entitled to an annual accounting of the use of all Resort Expenses by Declarant or its designee. In the event of non-payment of Resort Expenses, Declarant, or if appropriate its designee, shall be subrogated to the rights of the Council of Co-Owners as to the individual Co-Owners to collect the Resort Expenses from the Co-Owners, including being subrogated to all lien rights for non-payment of Common Expenses as described in this Master Deed.

Declarant (its successors or assigns or Present Owner, as the case may be) or its designee shall establish rules and regulations for use of the Resort Facilities and the Board of Directors shall appoint a Resort Facilities committee and, if appropriate, one member to serve on the Board of Directors of the Homeowners (as hereinafter defined) to assist in formulating and enforcing the same, it being the intent that such rules and regulations shall encourage safety, use and enjoyment of the Resort Facilities, provided Declarant makes no warranties whatsoever that said rules and regulations will be inclusive or allow absolute safety of use.

Declarant (its successors or assigns in interest as developer of the Resort or Present Owner, as the case may be) may, in its sole discretion, establish The Spa On Port Royal Sound Homeowners Association (herein "Homeowners"), which shall be an association (which may, in Declarant's sole discretion, be incorporated as a corporation or as a corporation not for profit or unincorporated) to operate, manage, control, care for the Resort and, if conveyed to it, own the Resort Facilities and all Co-Owners shall, in addition to being Co-Owners, automatically become members thereof. In addition, the Board of Directors shall elect one of its members who shall serve as a member of the Board of Directors of Homeowners. The Board of Directors of Homeowners shall be comprised of at least one representative from this Regime, at least one representative from The Spa On Port Royal Sound Horizontal Property Regime and at least one representative from each other development within the Resort as Declarant as developer of the Resort shall designate. In the event of such establishment, Declarant shall designate Homeowners as its designee to carry out the duties and responsibilities and have the powers granted in this Article to Declarant's designee.

In addition, Declarant (its successors or assigns in interest as developer of the Resort or Present Owner as the case may be) may, in its sole discretion, at any time convey to the Regime and its Co-Owners and/or any other horizontal property regimes or other multi-family developments within the Resort or which Declarant has developed in proximity to the Resort having like non-exclusive easements and licenses of use, or to Homeowners, all or any portion of the Resort Facilities or any interests therein, provided such shall be for no consideration other than the actual cost of such improvement or facility. Declarant shall have no liability whatsoever for any taxes, assessments, utility charges or other matters whatsoever arising

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out of the ownership of any Resort Facilities so conveyed and such conveyance shall be subject to Declarant (its successors or assigns in interest as developer of the Resort or Present Owner, as the case may be) retaining unto itself and the right to grant to such third parties as it may designate easements and licenses for use consistent with the conveyed facilities and contract(s) for management thereof and all matters and rights theretofore of record. In such event, such documents shall be considered an amendment to this Master Deed and execution only by the Declarant (or its successors or assigns in interest as developer of the Resort or Present Owner as the case may be), shall be sufficient and no execution, concurrence or consent shall be required of the Council of Co-Owners, any Co-Owner, any Mortgagee or any third party whatsoever.

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ARTICLE XIX
Beach Protection

No building or other structure shall be located or constructed in such a manner as to destroy, undermine, or alter any natural sand dune or destroy or disturb any dune vegetation, unless specifically authorized by the applicable governing authority.

No structure shall be constructed within seventy-five (75) feet landward of the mean high water mark or forty (40) feet landward of the crest of the primary dune, whichever is greater, except for beach pavilions of less than four hundred (400) square feet elevated with pilings, beach boardwalks or structures whose specific purpose is to protect or improve the beach and dune, unless specifically authorized by the applicable governing authority.

In the event any submerged land is located or becomes located within the Submitted Property all activities on or over and all uses of the submerged land or other critical areas shall be and are subject to the jurisdiction of the South Carolina Coastal Council including but not limited to the requirement that any activity or use must be specifically authorized by the South Carolina Coastal Council. Any Co-Owner, Association, guest or any other person shall be liable to the extent of their ownership for any damages to, any inappropriate or unpermitted uses of, and any duties or responsibilities concerning any submerged land, coastal waters or any other critical areas as set forth in the Act.

ARTICLE XX
Miscellaneous

1. A working capital fund shall be established by the Association and a sum equal to two (2) months' assessment shall be collected from each Unit Owner at the time of closing of the sale of each Unit. The collected funds shall be maintained in an account for the use and benefit of the Association. Such funds shall not be considered as an advance payment of regular assessments.

2. The Co-Owners of the respective Apartments shall not be deemed to own the undecorated and/or unfinished surfaces of the perimeter walls, floors and ceilings surrounding their respective Apartments nor shall any Co-Owner be deemed to own pipes, wires, conduits or other public utility lines running through said respective Apartments which are utilized for or serve more than one Apartment, which items are hereby made a part of the Common Elements. Each Co-Owner shall, however, be deemed to own the walls and partitions which are contained in said Co-Owner's Apartment and shall also be deemed to own the interior decorated and finished surfaces of the perimeter walls, floors and ceilings, including plaster, paint, wallpaper, etc.; however, all load-bearing walls, and where applicable the floor between the first or ground floor and second floor located within a Apartment

are part of the Common Elements to the unfinished surface of said walls and/or floors.

3. No Co-Owner may exempt himself from liability for his contribution toward the Common Expenses or other assessments duly made by the Association and/or the Board of Directors by waiver of the use or enjoyment of any of the Common Elements or the recreational facilities of the Regime or by abandonment of his Apartment.

4. Each Co-Owner shall pay all ad valorem taxes and other taxes assessed against his Apartment and shall file any tax returns required in connection therewith. No Co-Owner shall have a right of contribution or a right of adjustment against any other Co-Owner because the value of his Apartment as fixed by any taxing authority may differ from that stated herein.

5. For the purposes of ad valorem taxation, the interest of the Co-Owner of a Apartment in his Apartment and Common Elements appurtenant thereto shall be considered a Apartment. The value of said Apartment as compared to the value of the Regime shall be equal to the percentage of the value of the entire Regime as then constituted, including land and improvements, as has been assigned to said Apartment and as set forth in this Master Deed. The total of all said percentages equal 100 percent of the value of all the land and improvements as it shall then be constituted.

6. All provisions of this Master Deed and all Exhibits hereto and amendments hereof shall be construed as covenants running with the land and of every part thereof and interest therein including, but not limited to, every Apartment and the appurtenances thereto and every Co-Owner and/or occupant of the Submitted Property or any part thereof or owning any interest therein, his heirs, executors, successors, administrators and assignees shall be bound by all the provisions of this Master Deed and Exhibits hereto and any amendments to the same and the Act.

7. If any of the provisions of this Master Deed of the Exhibits hereto, of the Act or any section, clause, phrase, word or the application thereof in any circumstances is held invalid, the validity of the remainder of same and of the application of any provision, action, sentence, clause, phrase or work in other circumstances shall not be affected thereby.

8. Whenever notices are required to be sent hereunder, the same may be delivered to each Co-Owner either personally or by mail addressed to such Co-Owner at his place of residence in the Regime unless the Co-Owner has by written notice, duly receipted for, specified a different address. Proof of such mailing or personal delivery by the Association shall be given by affidavit of the person mailing or personally delivering such notice. Notices to the Association (including the Board of Directors) shall be delivered by mail to the Secretary of the Association at the Secretary's address within the Regime or, in the case of the Secretary's absence, then to the President of the Association at his address in the Regime; provided, however, that the Association may specify a different address by written notice delivered to all Co-Owners, Institutional Mortgagees of record, and any third party affected thereby. Notices to the Declarant shall be sent by mail to Post Office Box 11506, Columbia, South Carolina 29211. All notices shall be deemed delivered when mailed. Any party may change his or its mailing address by written notice duly receipted for. The change of the mailing address of any party as specified herein shall not require an amendment to this Master Deed. Notices required to be given the personal representative of a deceased Co-Owner may be delivered either personally or by mail to such party at his or its address appearing in the records of the probate court wherein the estate of such deceased Co-Owner is being administered.

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9. All remedies for non-compliance provided in the Act shall be in full force and effect. In addition thereto, should the Association find it necessary to bring an action to bring about compliance with any provision of law, the Act, this Master Deed and/or the Exhibits attached hereto, upon finding by the Court that the violation claimed was wilful or deliberate, the Co-Owner so violating shall reimburse the Association for reasonable attorneys' fees incurred in prosecuting such action.

10. Subsequent to the filing of this Master Deed, the Association when authorized by a vote of the majority of the total voting members of the Association and the Institutional Mortgagees of record encumbering Apartments who represent the majority of the dollar institutionally mortgaged indebtedness against this Regime may, together with other owners' associations and/or others, purchase and/or acquire and enter into agreements from time to time, whereby to acquire leaseholds, memberships, and other possessory or use interest in lands and/or facilities, including, but not limited to country clubs, golf courses, marinas and other recreational facilities, whether or not contiguous to lands of the Regime, intended to provide for the enjoyment and/or recreation and/or other use and/or benefit of the Co-Owners. The expenses of such ownership, rental, membership fees, operations, replacement and other undertakings in connection therewith shall be Common Expenses together with all other expenses and costs herein or by law defined as Common Expenses.

11. Whenever the context so requires, the use of any gender shall be deemed to include all genders and the use of the singular shall include the plural and plural shall include the singular. The provisions of this Master Deed shall liberally construed to effectuate its purposes of creating a uniform plan for the operation and development of a horizontal property regime.

12. The captions used in this Master Deed and the Exhibits attached hereto are inserted solely as a matter of convenience and shall not be relied upon and/or be used to construe the effect or meaning of the text of this Master Deed or Exhibits hereto annexed.

13. Where an Institutional Mortgagee by some circumstance fails to be a first mortgagee, it shall nevertheless for the purposes of the Master Deed and the Exhibits hereto be deemed to be an Institutional First Mortgagee of record.

14. If any term, covenant, provision, phrase or other elements of this Master Deed or the Exhibits hereto or the Act are held invalid or unenforceable for any reason whatsoever, such holding shall not be deemed to affect, alter, modify or impair in any manner whatsoever any other term, provision, covenant or element of this Master Deed, Exhibits and the Act.

15. Notwithstanding the fact that the present provisions of the Act are incorporated by reference and included thereby, the provisions of the Master Deed and the Exhibits hereto shall be paramount to the Act as to those provisions where permissive variances are permitted; otherwise, the provisions of the Act shall prevail and shall be deemed incorporated herein.

16. Each Co-Owner by virtue of acceptance of a deed of conveyance of an Apartment and/or any portion of or interest in the Common Elements and other parties by virtue of their occupancy of Apartments or use of the Common Elements, hereby approves the provisions hereof and all covenants, terms, conditions, duties and obligations hereof and Exhibits hereto and the Act, and does agree to be bound by all the terms, conditions, duties and obligations contained herein, in the Exhibits hereto and in the Act.

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17. No Co-Owner shall bring or have any right to bring any action for partition or division of the Property.

18. The Association shall make available to Unit Owners and lenders, and to holders, insurers or guarantors of any first mortgage, for inspection during normal business hours or under other reasonable circumstances, current copies of the Master Deed, By-Laws, other rules concerning the Property and the books, records and other financial statements of the Association. Any holder of a first mortgage is entitled, upon written request, to a financial statement for the immediately preceding fiscal year.

IN WITNESS WHEREOF, this Master Deed has been executed under seal as of the day and year first above written.

Signed, Sealed & Delivered
In The Presence Of:

RESORT INVESTMENT CORPORATION
(A Delaware Corporation)

Karen M. Bouverat
Susan S. Keege

By [Signature] (SEAL)
Its VP Development

ATTEST: [Signature]
Its Senior Vice President

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

PROBATE

PERSONALLY appeared before me the undersigned witness and made oath that (s)he saw the within named RESORT INVESTMENT CORPORATION, by and through its duly authorized agent, execute the within written MASTER DEED OF THE SPA ON PORT ROYAL SOUND HORIZONTAL PROPERTY REGIME, and that (s)he, with the other witness whose signature appears above witnessed the execution thereof.

Karen M Bouverat
WITNESS

SWORN and subscribed to before me
this 22nd day of August, 1984.

Susan S. Keege (L.S.)
NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission Expires: 4-7-93.

NO RENUNCIATION OF DOWER NECESSARY. DEVELOPER IS A CORPORATION.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt whereof is hereby acknowledged, THE SPA ON PORT ROYAL SOUND HORIZONTAL PROPERTY REGIME COUNCIL OF CO-OWNERS hereby agrees to and does on behalf of itself and all its present and future Co-Owners, accept all the benefits and all the duties, responsibilities, obligations and burdens imposed upon it and them by the provisions of this Master Deed together with all the Exhibits hereto and as set forth in the Act.

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IN WITNESS WHEREOF, the above named THE SPA ON PORT ROYAL SOUND HORIZONTAL PROPERTY REGIME COUNCIL OF CO-OWNERS has caused these presents to be signed in its name by its duly authorized agent this 22 day of AUGUST, 1984.

SIGNED, SEALED & DELIVERED
In The Presence Of:

Susan D. Keepe
Karen M. Thowret

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

By [Signature]
Its President
ATTEST: [Signature]
Its VICE PRESIDENT

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

PROBATE

PERSONALLY appeared before me the undersigned witness and made oath that (s)he saw the within named THE SPA ON PORT ROYAL SOUND HORIZONTAL PROPERTY REGIME COUNCIL OF CO-OWNERS, by and through its duly authorized agent, execute the within written MASTER DEED OF THE SPA ON PORT ROYAL SOUND HORIZONTAL PROPERTY REGIME, and that (s)he, with the other witness whose signature appears above, witnessed the execution thereof.

Karen M. Thowret
WITNESS

SWORN and subscribed to before me
this 22 day of AUGUST, 1984.

Susan D. Keepe (L.S.)
NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission Expires: 4-7-93.

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LEGAL DESCRIPTION
THE SPA ON PORT ROYAL SOUND

All and singular that certain piece, parcel or tract of land situate lying and being in Hilton Head Island, Beaufort County, South Carolina, containing 8.036 acres more or less and being shown and described as Phase I on a certain plat entitled "an as-built survey of The Spa On Port Royal Sound Phase I" dated August 15, 1984, prepared by Coastal Surveying Company, Inc., which plat is recorded in the office of the Clerk of Court for Beaufort County, South Carolina, in Plat Book 32 at Page 119; said plat also being contained as a part of this Exhibit; said real property having the following metes and bounds as shown upon said plat to wit:

BEGINNING at the southeastern corner of said tract whereupon it adjoins property now or formerly of Perry White and the mean high water mark of Port Royal Sound and preceding therefrom hence south $48^{\circ}17'43''$ west for a distance of 875.43 feet to a point; thence turning and running north $41^{\circ}40'38''$ west for a distance of 360.20 feet to a point; thence turning and running north $48^{\circ}21'44''$ east for a distance of 874.24 feet to a point; thence turning and running north $46^{\circ}58'28''$ east for a distance of 63.65 feet to a point; thence turning and running south $45^{\circ}17'12''$ east for a distance of 11.87 feet to a point; thence turning and running south $32^{\circ}26'09''$ east for a distance of 173.70 feet to a point; thence turning and running south $13^{\circ}07'57''$ east for a distance of 28.86 feet to a point; thence turning and running south $39^{\circ}19'48''$ east for a distance of 37.41 feet to a point; thence turning and running south $40^{\circ}24'39''$ east for a distance of 53.89 feet to a point; thence turning and running south $26^{\circ}51'07''$ east for a distance of 27.60 feet to a point; thence turning and running south $11^{\circ}28'10''$ east for a distance of 39.42 feet to the point of origin, the above northeastern boundary of the property intending to be and shall be the mean low water mark of the Atlantic Ocean and/or Port Royal Sound, all measurements being a little more or less, reference being craved to said plat for additional description.

TOGETHER WITH a non-exclusive easement for ingress and egress and for utilities, said easement being shown as "ingress/egress and utility easement" on said plat to which reference is made above, said easement commencing at the right-of-way of Beach City Road being 75 feet in width and running north $41^{\circ}37'24''$ west for a distance of 172 feet to a point; thence narrowing to 20 feet in width and running north $47^{\circ}31'24''$ west for a distance of 35 feet to a point; thence turning and running north $48^{\circ}21'16''$ east for a distance of 227.05 feet, the locations and dimensions of which are more specifically shown upon said plat to which reference is made above.

TOGETHER WITH a non-exclusive easement for the use of certain tennis courts said easement being shown as "tennis courts (0.527 acres)" on said plat to which reference is made above; also, together with, a pedestrian easement for access, ingress and egress to the tennis courts, such easement being shown as "10 feet pedestrian easement" on the plat to which reference is made above; provided, however, the tennis court easement and 10 feet pedestrian easement are subject to the specific provisions of the Master Deed of The Spa On Port Royal Sound Horizontal Property Regime which includes and provides for, among other things, the termination and relocation of the "10 foot pedestrian easement".

PROVIDED, FURTHER, in the event any of the foregoing easements are merged into the Spa On Port Royal Sound Horizontal Property Regime such easements will be extinguished or preserved as set forth in the Master Deed of the Spa On Port Royal Sound Horizontal Property Regime.

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ALSO SUBJECT TO all easements, reservations, restrictions, conditions and matters of record.

This being a portion of the the same property conveyed to Resort Investment Corporation by Deed of Helen M. Martin, dated February 29, 1984, and recorded in the Office of the Clerk of Court for Beaufort County, South Carolina, in Deed Book 389 at Page 99 on March 1, 1984.

The aforesaid real property and the particular improvements thereon, which are hereby committed (and the location of such improvements) are shown and described on the attached surveys, plot plans and building plans, which are incorporated in this description by reference and upon the plat to which reference has ben made above and which constitute, together with this description, Exhibit "1" to the Master Deed of The Spa On Port Royal Sound Horizontal Property Regime (the "Regime"). The improvements consisting of the buildings within which Apartments are located and the location of individual Apartments within the buildings are located as shown and described upon the aforesaid parts to this Exhibit, which locations and descriptions are also incorporated in this description by reference. Each Apartment has appurtenant to it an undivided interest in the common elements as shown and described on the attached surveys, plot plans, building plans and descriptions, and as described in the Master Deed to which this is an Exhibit. All areas not contained within the Apartments as the term "Apartment" is defined in the aforesaid Master Deed constitute common elements. Improvements which constitute common elements are the streets and driveways, sidewalks, parking areas, all stairways, walkways and halls providing access to individual apartments, swimming pool, deck and associated equipment, the lagoon and gazebo, water lines (to Regime meter) and all other improvements not contained within or part of any Apartment(s).

Each apartment includes:

(a) The space enclosed by the unfinished surfaces of perimeter and interior walls, ceilings and floors thereof, including vents, doors, windows and such other structural elements that are ordinarily regarded as enclosures of space.

(b) All interior dividing walls and partitions (including the space occupied by such walls and partitions).

(c) The decorated interior surfaces of all interior walls (including the decorated surfaces of all interior load-bearing walls) and floors, ceilings, consisting as the case may be of wallpaper, paint, plaster, carpeting, tiles and all other furnishings, materials and fixtures affixed or installed and for the sole and exclusive use of any dwelling space, commencing at the point of disconnection of the structural body of the building and from utility lines, pipes or systems serving the dwelling space. No pipes, wires, conduits or other public utility lines or installation constituting a part of the overall system designed for the service of any particular dwelling space of a building or any property of any kind, including fixtures and appliances within an apartment, which are not removable without jeopardizing the safety or usefulness of the remainder of the building shall be deemed to be part of any apartment.

The Regime, as presently constituted, consists of buildings containing Apartments as well as other improvements.

Apartments numbered 1107-1130, 2101-2114, and 2119-2120 are each identical and are each a two bedroom apartment containing approximately 917 square feet on one floor and are each located on the first floor of the buildings. The floor

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plan and dimensions of these Apartments are contained in this Exhibit. As to each apartment, entrance is made through a corridor which is part of the common elements into the apartment. Entrance is made into a foyer and then into the kitchen area and from the kitchen area into a living/dining room area. Entrance is made from the living/dining room area into each of two bedrooms, and into the guest bath of the Apartment. Each bedroom contains one closet. The second bath adjoins and is accessed from the master bedroom. Sliding doors from the living room/dining room area provide access to the balcony which is part of the apartment.

Apartments numbered 1207-1230, 2201-2214 and 2219-2222 are each two bedroom apartments identical to apartments above except that each such apartment is located on the second floor of the building entrance being made into each such apartment from the common element corridor, access being gained to said corridor by stairway which is a part of the common elements.

Apartments numbered 1307-1330, 2301-2314 and 2319-2322 are each two bedroom apartments identical to the apartments above except that each such apartment is located on the third floor of the building, entrance being made into each such apartment from the common element corridor, access being gained to said corridor by stairway which is a part of the common elements.

Apartments numbered 1101-1106 and 2115-2118 are each identical and are each a one bedroom apartment containing approximately 588 square feet on one floor and are located on the first floor of the buildings. The floor plan and dimensions of these apartments are contained in this Exhibit. As to each such apartment, entrance is made from the common element corridor into the hall of the apartment and from the hall into the living/dining room area which accesses the kitchen area. The hall provides access into the bath and the bedroom of the apartment. Each bedroom of the apartment contains a closet. Sliding doors from the living/dining area provide access to the balcony which is a part of the apartment.

Apartments numbered 1201-1206 and 2215-2218 are each apartments identical to the apartments above except that each such apartment is located on the second floor of the building, entrance being made into each such apartment from the common element corridor, access being gained to said corridor by stairways which are also part of the common elements.

Apartments numbered 1301-1306 and 2315-2318 are each apartments identical to the apartments above except that each such apartment is located on the third floor of the building, entrance being made into each such apartment from the common element corridor, access being gained to said corridor by stairways which are also part of the common elements.

All Commercial Units are located on the first floor of their respective buildings and are shown in the Exhibits. Commercial Unit A is located in the building containing the Natatorium and consists of offices, reception area, telephone room and storage areas as shown in the Exhibits and containing approximately 3492 square feet. Commercial Unit B consists of a cabana, beverage and food facility containing approximately 315 square feet on one floor. Appurtenant to Commercial Unit B as a limited common element thereto is the area designated as Limited Common Element on the plans which are included as part of this Exhibit, said Limited Common Element shall have the use as set forth in the Master Deed.

Improvements other than the four commercial units and the residential apartments comprise Common Elements. These consists principally of Natatorium containing a swimming pool,

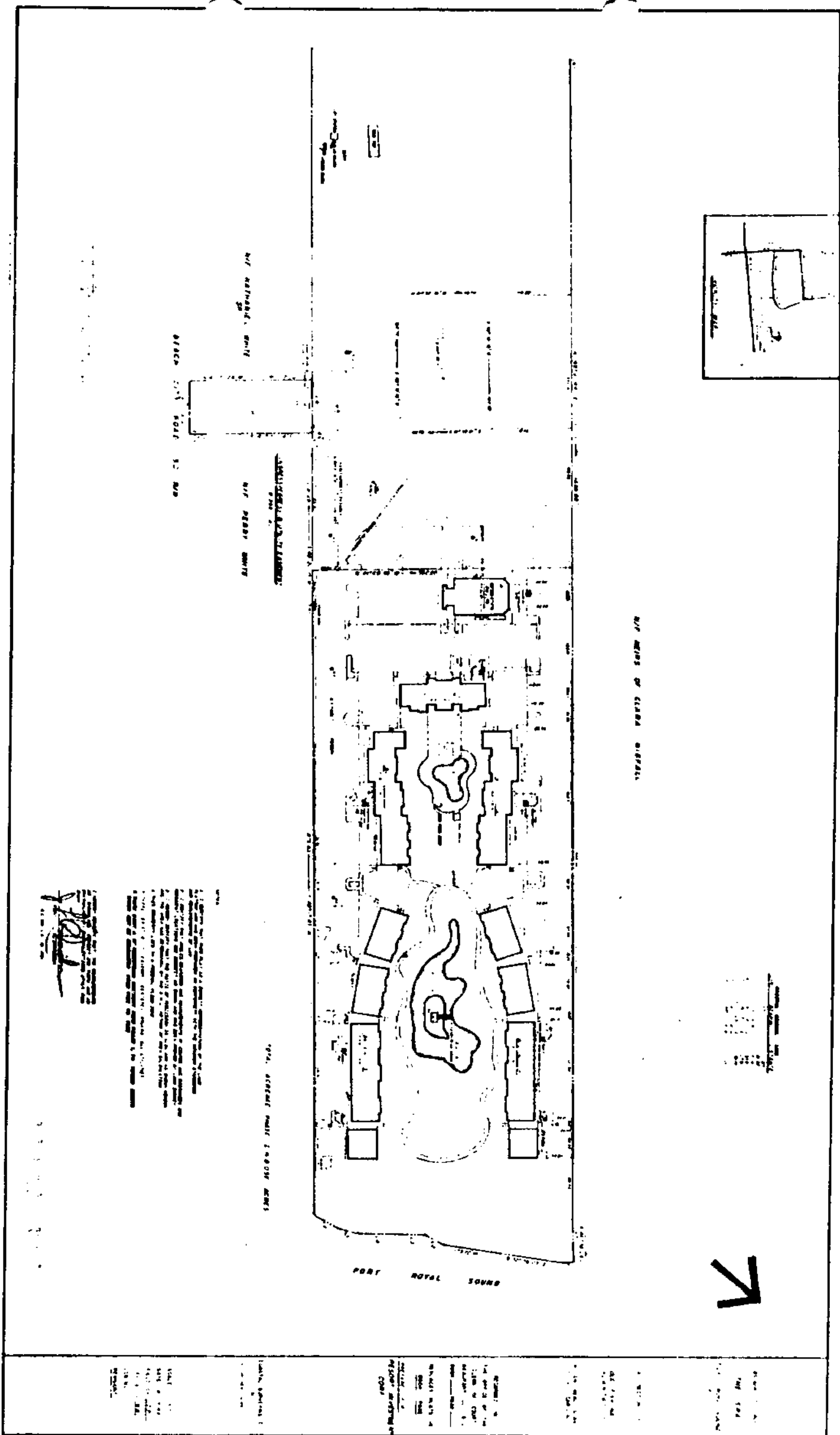
EXHIBIT 1-3

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deck and pool equipment room, an exercise room with adjoining sauna, hot tub, and bathrooms with lockers, and a meeting room, all having the shape and dimensions as shown in the plans which are part of this Exhibit. Storage and laundry rooms which are part of the Common Elements and have the dimensions and locations as shown in the Exhibits with access to such storage and laundry rooms provided by the Common Element corridors. Other improvements constituting Common Elements such as corridors, hallways, staircases, paved areas and the like are shown in the building plans which are part of this Exhibit.

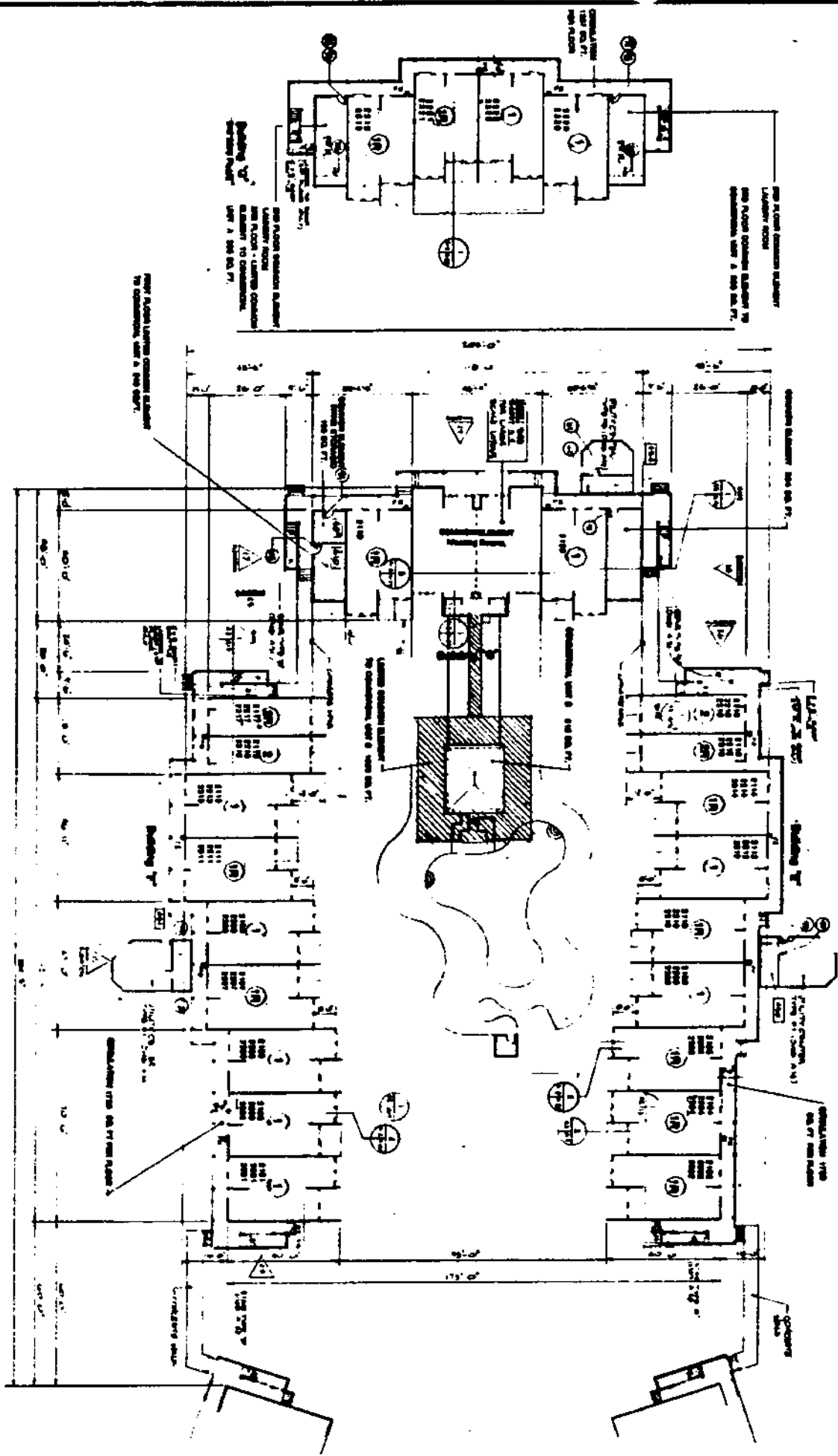
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EXHIBIT 1-4



STERLING 1 2 3 4 5 6

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FLOOR PLAN - RECORD E/F/S/O

FILED IN DEED - N BOOK 492 PAGE 600
FILED AT 1500000 DN 08/30/84 NORTH

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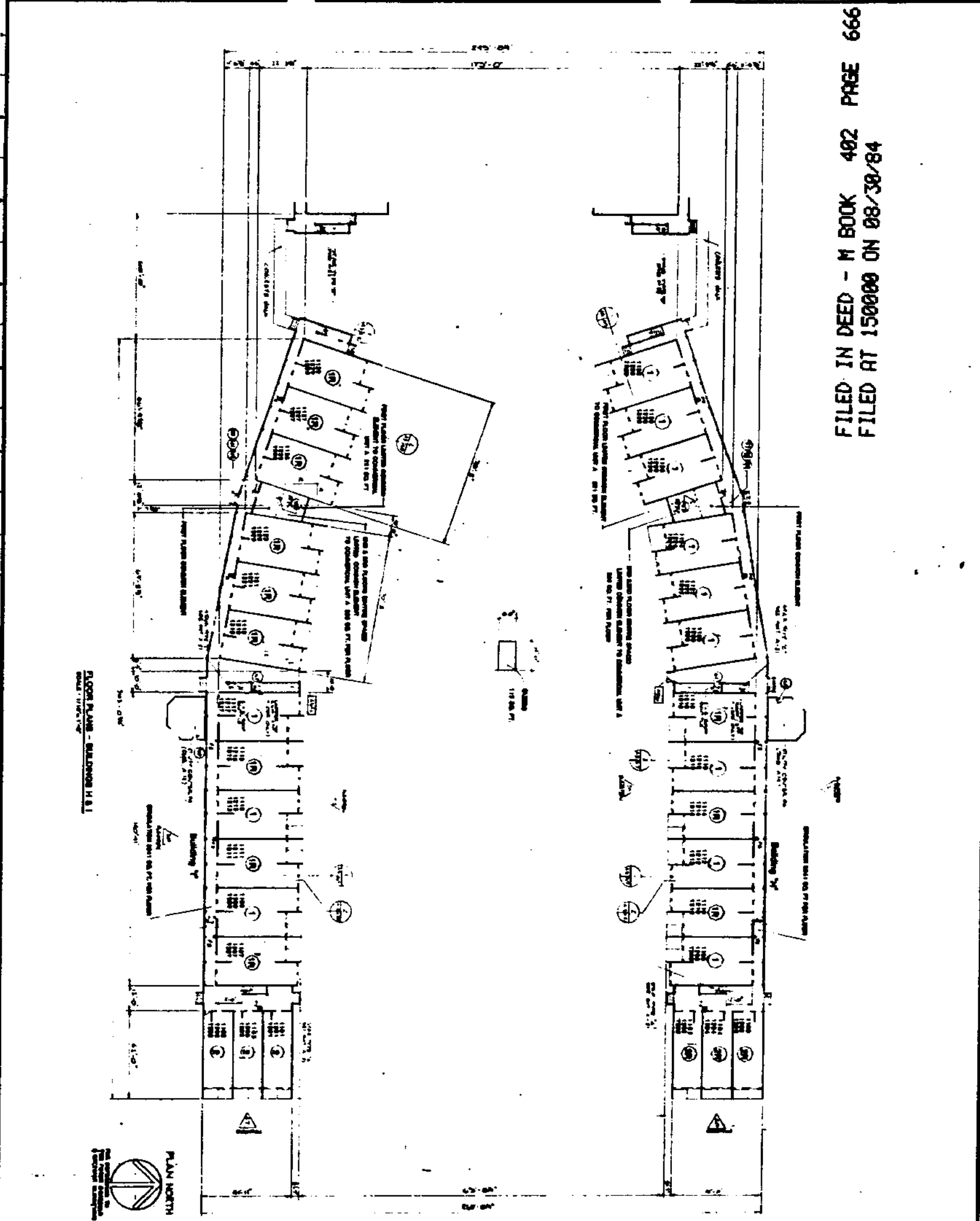
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STEVENS & WILKINSON, INC. logo and company information, including contact details and a list of services.

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STEVENS & WILKINSON, INC.
 ARCHITECTS
 1500 BROADWAY
 SUITE 1200
 NEW YORK, N.Y. 10018
 (212) 512-1000

NO.	DATE	DESCRIPTION

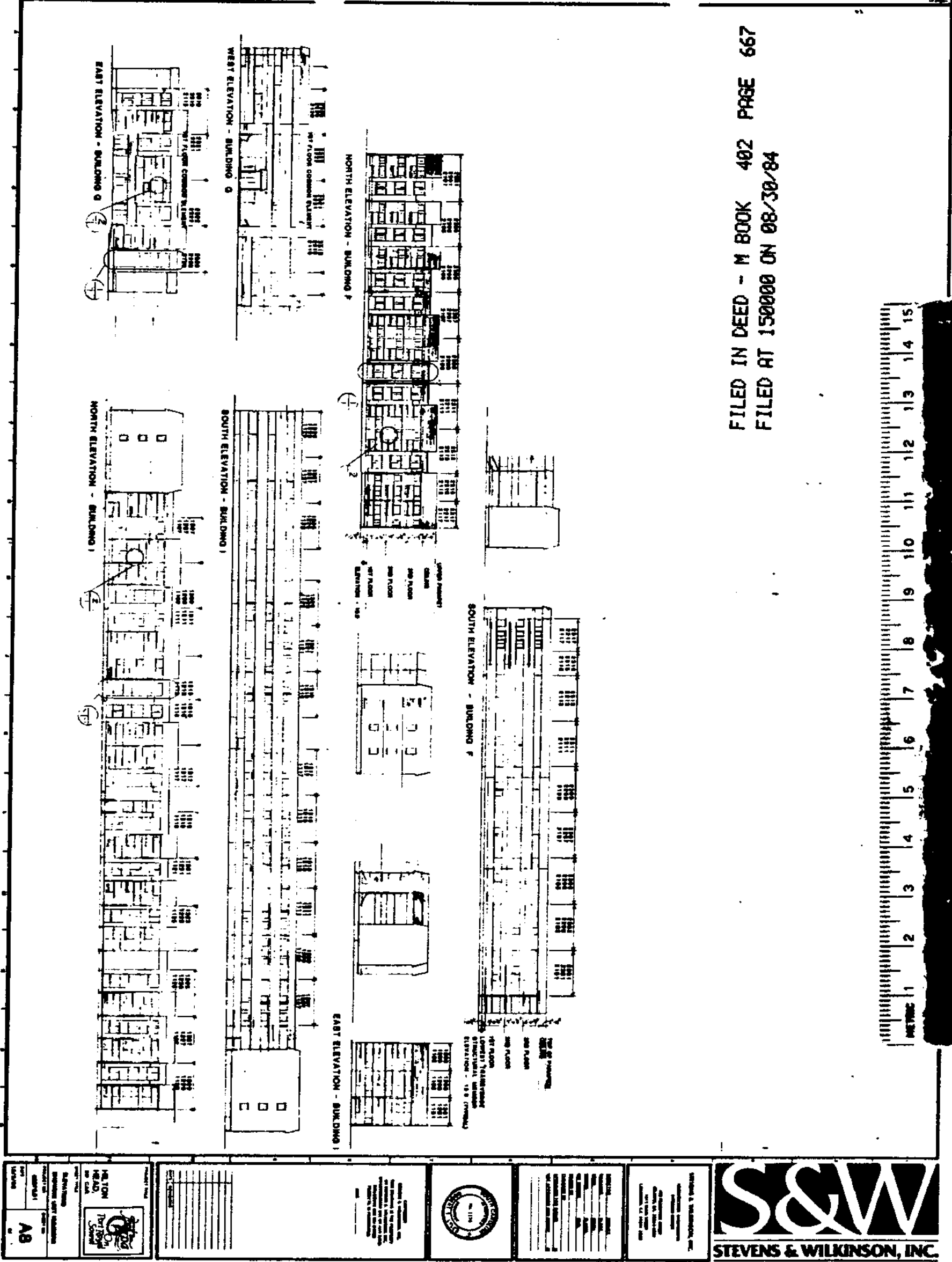
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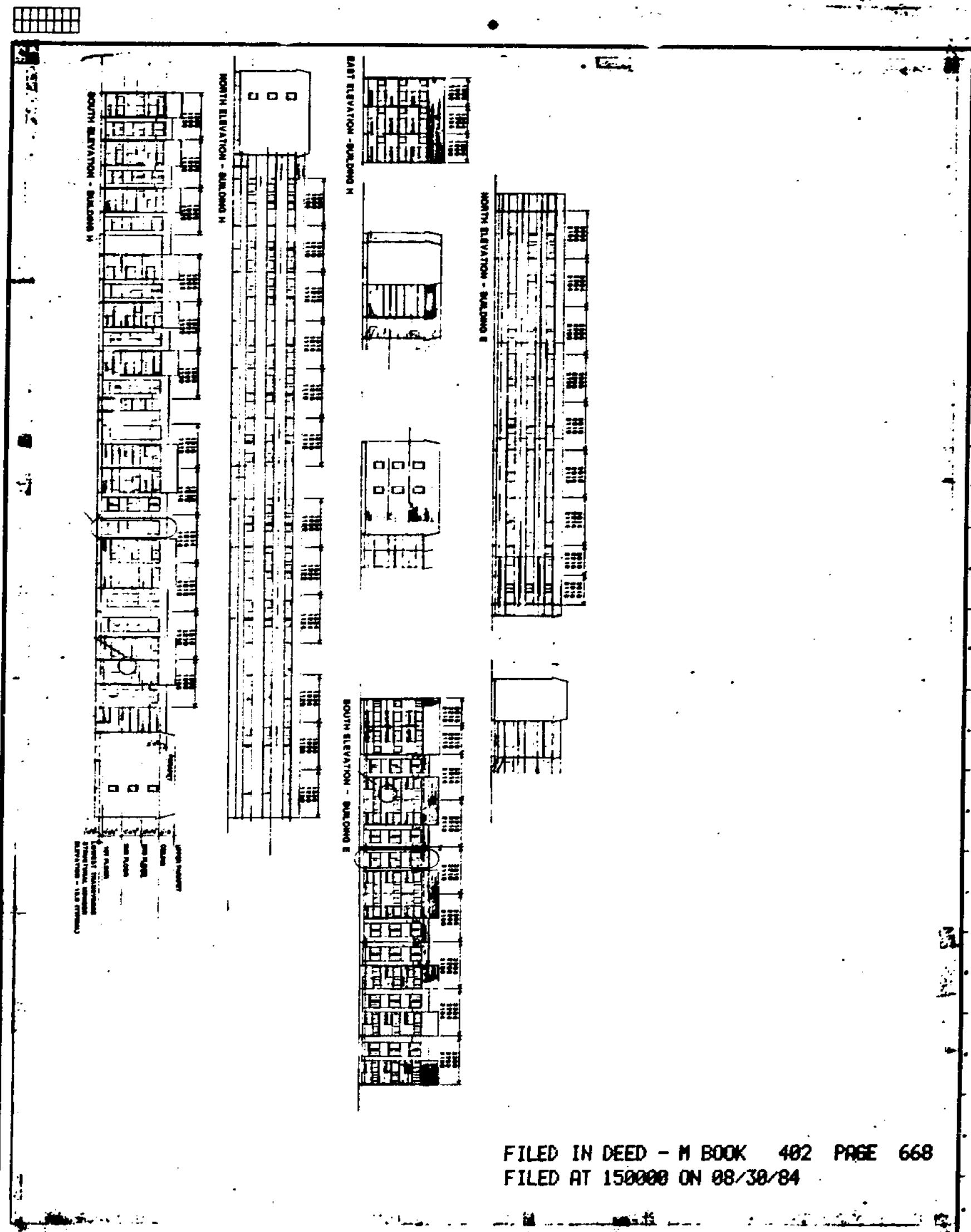
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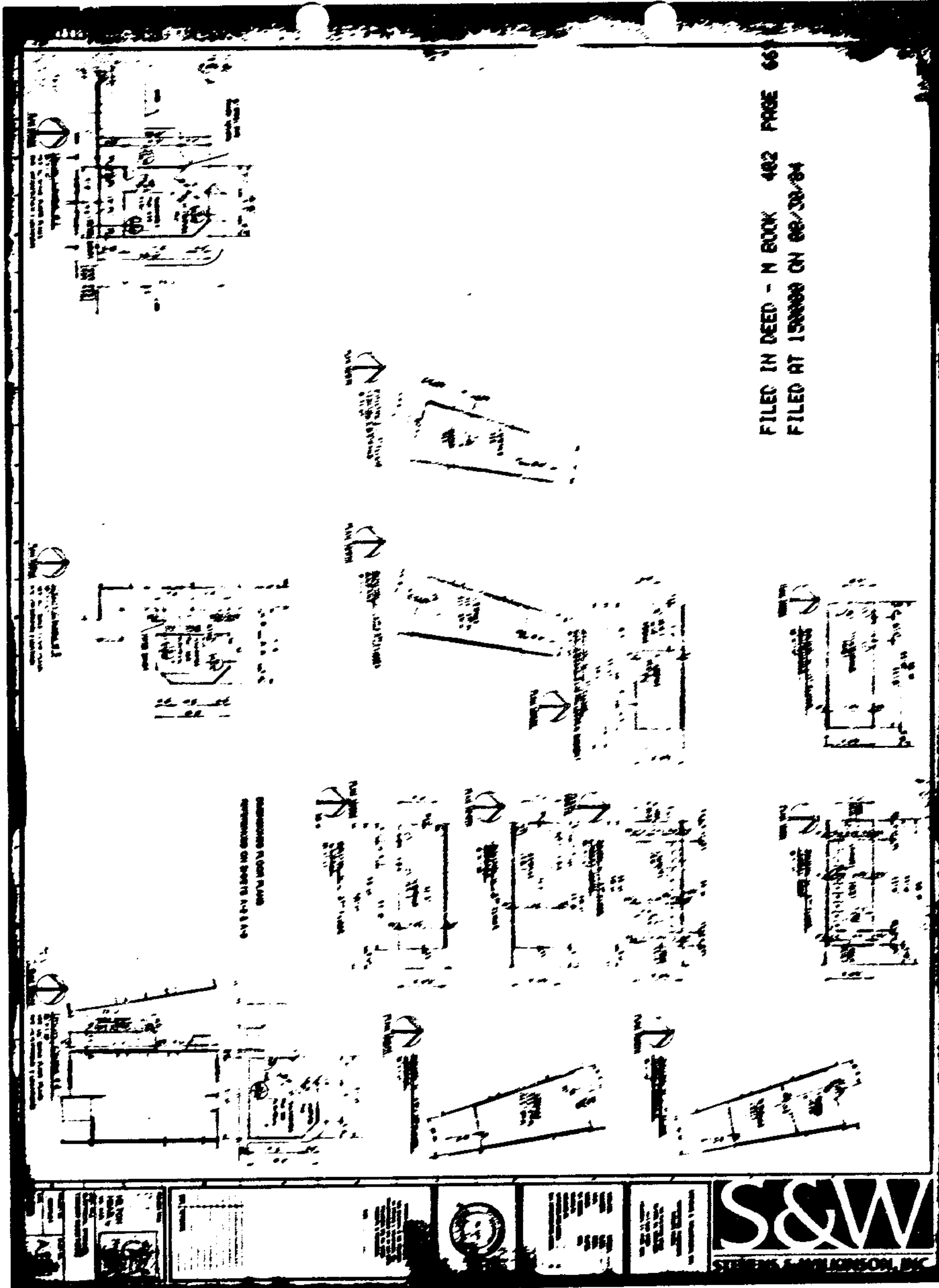
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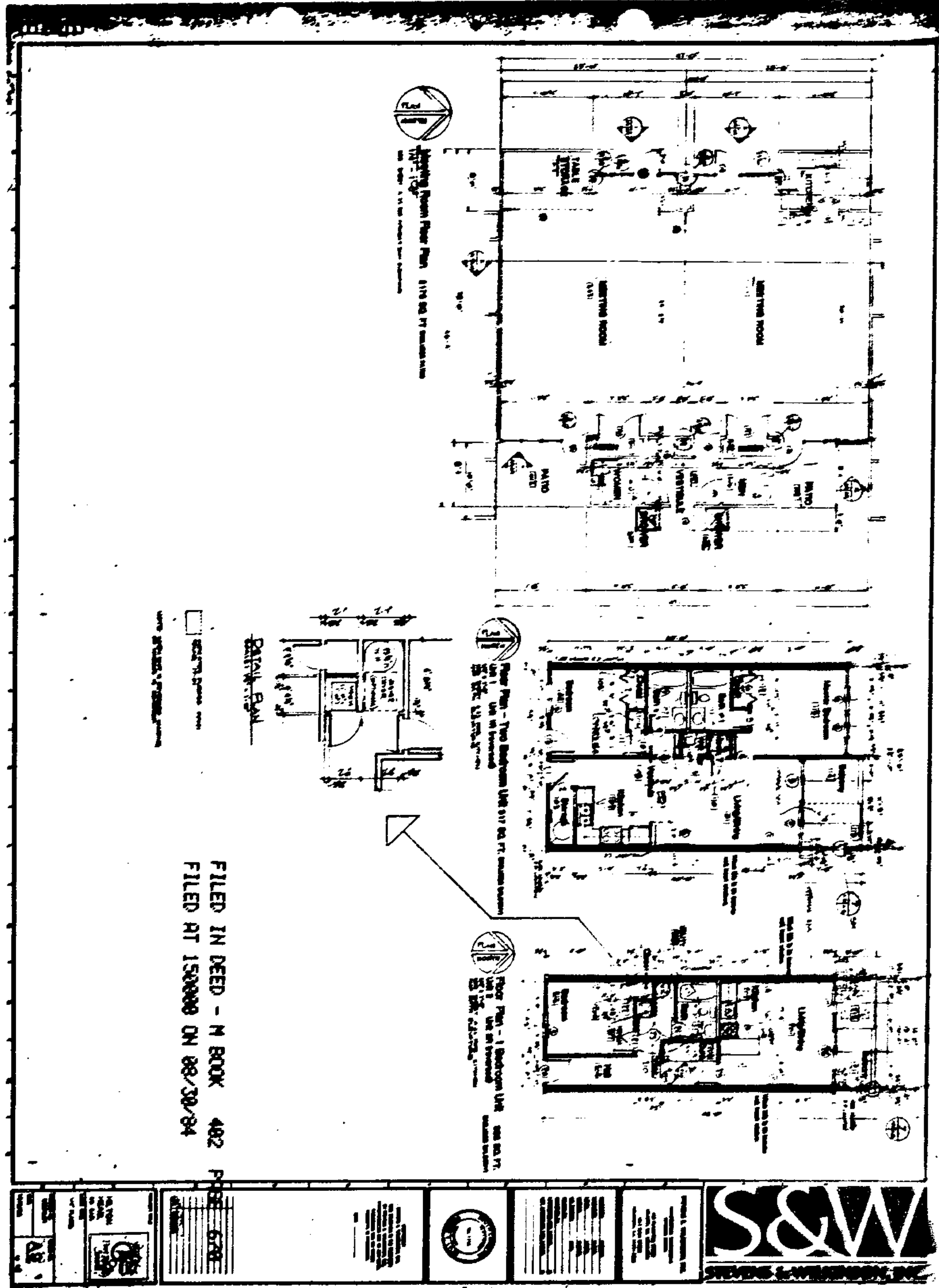
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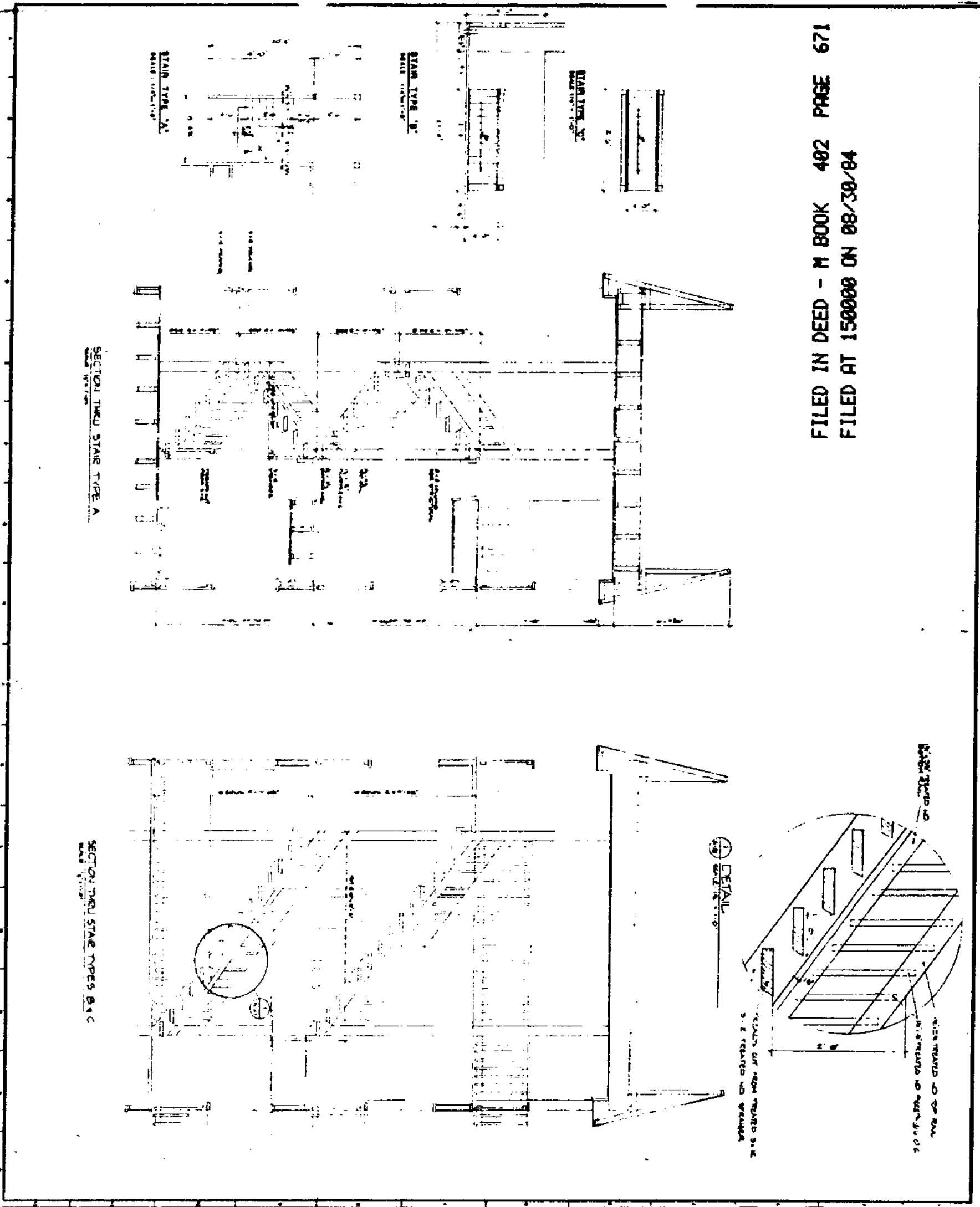
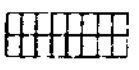
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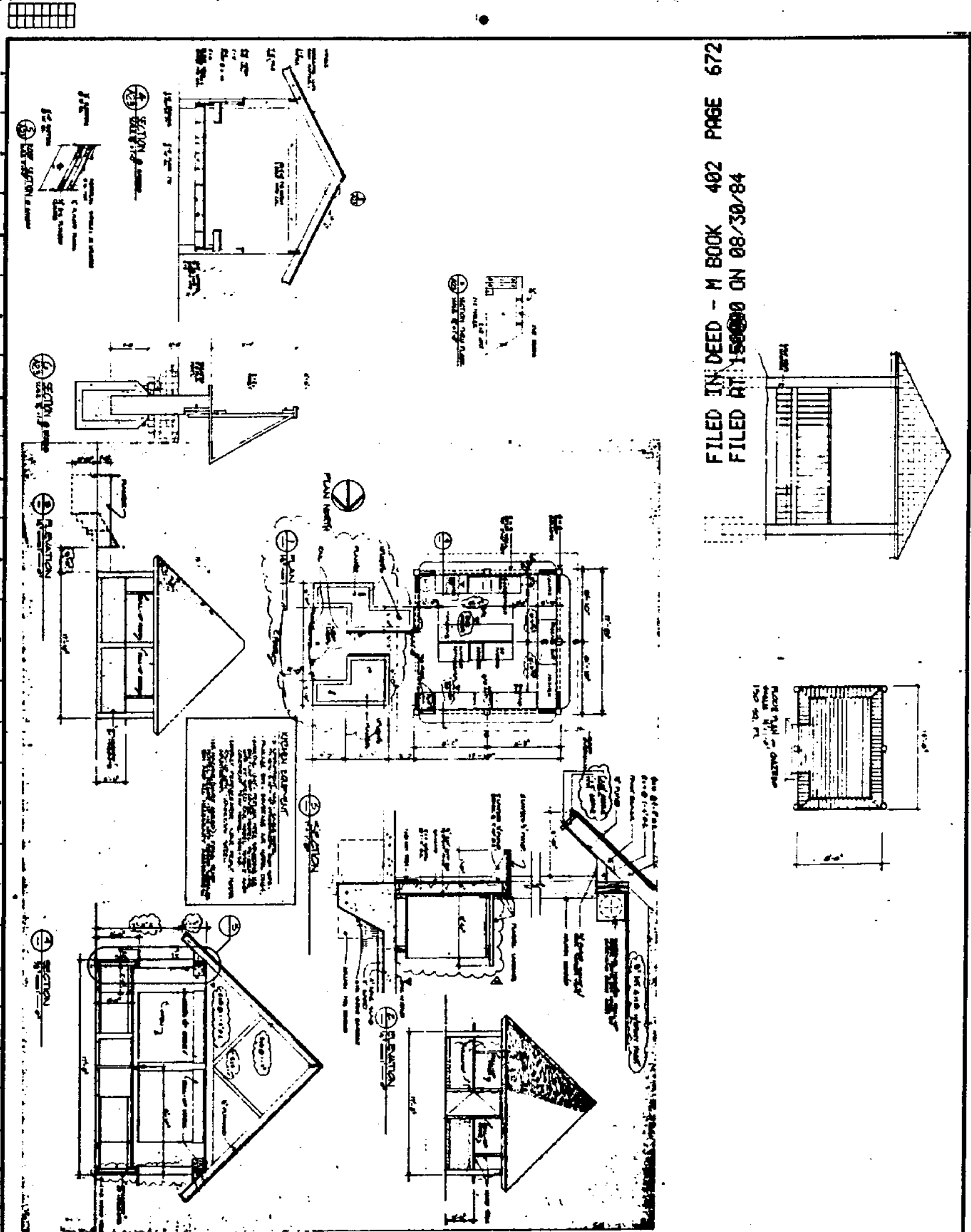
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<p>SECTION A-21 1/8" = 1'-0"</p>	<p>SECTION B-1 1/8" = 1'-0"</p>	<p>SECTION C-1 1/8" = 1'-0"</p>		<p>SECTION D-1 1/8" = 1'-0"</p>	<p>SECTION E-1 1/8" = 1'-0"</p>	<p>S&W STEVENS & WILKINSON, INC.</p>
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SECTION



NO.	DESCRIPTION	QTY

NOTES:

1. SEE PLANS FOR ALL DIMENSIONS AND NOTES.

2. ALL WORK TO BE DONE IN ACCORDANCE WITH THE CITY OF HOUSTON SPECIFICATIONS FOR CONSTRUCTION.

3. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE CITY OF HOUSTON.

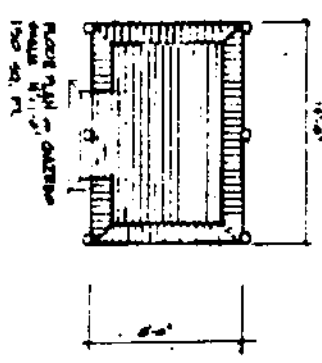
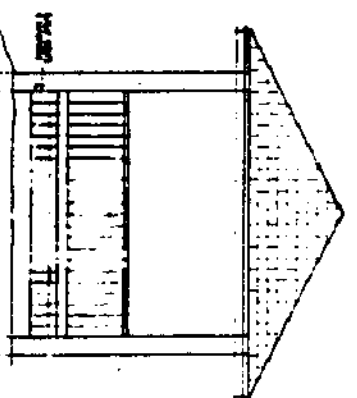


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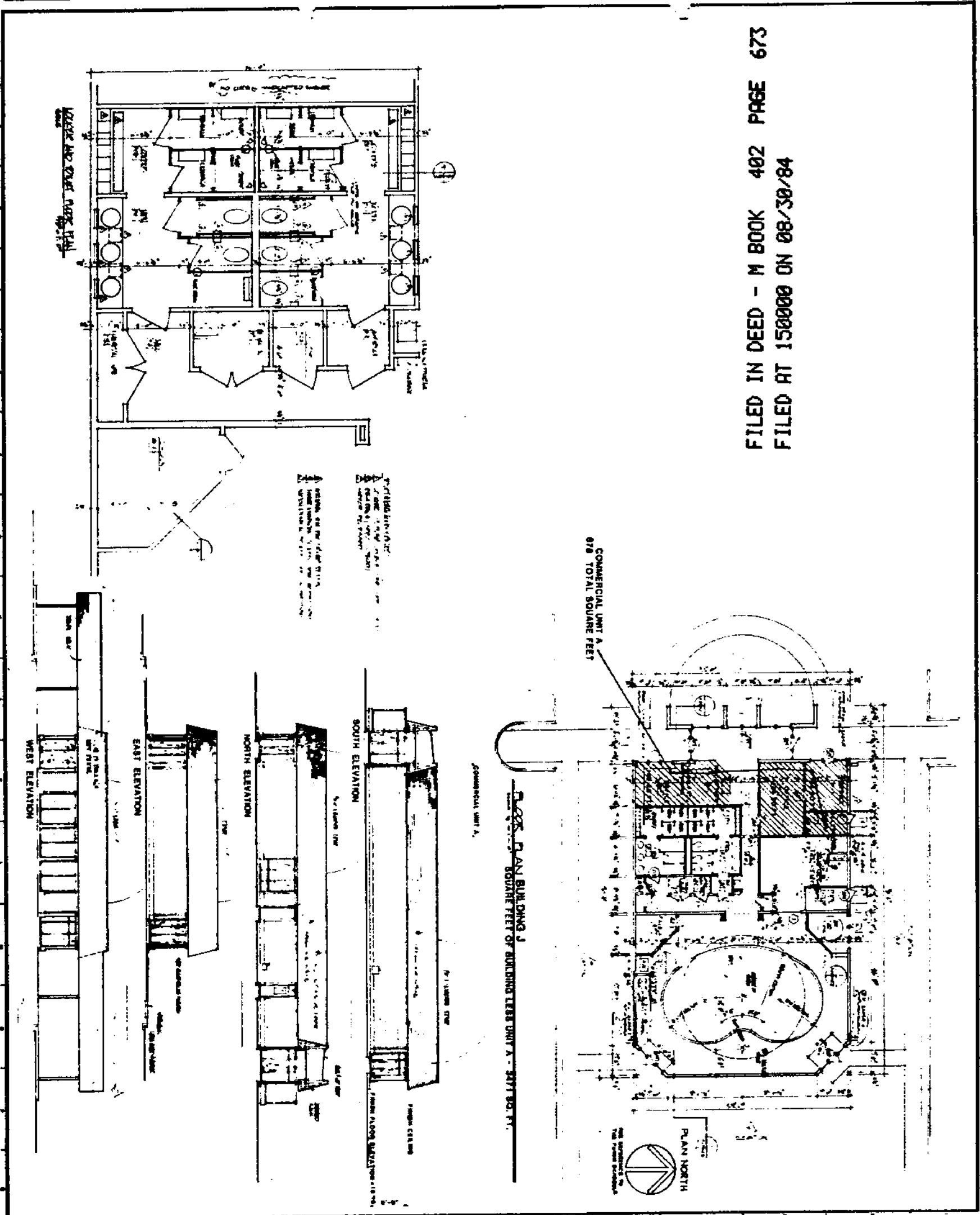
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<p>DATE: 8/24/84 SHEET: A-24 OF: 11</p>	<p>STEVENS & WILKINSON, INC. ARCHITECTS 1000 BROADWAY SUITE 200 NEW YORK, N.Y. 10018</p>	<p>PROJECT: COMMERCIAL UNIT A ADDRESS: 1000 BROADWAY CITY: NEW YORK, N.Y.</p>	<p>SCALE: AS SHOWN DRAWN BY: [Name] CHECKED BY: [Name] DATE: 8/24/84</p>		<p>STEVENS & WILKINSON, INC. ARCHITECTS 1000 BROADWAY SUITE 200 NEW YORK, N.Y. 10018</p>	
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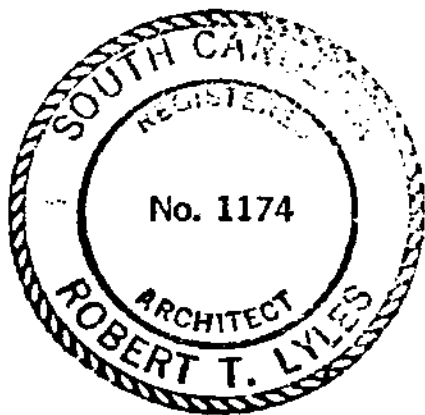
STATE OF SOUTH CAROLINA
COUNTY OF BEAUFORT

)
) ARCHITECT'S CERTIFICATE
)

I certify to the best of my knowledge, information and belief that the descriptions, surveys, plats, plot plans and building plans constituting this Exhibit "1" to the Master Deed of The Spa On Port Royal Sound or referred to in this Exhibit "1" adequately and accurately depict and show graphically the dimensions, area and location of each Apartment, and the Common Elements, including elevations, in accordance with the requirements of Title 27, Chapter 31, Code of Laws of South Carolina, 1976.

STEVENS & WILKINSON, INC.

BY: 



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**PROPERTY RIGHTS AND PERCENTAGE OF INTEREST
THE SPA ON PORT ROYAL SOUND HORIZONTAL PROPERTY REGIME**

Each Co-Owner owns, in addition to his Apartment, an interest in the Common Elements of the Property, which percentage of ownership interest has been determined and computed by taking as a basis the value of each individual Apartment in relation to the value of the Property as a whole. The Regime consists of one hundred twenty-four (124) two bedroom Apartments, thirty (30) one bedroom Apartments and two (2) Commercial Units.

The percentage of interest in the Common Elements of each Co-Owner of each Apartment represents the percentage of the total votes of all Co-Owners as set out below. There are three (3) votes appurtenant to each two bedroom Apartment, two (2) votes appurtenant to each one bedroom Apartment, four (4) votes appurtenant to Commercial Unit A, and two (2) votes appurtenant to Commercial Unit B. The percentage of the total vote that the vote assigned to each Apartment represents is shown hereinbelow in this Exhibit.

There are four hundred thirty-eight (438) total votes in the Regime. Such voting rights and the percentage of the total vote appurtenant to each Apartment have been computed by taking as a basis the value of each individual Apartment in relation to the value of the Property as a whole. Each two bedroom Apartment has an equal value to every other two bedroom Apartment. Likewise, each one bedroom Apartment has an equal value to every other one bedroom Apartment. The Commercial Unit A has a value twice that of Commercial Unit B.

There is appurtenant to each two bedroom Apartment an undivided .6850 percent ownership in the Common Elements of the Property and share in the Common Expenses and Assessments and Common Surplus of the Regime. The vote appurtenant to each two bedroom Apartment represents .6850 percent of the total vote of all Co-Owners in the Regime.

There is appurtenant to each one bedroom Apartment and to Commercial Unit B an undivided .4570 percent ownership in the Common Elements of the Property and share in the Common Expenses and Assessments and Common Surplus of the Regime. The vote appurtenant to each one bedroom Apartment and to Commercial Unit B represents .4570 percent of the total vote of all Co-Owners in the Regime.

There is appurtenant to Commercial Unit A an undivided .8930 percent ownership in the Common Elements of the Property and share in the Common Expenses and Assessments and Common Surplus of the Regime. The vote appurtenant to each Commercial Unit A represents .8930 percent of the total vote of all Co-Owners in the Regime.

In the event of inclusion of Phase I and Phase II (consisting of a total of 224 two bedroom units, 42 one bedroom units and 4 commercial units), there shall then be appurtenant to each two bedroom Apartment in the Regime an undivided .3910 percent ownership in the Common Elements of the Property and share in the Common Expenses and Assessments and Common Surplus of the Regime. In the event of inclusion of Phase II, there will be a total of 768 votes and the vote appurtenant to each two bedroom Apartment will represent .3910 percent of the total vote of all Co-Owners in the Regime. Further, in such event there shall then

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be appurtenant to each one bedroom Apartment in the Regime an undivided .2600 percent ownership interest in the Common Elements of the Property and share in the Common Expenses and Assessments and Common Surplus of the Regime. In addition, the two votes appurtenant to each such one bedroom Apartment shall constitute .2600 percent of the total vote of Apartments of the Regime as then constituted (Phases I and II).

Further, in the event of the inclusion of Phase II into the Regime, there shall be appurtenant to Commercial Unit A an undivided .4540 percent ownership interest in the Common Elements of the Property and share in the Common Expenses and Assessments and Common Surplus of the Regime. In such event, the appurtenant undivided ownership interests in the Common Elements of the Property and share in the Common Expenses and Assessments and Common Surplus of the Regime of Commercial Unit B shall be .2600 percent and of each of the two new Commercial Units of Phase II .3910 percent.

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EXHIBIT 2-2

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

ARTICLE I
Name

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

ARTICLE II
Offices

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

ARTICLE III
Purpose

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

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ARTICLE IV
Definitions

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

ARTICLE V
Members

Each and every Co-Owner of an Apartment or an interest in a Unit in the Regime shall be a Member of this Association. Further, there shall be appurtenant to each Apartment in the Regime the number of votes assigned in the Master Deed which shall be voted collectively by the Voting Member of that Apartment as set forth in the Master Deed. Upon the sale, conveyance, devise or other transfer of any kind or nature of any Apartment, such subsequent transferee shall automatically become a member hereof and likewise the vote appurtenant to the Apartment shall automatically pass and the membership of the transferor immediately terminated whether any membership certificate or voting certificate be transferred or not; provided, however, the Association shall for all purposes be entitled to rely upon the

EXHIBIT 3-1

right to membership and voting rights of the person shown as Co-Owner of a Unit in its records until notified of such transfer by delivery of written notice thereof to the secretary of the Association.

ARTICLE VI
Application

All present and future Co-Owners, tenants, future tenants, agents, servants, employees, guests, invitees and any other person using the facilities of the Regime or occupying any Apartment thereof shall be and is hereby subject to all matters, Rules and Regulations set forth in these By-Laws, Rules and Regulations promulgated by the Board of Directors hereof, and all things set forth in the Master Deed and in The Act.

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

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ARTICLE VI FILED AT 150000 ON 08/30/84
Voting Majority

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

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

Section 3. Except as otherwise provided or required in these By-Laws, the Master Deed or The Act, the presence in person or by proxy of a Majority of Co-Owners, as is defined above, shall be required to constitute a quorum.

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

Section 5. Membership in the Association is not transferable or assignable (except as the same may be assigned by way of

EXHIBIT 3-2

proper proxy properly executed). Transfer of a Co-Owner's Apartment or his interest therein in any fashion shall automatically terminate his membership herein and all his voting rights.

ARTICLE VIII
Administration

Section 1. The Association shall be managed and governed by a Board of Directors (herein called the Board) consisting of five (5) members. The initial Board of Directors shall be appointed by the Declarant as the initial Board of Directors and shall consist of three (3) members (who need not be present or future Co-Owners) and who shall serve until the Declarant calls a meeting of the Co-Owners to relinquish control and until their successors are elected and qualified. The Board of Directors to replace the initial Board of Directors appointed by the Declarant shall be nominated and elected at the organizational meeting called by Declarant to relinquish control. Of the total Directors to be then elected, the number of nominees equal to one-half of the Board to be elected plus one and receiving the most votes shall be elected to the Board for a two-year term; the nominees receiving the next highest number of votes equal to the remaining positions on the Board shall be elected for a one-year term. Directors elected at subsequent elections shall be elected for a term of two years, and shall be elected at the regular Annual Meeting of the Association. At such regular Annual Meetings, the Voting Members shall vote for the number of Directors necessary as there are vacancies on the Board; provided, however, there shall be no cumulative voting unless required by law. The candidates receiving the most votes shall be declared elected as members of the Board to fill the Board positions vacant at that time. Board members shall serve until their successors are elected and qualified.

Section 2. Any Director (other than members of the initial Board appointed by Declarant) who shall cease to be a Co-Owner or who shall be delinquent in payment of any common expenses or Assessments (as defined in the Master Deed and/or in The Act) shall automatically cease to be a Member of the Board.

Section 3. Each Board Member (other than members of the initial Board appointed by Declarant) must be a Co-Owner (or the Voting Member for a corporate Co-Owner) and in good standing, current in payment of all fees, Assessments and common expenses.

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Board of Directors FILED AT 150000 ON 08/30/84

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

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

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

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

D. Serve without compensation.

E. Elect from the Board within thirty (30) days after each annual meeting a President, Vice President, Secretary and Treasurer, all of whom shall serve without remuneration. In the

EXHIBIT 3-3

event of a vacancy in any one of these offices during the year, the Board shall have the power to elect a member of the Board in good standing to fill the vacancy for the unexpired term. In the event of a vacancy on the Board, the President shall have the power to appoint with the approval of the majority of the Board, a member in good standing to fill the vacancy until the next Annual Meeting.

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

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

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

Section 4. A simple majority of the members of the entire Board shall constitute a quorum for the purposes of transacting Association business and the affirmative vote of a simple majority of the entire Board shall be necessary to pass any resolution or authorize any act of the Association unless a different vote is required herein, in the Master Deed, its Exhibits and/or The Act. Absentee voting is permitted provided such Director register his vote in writing with the Secretary within twenty-four hours after the termination of such meeting.

Section 5. Any action required by law to be taken at any meeting of the Directors or any action which may be taken in a meeting of the Directors may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by two thirds of the Directors.

Section 6. The Board of Directors shall annually on or before November 15 of each year, prepare a budget for the up-coming calendar year to include such sums as it deems necessary and adequate to provide for the Common Expenses of the Regime and such other expenses as are deemed necessary or appropriate expenses of the Regime. The Board of Directors shall thereafter on or before December 1 deliver (which delivery may be by mail) the budget for the up-coming year together with statement of the amount(s) due from each Co-Owner for that year and the date or dates upon which payment or payments are due to the Co-Owners. Thereafter, should any increase or decrease be determined appropriate by the Board of Directors in Assessments to be paid by Co-Owners, the Board shall notify all Co-Owners so affected at least thirty days prior to the time such Assessment so changed shall be due. The Association shall have a lien upon each Apartment together with the Common Elements and Common Surplus appurtenant thereto for payment of all Assessments not paid when due in the amount of such unpaid Assessments together with the interest thereon from the date due together with the cost of collection thereof including a reasonable attorney's fees. Such

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shall be collected and/or lien foreclosed upon in the manner provided for in the Master Deed and Exhibits thereto and/or in the Act.

ARTICLE X
Officers

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

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

Section 3. The President shall be the principal executive officer of the Association, shall preside at all meetings of the Board and all meetings of the membership, shall appoint committees and shall have general charge of and shall control the affairs of the Association according to such rules and regulations as the Board shall determine.

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

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

Section 6. There shall be a Treasurer who shall keep the funds of the Regime and shall disburse them to meet the ordinary and usual expenses of the Regime and for other purposes as required by the Master Deed, The Act and/or upon order of the Board of Directors after such disbursement order has been entered in the minutes of the Board at a duly constituted meeting and shall have such other duties as may be assigned to him. He shall render a financial report to each regular meeting of the Board and to the annual meeting of the Association.

Section 7. If required by the Board of Directors, the assistant treasurer, if any, shall be bonded at the expense of the Association. The assistant treasurers and the assistant secretaries, in general, shall perform such duties as shall be assigned to them by the Treasurer or the Secretary or by the President. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors upon a two-thirds majority vote whenever in its judgement the best interests of the Association will be served thereby, but such removal shall be without prejudice of the contract rights, if any, of the officers so removed.

Section 8. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

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ARTICLE XI
Meetings

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

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

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

Section 4. Any action required by law to be taken at a meeting of the Association or any action which may be taken in a meeting of the Association may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by Voting Members holding not less than 67 percent of the entire votes entitled to vote on the subject matter thereof and further provided the same is not otherwise prevented by these By-Laws, the Master Deed or The Act.

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

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Obligations of Co-Owners

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

Section 2. The amount of Assessment levied shall be paid on or before the date due. If not so paid, the amount of such Assessment plus any other charges thereon including a late payment

EXHIBIT 3-6

charge of 10 percent of the payment due or \$10.00, wherever is greater, but in no event more than the maximum limit allowed by law and costs of collection, including attorney's fees unless prohibited by law, shall constitute and become a lien on the Co-Owner's Apartment and share of the Common Elements and Common Surplus appurtenant thereto. Such lien rights shall be as provided for and in accordance with the terms and provisions of the Master Deed and The Act. The notice of Assessment which shall state the amount of such Assessment and such other charges and give the number of the Apartment which has been assessed shall be mailed to the Co-Owner thereof. Upon payment of such said Assessments and charges or other satisfaction thereof, if notice of a lien has been recorded, the Board shall, within a reasonable time, cause to be recorded a notice stating the satisfaction of said lien. The priority of the lien hereinabove set shall be as provided in the Master Deed and/or The Act.

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

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

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

A Co-Owner shall reimburse the Association if there be any expenditures incurred in repairing and/or replacing any Common Elements or facilities damaged by such Co-Owner, his family, guests, invitees or lessees.

Section 6. Each Apartment, other than any Apartment owned by Declarant or specifically designated as a Commercial Unit shall be utilized for residential purposes only, provided, however, such shall not prevent rent or lease of his Apartment by a Co-Owner to a lessee or rentor to use for residential purposes.

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

Section 8. No Co-Owner, his family, guests, invitees, or lessees shall place or cause to be placed in any common area or facilities any furniture, package(s) or object(s) of any kind. Such areas shall be used for no purpose other than normal transit through them and/or use of the facilities provided; provided, however, the provisions hereof shall not prevent the Co-Owner of a Commercial Unit from using portions of the Common Elements adjoining such Commercial Unit for uses normally attendant to such Commercial Unit, provided such does not unduly interfere with normal use of such Common Elements by other Co-Owners, their families, guests, invitees and lessees.

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Section 9. Each Co-Owner shall and does hereby grant right of entry to the Board or its duly authorized agent in the case of any situation provided for in the Master Deed or the Act whether such Co-Owner is present at the time or not.

Section 10. No occupant of a Apartment shall post any advertisements or posters of any kind in or on the Regime property except as authorized by the Board or as is permitted in the Master Deed; provided, however, this provision shall not be applicable to Declarant or its assigns during the period it is managing, renting or selling units or prevent the owner of any Commercial Unit from displaying one or more signs (which must be architecturally and aesthetically harmonious with the appearance of the Property).

Section 11. Occupants of Apartments shall use extreme care about making noises or the use of musical instruments, radio, television and/or amplifiers that may disturb other occupants and in the event so notified by the Board or its duly authorized agent such occupant shall immediately cease and desist such activity.

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

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

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

Section 12. No Co-Owner, occupant or lessee of an Apartment shall install wiring for electrical or telephone installation, television antenna, machines or air conditioning units, etc. on the exterior of the buildings or that protrude through the walls or roof of any building except as authorized by the Board.

Section 13. Nothing herein contained shall limit in any manner the power of the Association and/or Board to issue or promulgate such Rules and Regulations as are deemed necessary or desirable for the use, occupancy and enjoyment of the Regime by the Co-Owners and/or occupants thereof. Further, all obligations imposed by the Master Deed, its Exhibits and/or the Act are hereby incorporated by reference as further obligations as fully as if herein set forth.

Section 14. The Board of Directors shall have the right to enter into such agreements as it deems desirable to provide common services or to lease equipment for the use and enjoyment of the Co-Owners or any one or more Co-Owners. Such rights shall include but not be limited to the right to enter into lease and/or use and/or purchase agreements with third parties to provide recreational equipment and facilities and/or to install, sell and/or lease to the Regime an MATV system and/or cable television system (including satellite and/or pay-tv programming) and/or television sets and/or telephone systems and sets. Furthermore, Declarant, shall have the right to enter into such agreements on behalf of and for the Association, its Board and the Co-Owners which agreement(s) shall be binding upon the Association and each and every Co-Owner to the extent permitted by the Act.

ARTICLE XIII FILED IN DEED - M BOOK 402 PAGE 684
Mortgages FILED AT 150000 ON 08/30/84

Section 1. Any Co-Owner who mortgages his Apartment or any interest therein shall notify the Board of Directors of the name and address of his mortgagee and the Board shall maintain such

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information in a book entitled "Mortgagees of Condominium Units."

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

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

ARTICLE XIV Rules and Regulations

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

ARTICLE XV Contracts, Checks, Deposits, Agreements and Funds

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

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

Section 3. All funds of the Association and/or received by it from or on behalf of the Co-Owners shall be deposited from time to time to the credit of the Association at such banks, insurance companies, trust companies or other depository as the Board may select or as the circumstances and purposes of such deposits may require; provided, however, all payments of Common Expenses by Co-Owners shall be paid by the Co-Owners into a lock-box account which shall be owned by the Council and maintained in a federally insured bank, designated by unanimous vote of the Board and concurred in by the Institutional Mortgagee(s) (if any), described in Article X, Section 2 of the Master Deed. No payment shall be considered made until delivered into such lock box.

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

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general purposes or for any of the special purposes of the Association.

ARTICLE XVI
Certificates of Membership

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

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

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

ARTICLE XVII
Books and Records

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

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

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ARTICLE XVII FILED AT 150000 ON 08/30/84
Miscellaneous

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

EXHIBIT 3-10

Office has been succeeded in office by someone else. Such payment by the Association to the extent not paid by insurance shall be included as a part of the Common Expenses.

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

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

ARTICLE XIX Compliance

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

ARTICLE XX Amendments

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

ARTICLE XXI Dissolution

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

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THESE BY-LAWS are hereby adopted, accepted and fully ratified as the By-Laws of THE SPA ON PORT ROYAL SOUND HORIZONTAL PROPERTY REGIME COUNCIL OF CO-OWNERS this 22^o day of AUGUST, 1984.

WITNESSETH:

Karen M. Thorne
Dusan D. Keepe

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

BY: [Signature] (Seal)

ATTEST: [Signature] (Seal)

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EXHIBIT 3-12

STATE OF SOUTH CAROLINA)	
)	TELEVISION RENTAL AND SERVICE
COUNTY OF BEAUFORT)	AGREEMENT

THIS AGREEMENT, made and entered into this 22nd day of August, 1984, by and between CAPITAL TELECOMMUNICATIONS CORPORATION (hereinafter referred to as "Capital"), and THE SPA ON PORT ROYAL SOUND HORIZONTAL PROPERTY REGIME, on behalf of itself and each and every Co-Owner thereof (hereinafter referred to as "Renter").

W I T N E S S E T H :

Capital and Renter do hereby mutually agree as follows:

1. Capital will furnish and rent unto Renter, and Renter does hereby rent from Capital, for the term and under the terms and conditions herein set forth, the number and type of television sets and/or equipment herein specified. Said equipment shall be delivered by Capital (with the exception of conduit which is to be supplied by Renter at its expense), in Apartments located upon premises owned or rented or otherwise lawfully operated by Renter located in THE SPA ON PORT ROYAL SOUND HORIZONTAL PROPERTY REGIME (the "Regime"), County of Sevier, State of Tennessee. Capital shall not be liable for delay in, or failure to make, delivery of equipment or installation caused by circumstances beyond its reasonable control, including, but not limited to, acts of God, fire, flood, wars, accidents, labor or different contingencies. The number and types of television sets and/or equipment rented under the terms hereof are as follows and are the model, type and design selected by the Renter as suitable, in its judgment, for Renter's purpose.

(a) One (1) 19-inch Solid State Television for each Apartment included in the Regime;

(b) One locking furniture swivel for each television set so provided;

(c) Cable, antenna systems, distribution equipment and amplification equipment for signal distribution; and

(d) Limited satellite programming.

All equipment to be prepaid by Capital.

2. SERVICE: Capital shall keep and maintain, or cause to be kept and maintained, at its sole expense, said rented equipment in good operating order, condition and repair during the full term hereof except for damage to or repair to such equipment as might be made necessary by the negligent acts or omissions of the Renter, its agents and/or employees. Capital shall promptly replace any defective set or injured part or parts thereof; provided, however, that in the event replacement of any defective set or sets shall occur, such substituted equipment shall be subject to all the terms hereof. The extent, nature, type channel capacity, periods or the like of satellite programming service shall be within Capital's sole discretion.

It is the obligation of the Renter to notify Capital of any deficiency in service as rendered by Capital or its service representative. Capital shall not be liable to Renter for any loss, damage or expense of any kind or nature directly or indirectly caused by the television equipment covered hereby, or because of any failure thereof, or because of any interruption of service or loss of use or for any loss of business or damage whatsoever or howsoever caused, and Capital shall in no event be

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liable for any special or consequential damages. Renter further agrees there shall be no abatement of rental during the time that may be required for repair, adjustment, servicing or replacement of equipment covered hereby.

3. ASSIGNMENT OF AGREEMENT: Except as provided for herein this Agreement shall not be assigned by Renter except upon prior written consent of Capital. Capital may assign this Agreement, its rights hereunder and all or any part of the rentals, charges and all other claims or rights to money due or to become due hereunder (except for those charges and rental fees or portions thereof made hereunder by Capital in order to provide service, maintenance and replacement herein required of Capital) at any time to an independent third party ("Assignee") and upon notice of any assignment from Assignee, Renter shall make all payments (except for those portions of payment which are made in order to provide service, maintenance and replacement hereunder) coming due thereafter to the Assignee without offset, counterclaim or defense of any kind. Renter's rights under this Agreement shall at all times be subject, junior and subordinate to any and all rights and remedies of the Assignee. Notwithstanding any assignment, Renter shall continue to look to Capital for the performance of its obligations hereunder and in no event shall the Assignee become liable or responsible to perform any of the obligations imposed upon Capital for service, maintenance or replacement by this Agreement. In the event of default by Capital of any provisions of this Agreement, Renter will remain responsible to Assignee to perform those of Renter's obligations hereunder assigned to Assignee. However, with consent of Assignee, Renter may (a) purchase for cash all equipment covered by this Agreement or (b) assume all obligations that Capital has with Assignee with respect to the equipment covered by this Agreement.

4. LOCATION: Renter shall not remove said equipment or any part thereof from the premises where installed nor sell or encumber any of said rented equipment. Renter further agrees to make no alteration in or repairs to said equipment except through the authorized service representative of Capital.

5. TERM: The term hereof shall be for a period of one hundred twenty (120) months beginning on the date of the completion of the delivery of the equipment on the premises of Renter, said date to be confirmed in writing by Renter upon request of Capital.

6. RENT PAYMENTS: As rental for said equipment, Renter shall pay to Capital, at Columbia, South Carolina, during the full term hereof, the sum of Twenty-Three Dollars and Fifty Cents (\$23.50) per set delivered per month as "Base Rental" plus tax. Upon each anniversary from the date of this agreement during the term of this agreement and any renewals hereof, the Base Rental may be adjusted by Capital in accordance with and by the same percentage as the percentage change in the cost of living index shown by the Consumer Price Index (or similar government index should the Consumer Price Index no longer be published) and increases in royalty costs, fees paid to suppliers in connection with providing cable programming and any charges, fees or the like imposed by the Federal Communication Commission (or other government agency) from time to time; provided, further, in no event shall the Base Rental during the term of this agreement and any renewals hereof ever be less than \$23.50 (plus tax) per month. Base Rental payments plus tax are due on or before the first day of the month, the first of which shall be due on or before the first day of the month following the delivery of equipment. In the event that Renter requests partial delivery of equipment, Renter agrees to pay billing on an interim basis, with such billing based on rates for equipment in use, and upon completion of delivery, the full term of this agreement shall commence.

7. OWNERSHIP: The equipment, together with wiring, reception and distribution facilities, rented under the terms hereof shall at all times be the sole property of Capital, its successors and assigns, and Renter shall have no property interest

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therein, except under the conditions herein contained. Said equipment shall remain personal property and, no matter how connected with or attached to the premises of Renter, will not become a part of the realty or fixtures therein, and Renter, if so requested by Capital, will obtain written consent of any other party holding a mortgage, encumbrance or lien on the premises of Renter, or of any purchaser of the premises of Renter in the event of sale of same, that said equipment shall remain personal property. Renter shall not at any time during the term hereof transfer, assign, mortgage or otherwise encumber any interest in said personal property.

8. **DELIVERY:** Should Renter and/or his agent order delivery of equipment and installation on specified dates and the Renter's premises are not ready for installation of same, Renter assumes full responsibility for storage, insurance and any redelivery charges on equipment.

9. **INSPECTION:** Renter grants unto Capital the right to inspect said equipment at all reasonable times during the full term hereof.

10. **INDEMNITY:** Renter shall be responsible to all third parties, including paying guests, for any injury received as a result of the installation of said television sets in or about the premises of Renter and shall carry public liability insurance to save Capital harmless in the event of such injury, except such personal injury or property damage as may be occasioned solely by negligent acts or omissions of agents or employees of Capital.

11. **INSURANCE:** Capital agrees during the term of this agreement to replace or repair any of its equipment, including television sets in guest rooms, which is stolen, burglarized, damaged by fire or maliciously damaged while on the premises of Renter, excepting television sets or equipment in storage awaiting use of service, providing, however: (a) Renter reports within 48 hours of occurrence any such loss or damage to Capital and to local law enforcement authorities--notice of loss to be sent to Capital by Certified Mail; (b) Renter furnishes in such report all available information regarding such loss, including name and address of last occupant of room and room number in which loss occurred (if applicable), auto license number and other pertinent information which would assist in recovery of loss; (c) Renter and its employees, agents and representatives cooperate fully with Capital and local law enforcement authorities in their subsequent efforts to effect recovery and prosecution if necessary. Renter agrees to notify Capital immediately in the event of subsequent recovery of property covered by any and all loss reports.

Renter agrees at all times to maintain and exercise due care, caution and watchfulness in the protection and accounting for the rented equipment. Failure to cooperate in providing such care, caution and watchfulness shall make the terms and provisions of Item 11 "INSURANCE" null and void and Renter shall be responsible for the replacement of and/or repair to equipment for which such insurance is provided.

In the event loss or damage proves to have been caused by employees, agents or representatives of Renter, or if Renter fails to comply with (a), (b) or (c) above, it shall be the responsibility of the Renter to pay Capital for its cost of replacement or repair of Capital's equipment involved in such loss. In the event that service by Capital is not included in this agreement, Renter agrees to maintain the theft equipment installed hereunder; otherwise, theft and burglary insurance will be null and void in the event of any losses while the equipment is inoperative.

12. **TAXES:** Renter agrees to be responsible for the collection and payment of any local, state and federal fees,

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sales, use or property taxes or penalties that may be applicable now or any time during the term of this agreement to the property covered hereby or the use or rental thereof.

13. RENEWAL: At the expiration of the term hereof, this rental and service agreement shall be automatically renewed for additional terms of two (2) years, unless either party hereto should give written notice to the other party hereto at least sixty (60) days prior to the expiration of the term hereof, or at least sixty (60) days prior to the expiration of any additional term of two (2) years thereafter, of the desire of such party to terminate this agreement.

14. DEFAULT: In the event that any payment of rental shall have become due as herein provided and shall remain unpaid for ten (10) days, or in the event of any other breach of the terms or conditions of this agreement by Renter, which breach shall not have been cured within ten (10) days after notice thereof by mail, postage prepaid, to Renter's last known address, or should Renter be adjudged as bankrupt or there be filed against Renter a petition under the bankruptcy laws, or if any insolvency proceeding is initiated by or against Renter, or if any equipment covered hereby is attached, seized or taken under any judicial process, all of the entire remaining unpaid rental payments shall, at the option of Capital, become immediately due and payable. If Renter does not (a) pay the entire remaining rental payments under the agreement or (b) cure its breach of the provisions of this agreement, then and in that event Capital shall have the right, without giving further notice to Renter, to remove the property thereby without liability and Renter shall forthwith pay any and all damages, including attorneys' fees, suffered by Capital. Further, in the event of non-payment, Capital shall be, and hereby is, subrogated to the lien rights of Renter as to each Co-Owner failing to pay his share of Common Expenses necessary to make the rental payments herein required to the extent of the amount(s) due and owing to Capital, but unpaid, which shall include the right to file notice of and perfect a lien(s) against such Co-Owner(s) as granted to Renter by the South Carolina Horizontal Property Act; PROVIDED, HOWEVER, such right and any lien filed thereunder shall be subordinate in lien and interest recorded prior to the recording of such notice of lien.

Renter agrees to pay late charges of five (\$.05) cents per dollar in addition to the regular monthly payment or installment if payments hereunder are not made within ten (10) days after due date, but not exceeding One Hundred and No/100 (\$100.00) Dollars, or the lawful maximum, if any. Capital's failure to exercise a right or remedy under this agreement or to require strict performance by the Renter or any provision of this agreement shall not waive or diminish Capital's right thereafter to demand strict compliance with any such right or provision or with any other rights or provisions. Waiver by Capital of any default by the Renter shall not constitute waiver of any other or subsequent default.

15. SURRENDER: Upon expiration of this agreement, Renter shall remove the rented equipment from the premises referred to herein and surrender such equipment in good operating condition to Capital or its assignee and if the Renter fails to so remove and surrender the rented equipment, Capital shall have the right to enter any premises where the rented equipment may be located and take possession and remove all such equipment either with or without permission and without prejudice to any other rights or remedies of Capital.

If Capital determines, upon termination or expiration of the rental and service agreement, that, as a result of causes other than its failure to provide service as expressly required herein, the equipment covered hereby is not in good operating condition, reasonable wear and tear excepted, the Renter shall

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upon demand by Capital either: (a) restore the equipment in good operating condition at its sole expense or (b) reimburse Capital for the reasonable expense of so restoring the equipment.

16. SUBORDINATION OF AGREEMENT: Should the equipment rented herein be covered by a Conditional Sales Contract, Chattel Mortgage or Security Agreement on which Capital is the purchaser or obligor, it is understood and agreed that this agreement is subject and subordinate to the terms and conditions of said Conditional Sales Contract, Chattel Mortgage or Security Agreement.

17. NOTICE: Any notice required to be given by one party hereto to the other party hereto shall be in writing and sent by Certified Mail, addressed, postage prepaid, to the mailing address which shall be provided by the other party.

18. AMENDMENTS: This agreement constitutes the entire and only agreement between the parties with respect to renting the equipment covered hereby and any representation, promise or conditions with respect to said renting not set forth in this agreement or such amendments as may be accepted in writing by the designated officers of either party, shall not be binding on either party.

19. SOUTH CAROLINA LAW: Should any question arise as to the validity, construction, interpretation or performance of this rental and service agreement in any court of any State of the United States, or of Canada, it is agreed that the law of the State of South Carolina shall govern without reference to the place of execution or performance of same.

The invalidity of any provision of this agreement shall not affect the validity of any other provision hereof. This agreement and any amendment hereto shall become binding upon the parties hereto when executed by a duly authorized officer or agent of Renter.

20. EASEMENTS: Renter on behalf of itself and each and every of the Co-Owners does hereby grant to Capital during the term hereof and any renewals each and every such easement through, over, under and across the Submitted Property, the structures on and to be located thereon, including individual Apartments, as may be necessary and/or appropriate, for the purposes of location, installation, maintenance and service of the cable, antenna systems, distribution equipment and amplification equipment herein rented, as well as the locking furniture swivels and television sets.

21. ASSIGNS: All rights, remedies and powers reserved or given to Capital shall inure to the benefit of Capital's assigns.

22. INTERIM BILLING: Renter shall be billed per terms herein on the first day of the month following delivery of each television increment, and when units are delivered, the 120-month rental term will commence.

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EXHIBIT 4-5

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

SIGNED, SEALED & DELIVERED
In The Presence Of:

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

Karen T. Bouverot
Susan D. Kreepe

By [Signature]
Its: President

CAPITAL TELECOMMUNICATIONS
CORPORATION

Karen T. Bouverot
Susan D. Kreepe

By [Signature]
Its: President

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EXHIBIT 4-6

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STATE OF SOUTH CAROLINA)
) TELEPHONE RENTAL AND SERVICE
COUNTY OF BEAUFORT) AGREEMENT

THIS AGREEMENT, made and entered into as of the 22 day of August, 1984, by and between CAPITAL TELECOMMUNICATIONS CORPORATION (hereinafter referred to as "Capital"), and THE SPA ON PORT ROYAL SOUND HORIZONTAL PROPERTY REGIME COUNCIL OF CO-OWNERS, on behalf of itself and each and every Co-Owner thereof (hereinafter referred to as "Renter").

W I T N E S S E T H :

Capital and Renter do hereby mutually agree as follows:

1. Capital will furnish and rent unto Renter, and Renter does hereby rent from Capital, for the term and under the terms and conditions herein set forth, the telephones and equipment herein specified. Said equipment shall be delivered by Capital (with the exception of conduit which is to be supplied by Renter at its expense), upon premises and in Apartments located upon said premises owned or rented or otherwise lawfully operated by Renter located in THE SPA ON PORT ROYAL SOUND HORIZONTAL PROPERTY REGIME (the "Regime"), located in the County of Sevier, State of Tennessee. Capital shall not be liable for delay in, or failure to make, delivery of equipment or installation caused by circumstances beyond its reasonable control, including, but not limited to, acts of God, fire, flood, wars, accidents, labor or different contingencies. The number and types of telephone sets and equipment rented and installed under the terms hereof are as follows and are the model, type and design selected by Renter as suitable, in its judgment, for Renter's purpose.

(a) One (1) touch tone telephone for each residential Apartment included in the Regime mounted upon suitable bracket;

(b) Non-exclusive use of one (1) central PBX system providing limited message forwarding and security; and

(c) Cable and distribution equipment.

2. SERVICE: Capital shall keep and maintain, or cause to be kept and maintained, at its sole expense, said rented equipment in good operating order, condition and repair during the full term hereof except for damage to or repair to such equipment as might be made necessary by the negligent acts or omissions of the Renter, its agents and/or employees. Capital shall promptly replace any defective set or injured part or parts thereof; provided, however, that in the event replacement of any defective telephone set or sets shall occur, such substituted equipment shall be subject to all the terms hereof.

It is the obligation of the Renter to notify Capital of any deficiency in service as rendered by Capital or its representative(s). Capital shall not be liable to Renter for any loss, damage or expense of any kind or nature directly or indirectly caused by the telephone sets or equipment covered hereby, or because of any failure thereof, or because of any interruption of service or loss of use or for any loss of business or damage whatsoever or howsoever caused, and Capital shall in no event be liable for any special or consequential damages. Renter further agrees there shall be no abatement of rental during the time that may be required for repair, adjustment, servicing or replacement of equipment covered hereby.

3. ASSIGNMENT OF AGREEMENT: Except as provided for herein this Agreement shall not be assigned by Renter except upon

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prior written consent of Capital. Capital may assign this Agreement, its rights hereunder and all or any part of the rentals, charges and all other claims or rights to money due or to become due hereunder (except for those charges and rental fees or portions thereof made hereunder by Capital in order to provide service, maintenance and replacement herein required of Capital) at any time to an independent third party ("Assignee") and upon notice of any assignment from Assignee, Renter shall make all payments (except for those portions of payments which are made in order to provide service, maintenance and replacement hereunder) coming due thereafter to the Assignee without offset, counterclaim or defense of any kind. Renter's rights under this Agreement shall at all times be subject, junior or subordinate to any and all rights and remedies of the Assignee. Notwithstanding any assignment, Renter shall continue to look to Capital for the performance of its obligations hereunder and in no event shall the Assignee become liable or responsible to perform any of the obligations imposed upon Capital for service, maintenance or replacement by this Agreement. In the event of default by Capital of any provisions of this Agreement, Renter will remain responsible to Assignee to perform those of Renter's obligations hereunder assigned to Assignee. However, with consent of Assignee, Renter may (a) purchase for cash all equipment covered by this Agreement or (b) assume all obligations that Capital has with Assignee with respect to the equipment covered by this Agreement.

4. LOCATION: Renter shall not remove said equipment or any part thereof from the premises where installed nor sell or encumber any of said rented equipment. Renter further agrees to make no alteration in or repairs to said equipment except through the authorized service representative of Capital.

5. TERM: The term hereof shall be for a period of one hundred twenty (120) months beginning on the date of the completion of the delivery of the equipment on the premises of Renter, said date to be confirmed in writing by Renter upon request of Capital.

6. RENT PAYMENTS: Renter shall pay to Capital an installation fee of Fifty (\$50.00) Dollars per Apartment in which a telephone set is installed. In addition to the \$50.00 installation fee per Apartment, as rental for said equipment Renter shall pay to Capital, at Columbia, South Carolina, during the full term hereof, the sum of Seventeen Dollars and Seventy-Five Cents (\$17.75) per telephone set delivered per month as "Base Rental" plus applicable taxes. Upon each anniversary from the date of this agreement during the term of this agreement and any renewals hereof, the Base Rental may be adjusted by Capital in accordance with and by the same percentage as the percentage change in the cost of living index shown by the Consumer Price Index (or similar government index should the Consumer Price Index no longer be published) and by any increases, charges, fees or the like resulting from or imposed by the applicable Public Service Commission (or other government agency) from time to time; provided, further, in no event shall the Base Rental during the term of this agreement and any renewals hereof ever be less than \$17.75 (plus applicable taxes) per month. Base Rental payments plus tax are due on or before the first day of the month, the first of which shall be due on or before the first day of the month following the delivery of equipment. In the event that Renter requests partial delivery of equipment, Renter agrees to pay billing on an interim basis, with such billing shall be based on rates for equipment in use, and upon completion of delivery, the full term of this agreement shall commence. The rent charged herewith shall include local telephone service but not charges for long distance service, which shall be in addition to the base rental charge, if available.

7. OWNERSHIP: The equipment, together with PBX switch-board wiring, reception and distribution facilities, rented under the terms hereof shall at all times be the sole property of Capital, its successors and assigns, and Renter shall have no

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property interest therein, except under the conditions herein contained. Said equipment shall remain personal property and, no matter how connected with or attached to the premises of Renter, will not become a part of the realty or fixtures therein, and Renter, if so requested by Capital, will obtain written consent of any other party holding a mortgage, encumbrance or lien on the premises of Renter, or of any purchaser of the premises of Renter in the event of sale of same, that said equipment shall remain personal property. Renter shall not at any time during the term hereof transfer, assign, mortgage or otherwise encumber any interest in said personal property.

8. **DELIVERY:** Should Renter and/or his agent order delivery of equipment and installation on specified dates and the Renter's premises are not ready for installation of same, Renter assumes full responsibility for storage, insurance and any redelivery charges on equipment.

9. **INSPECTION:** Renter grants unto Capital the right to inspect said equipment at all reasonable times during the full term hereof.

10. **INDEMNITY:** Renter shall be responsible to all third parties, including paying guests, for any injury received as a result of the installation of said telephone sets and system in or about the premises of Renter and shall carry public liability insurance to save Capital harmless in the event of such injury, except such personal injury or property damage as may be occasioned solely by negligent acts or omissions of agents or employees of Capital.

11. **INSURANCE:** Capital agrees during the term of this agreement to replace or repair any of its equipment, including telephone sets in Units, which is stolen, burglarized, damaged by fire or maliciously damaged while on the premises of Renter, excepting telephone sets or equipment in storage awaiting use of service, providing, however: (a) Renter reports within 48 hours of occurrence any such loss or damage to Capital and to local law enforcement authorities--notice of loss to be sent to Capital by Certified Mail; (b) Renter furnishes in such report all available information regarding such loss, including name and address of last occupant of room and room number in which loss occurred (if applicable), auto license number and other pertinent information which would assist in recovery of loss; (c) Renter and its employees, agents and representatives cooperate fully with Capital and local law enforcement authorities in their subsequent efforts to effect recovery and prosecution if necessary. Renter agrees to notify Capital immediately in the event of subsequent recovery of property covered by any and all loss reports.

Renter agrees at all times to maintain and exercise due care, caution and watchfulness in the protection and accounting for the rented equipment. Failure to cooperate in providing such care, caution and watchfulness shall make the terms and provisions of Item 11 "INSURANCE" null and void and Renter shall be responsible for the replacement of and/or repair to equipment for which such insurance is provided.

In the event loss or damage proves to have been caused by employees, agents or representatives of Renter, or if Renter fails to comply with (a), (b) or (c) above, it shall be the responsibility of the Renter to pay Capital for its cost of replacement or repair of Capital's equipment involved in such loss. In the event that service by Capital is not included in this agreement, Renter agrees to maintain the theft equipment installed hereunder; otherwise, theft and burglary insurance will be null and void in the event of any losses while the equipment is inoperative.

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EXHIBIT 5-3

12. TAXES: Renter agrees to be responsible for the collection and payment of any local, state and federal fees, sales, use or property taxes or penalties that may be applicable now or any time during the term of this agreement to the property covered hereby or the use or rental thereof.

13. RENEWAL: At the expiration of the term hereof, this rental and service agreement shall be automatically renewed for additional terms of two (2) years, unless either party hereto should give written notice to the other party hereto at least sixty (60) days prior to the expiration of the term hereof, or at least sixty (60) days prior to the expiration of any additional term of two (2) years thereafter, of the desire of such party to terminate this agreement.

14. DEFAULT: In the event that any payment of rental shall have become due as herein provided and shall remain unpaid for ten (10) days, or in the event of any other breach of the terms or conditions of this agreement by Renter, which breach shall not have been cured within ten (10) days after notice thereof by mail, postage prepaid, to Renter's last known address, or should Renter be adjudged as bankrupt or there be filed against Renter a petition under the bankruptcy laws, or if any insolvency proceeding is initiated by or against Renter, or if any equipment covered hereby is attached, seized or taken under any judicial process, all of the entire remaining unpaid rental payments shall, at the option of Capital, become immediately due and payable. If Renter does not (a) pay the entire remaining rental payments under the agreement or (b) cure its breach of the provisions of this agreement, then and in that event Capital shall have the right, without giving further notice to Renter, to remove the property thereby without liability and Renter shall forthwith pay any and all damages, including attorneys' fees, suffered by Capital. Further, in the event of non-payment, Capital shall be, and hereby is, subrogated to the lien rights of Renter as to each Co-Owner failing to pay his share of Common Expenses necessary to make the rental payments herein required to the extent of the amount(s) due and owing to Capital, but unpaid, which shall include the right to file notice of and perfect a lien(s) against such Co-Owner(s) as granted to Renter by the South Carolina Horizontal Property Act; PROVIDED, HOWEVER, such right and any lien filed thereunder shall be subordinate in lien and interest to any lien recorded prior to the recording of such notice of lien.

Renter agrees to pay late charges of five (\$.05) cents per dollar in addition to the regular monthly payment or installment if payments hereunder are not made within ten (10) days after due date, but not exceeding One Hundred and No/100 (\$100.00) Dollars, or the lawful maximum, if any. Capital's failure to exercise a right or remedy under this agreement or to require strict performance by the Renter or any provision of this agreement shall not waive or diminish Capital's right thereafter to demand strict compliance with any such right or provision or with any other rights or provisions. Waiver by Capital of any default by the Renter shall not constitute waiver of any other or subsequent default.

15. SURRENDER: Upon expiration of this agreement, Renter shall remove the rented equipment from the premises referred to herein and surrender such equipment in good operating condition to Capital or its assignee and if the Renter fails to so remove and surrender the rented equipment, Capital shall have the right to enter any premises where the rented equipment may be located and take possession and remove all such equipment either with or without permission and without prejudice to any other rights or remedies of Capital.

If Capital determines, upon termination or expiration of the rental and service agreement, that, as a result of causes other than its failure to provide service as expressly required

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herein, the equipment covered hereby is not in good operating condition, reasonable wear and tear excepted, the Renter shall upon demand by Capital either: (a) restore the equipment in good operating condition at its sole expense or (b) reimburse Capital for the reasonable expense of so restoring the equipment.

16. **SUBORDINATION OF AGREEMENT:** Should the equipment rented herein be covered by a Conditional Sales Contract, Rental Agreement, Chattel Mortgage or Security Agreement on which Capital is the purchaser or obligor, it is understood and agreed that this agreement is subject and subordinate to the terms and conditions of said Conditional Sales Contract, Rental Agreement, Chattel Mortgage or Security Agreement.

17. **NOTICE:** Any notice required to be given by one party hereto to the other party hereto shall be in writing and sent by Certified Mail, addressed, postage prepaid, to the mailing address which shall be provided by the other party.

18. **AMENDMENTS:** This agreement constitutes the entire and only agreement between the parties with respect to renting the equipment covered hereby and any representation, promise or conditions with respect to said renting not set forth in this agreement or such amendments as may be accepted in writing by the designated officers of either party, shall not be binding on either party.

19. **SOUTH CAROLINA LAW:** Should any question arise as to the validity, construction, interpretation or performance of this rental and service agreement in any court of any State of the United States, or of Canada, it is agreed that the law of the State of South Carolina shall govern without reference to the place of execution or performance of same.

The invalidity of any provision of this agreement shall not affect the validity of any other provision hereof. This agreement and any amendment hereto shall become binding upon the parties hereto when executed by a duly authorized officer or agent of Renter.

20. **EASEMENTS:** Renter on behalf of itself and each and every of the Co-Owners does hereby grant to Capital during the term hereof and any renewals each and every such easement through, over, under and across the Submitted Property, the structures on and to be located thereon, including individual Apartments, as may be necessary and/or appropriate, for the purposes of location, installation, maintenance and service of the cable, transmission and distribution equipment and switchboard and PBX equipment herein rented, as well as the telephone sets and mounting brackets; and in addition thereto, to provide electricity and such other utility services to Capital as may be necessary to operate Capital's equipment rented hereby, at such locations upon the premises as are required by Capital, and at no cost to Capital.

21. **ASSIGNS:** All rights, remedies and powers reserved or given to Capital shall inure to the benefit of Capital's assigns.

22. **INTERIM BILLING:** Renter shall be billed per terms herein on the first day of the month following delivery of each telephone set increment, and when all sets are delivered, the 120-month lease term will commence.

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EXHIBIT 5-5

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

SIGNED, SEALED & DELIVERED
In The Presence Of:

Susan S. Keepe
Karen M. Howesot

Susan S. Keepe
Karen M. Howesot

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

By [Signature]
Its President

CAPITAL TELECOMMUNICATIONS
CORPORATION

By [Signature]
Its President

RECORDED THIS 17th DAY
OF September 1984
IN BOOK P PAGE 847
FEES, \$ [Signature]
AUDITOR, BEAUFORT COUNTY, S. C.

Tyler Cassell
FILED IN DEED - 11 BOOK 402 PAGE 700
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BOOK NUMBER 402 PAGES 629- 700
FILING FEE 73.00
STATE STAMPS .00
COUNTY STAMPS .00
TOTAL FEES 73.00
HENRY JACKSON
CLERK OF COURT BFT CNTY, SC

EXHIBIT 5-6