

EXHIBIT C

TO

MASTER DEED ESTABLISHING

ADVENTURE COVE HORIZONTAL PROPERTY REGIME

BY-LAWS OF ADVENTURE COVE
HORIZONTAL PROPERTY REGIME

AND

ADVENTURE COVE OWNERS' ASSOCIATION

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The following By-Laws (these “By-Laws”) are annexed to and made a part of the Master Deed establishing Adventure Cove Horizontal Property Regime dated September 26, 2008, and shall govern the operation of **Adventure Cove Horizontal Property Regime** and **Adventure Cove Owners’ Association**.

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ARTICLE I – PLAN OF UNIT OWNERSHIP

Section 1. HORIZONTAL PROPERTY REGIME. The term “Property” as used herein means and includes the land, the buildings, improvements and structures thereon located on Hilton Head Island, in Beaufort County, South Carolina, known as **ADVENTURE COVE HORIZONTAL PROPERTY REGIME** (the “Regime”), which has been, by the Master Deed (the “Master Deed”) to which these By-Laws are attached, submitted to the provisions of the Horizontal Property Act of South Carolina (the “Act”).

Section 2. ASSOCIATION. In conjunction with the establishment of the Regime, Adventure Cove Owners’ Association (the “Association”) has been established as the unincorporated Council of Co-Owners; *provided, however*, that the Declarant, at its sole discretion, or the Owners, upon unanimous decision, may, at any time hereafter, without amending the Master Deed or these By-Laws, be entitled to incorporate the Association, and in such event, the Association shall thereafter be such incorporated entity, and shall be governed by these By-Laws. The offices of the Association shall be at the offices of Star Fish Investments, LLC (the “Declarant”), 18 Folly Field Road, Hilton Head Island, SC 29928, or such other place as subsequently designated by the Board of Directors (the “Board”) of the Association.

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

Section 4. PERSONAL APPLICATION. All present or future Owners, Occupants, lessees, tenants, and their respective employees, guests, invitees,



agents and contractors, and any other Persons who use the facilities of the Regime in any manner, are subject to the regulations set forth in these By-Laws and in the Master Deed, as they both may be amended from time to time. The mere acquisition, rental or occupancy of any of the Units by any person or entity shall signify that these By-Laws, the provisions of the Master Deed, and the Covenants, and any recorded amendments to same, are accepted and ratified by such person or entity, and will be complied with.

ARTICLE II – VOTING; MAJORITY OF THE OWNERS; QUORUM; PROXIES

Section 1. ELIGIBILITY. Any person or entity who acquires title to a Unit is deemed to have consented to be a Member of the Association. There shall be one membership for each Unit owned. Transfer of the ownership of a Unit, either voluntarily or by operation of law, shall terminate the membership in the Association of the transferor, and said membership shall become vested in the transferee. If title to a Unit is vested in more than one person or entity, then all co-owners shall agree upon the designation of one of the co-owners to act as a Member of the Association. If title to a Unit is vested in a corporation, limited liability company, partnership, or some other type of entity, the entity shall designate an individual officer, employee, partner, member, or agent to act as a Member of the Association, and written notice of such designation shall be given to the Secretary-Treasurer of the Association.

Section 2. VOTING. Except as set forth below in Article IV, Sections 5, 6, and 7 regarding appointment of members of the Board, voting shall be on a percentage basis. The percentage of the vote to which any Owner is entitled is the statutory percentage assigned to the Unit or Units in the Master Deed. The Declarant shall have all voting rights attendant to the ownership for all Units until the Units are sold by the Declarant.

Section 3. MAJORITY OF THE OWNERS. As used in these By-Laws, the term “Majority of the Owners” shall mean those Owners holding fifty-one (51%) percent or more of the total statutory value of the Units, in accordance with the statutory percentages assigned in the Master Deed.



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

Section 5. PROXIES. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary of the Association before the appointed time of each meeting. The use of email or the internet for the delivery of proxies is specifically permitted and encouraged; *provided, however*, that the Board may in its discretion promulgate rules and regulations designed to assure the validity of proxies delivered by way of email or the internet.

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

ARTICLE III – ADVENTURE COVE OWNERS’ ASSOCIATION

Section 1. ASSOCIATION RESPONSIBILITIES. The Association has the responsibility of administering the Regime and the Property and, except as set forth in Article IV, Sections 5, 6, and 7, electing the Board. Except as otherwise provided in the Master Deed or these By-Laws, decisions and resolutions of the Association shall require approval by a Majority of the Owners.

Section 2. PLACE OF MEETINGS. All meetings, annual and special, of the Association shall be at the offices of the Association, or at such other place and at such time convenient to the Owners, as shall be designated by the Board of the Association or the Management. The place of any meeting shall be stated in the notice of the meeting.

Section 3. ANNUAL MEETINGS. The annual meetings of the Association shall be held at the call of the President once a year during the month of November or at such other time as a Majority of the Owners may agree upon. At such meetings, the Board shall be appointed by the Declarant



or elected by the Owners in accordance with the requirements of Article IV, Sections 5 and 7. There shall be a report by the President or Secretary-Treasurer on the activities and financial condition of the Association. The Owners may also transact such other business of the Association as may properly come before them.

Section 4. SPECIAL MEETINGS. It shall be the duty of the Secretary to call a special meeting of the Owners (i) as directed by resolution of the Board; (ii) at the request of a majority of the Directors; or (iii) upon a petition signed by Owners holding at least thirty-five (35%) percent of the total voting power of the Association and having been presented to the Secretary. A notice of any special meeting shall state the time and place of such meeting and the purpose or purposes thereof. No business shall be transacted at a special meeting except as stated in the notice. If an Owner intends to raise a matter at a special meeting, the Owner shall submit a request in writing to the Secretary or President at least ten (10) days before the date notice is to be mailed to the Owners in order for such matter to be included in the notice of the special meeting.

Section 5. FIRST MEETING. The first meeting of the Association shall be held at the call of the President in the month of November following the recordation of the Master Deed and the conveyance by the Declarant of at least one (1) Unit to an Owner or Owners, or at such earlier time as may be determined by the Declarant.

Section 6. NOTICE OF MEETINGS. It shall be the duty of the Secretary-Treasurer to mail a notice of each annual or special meeting, stating the purposes thereof as well as the time and place where it is to be held, to each Owner of record, at least fifteen (15), but not more than forty-five (45), days prior to such meeting. The mailing of a notice in the manner provided in Article VI shall be considered notice served. The notice of meeting shall include any matters the Owners intend to raise at the meeting if an appropriate written request is timely submitted to the Secretary-Treasurer or President.

Section 7. ADJOURNED MEETING. If any meeting of the Association cannot be organized because a quorum has not attended, the Owners who are



present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called. The time, date, and place of the reconvening of the meeting shall be set and announced before adjournment of the first meeting. Upon the reconvening of an adjourned meeting a quorum shall be constituted if Owners holding at least twenty-five (25%) percent of the total statutory value of the Units in accordance with the percentages assigned in the Master Deed are present in person or by proxy at said reconvened meeting.

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

- A. Roll Call.
- B. Proof of Notice of Meeting or Waiver of Notice.
- C. Reading and approval of Minutes of Preceding Meetings.
- D. Reports of Officers.
- E. Reports of Committees.
- F. Election of Inspectors of Election.
- G. Election of Directors.
- H. Unfinished Business.
- I. New Business.

The order of business at a special meeting of the Association shall include items A through D above, and thereafter the agenda shall consist only of the items specified in the notice of meeting.

Section 9. RECORD DATE. The Board shall fix a record date for determining Owners entitled to notice of and to vote at each annual or special



meeting. Such record date shall be at least ten (10) but not more than forty (40) days before the meeting.

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

Any Owner may waive any notice of a meeting required by these By-Laws if the waiver is submitted in writing, signed by the Owner entitled to notice, and delivered to the Secretary-Treasurer prior to the date of the meeting. An Owner's attendance at a meeting waives objection to lack of notice or defective notice of the meeting unless the Owner, at the beginning of the meeting, objects to holding the meeting or transacting business at a meeting. Further, an Owner's attendance at a meeting waives objection to considerations of a particular matter at the meeting that is not within the purpose described in the notice for the meeting, unless the Owner objects to the consideration of the matter at the time when it is presented at the meeting.

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

Section 12. RULES OF ORDER. Any edition of *Robert's Rules of Order* approved by the Board shall govern the conduct of the Association's meetings when not in conflict with the Act, the Master Deed, or these By-Laws.



ARTICLE IV – BOARD OF DIRECTORS

Section 1. NUMBER AND QUALIFICATIONS. The affairs of the Association shall be governed by the Board, which shall be comprised of three (3) persons who are Owners; *provided, however*, that the initial members of the Board appointed by the Declarant as provided in Section 5 below need not be Owners.

Section 2. GENERAL POWERS AND DUTIES. The Board shall have all the powers and duties necessary for the administration of the affairs of the Association, and all power and authority relative to the maintenance of the Common Elements and otherwise associated with the management and control of the Association, and may do all such acts and things as are by law, by the Master Deed, or these By-Laws required or permitted to be executed and done by the Association or individual Owners.

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

- A. Compliance with all of the terms and conditions of the Master Deed and these By-Laws, and any amendments thereto, and enforcement of same.
- B. Care, upkeep, maintenance, and surveillance of the Regime, the Property, and the Common Elements.
- C. Collection from the Owners (excluding the Declarant), at the time of the closing of the sale of each Unit, of a Working Capital Assessment equal to one-fourth (1/4) of the current annual Assessment for Common Expenses for such Unit for the purpose of establishing and maintaining a working capital fund for the Association. These funds shall be available for the use and benefit of the Association. Owners are not entitled to reimbursement of any portion of the Working Capital Assessment from the Association upon the sale of a Unit.



D. Establishment of the annual budget. The budget shall be distributed by the Board to all Owners at least fifteen (15) days in advance of its effective date and at least fifteen (15) days in advance of the Association's annual meeting. Notwithstanding the responsibilities and authority of the Board, the budget may be modified by the Association at the annual meeting or a special meeting of the Association by a vote of the Owners holding at least sixty-seven (67%) percent of the percentage interests in the Regime present at such meeting, in person or by proxy.

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

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

G. Collection of all Assessments, whether annual Assessments, Special Assessments, Working Capital Assessments, or Specific Assessments, and fees from the Owners.

H. Performing repairs caused by any natural disaster or manmade damage using funds from the reserve account and any Special Assessment or Specific Assessment, or causing the same to be accomplished.

I. Obtaining insurance for the Regime and the Property, pursuant to the provisions hereof and the provisions of the Master Deed, or causing the same to be done, as set forth in Article VIII of these By-Laws.

J. Granting or relocating easements which are not inconsistent with the Owners' use and enjoyment of the Common Elements.



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

L. Making available for inspection, upon request during normal working hours or under other reasonable circumstances, to Owners and the holders, insurers, or guarantors of any first mortgage on any Unit, current copies of the Master Deed, these By-Laws, other rules or regulations pertaining to the Association, and the books, records and financial statements of the Association.

M. Adoption and implementation of a policy regarding resale of Units within the Regime in order to assist Owners to provide timely information to prospective buyers while not unreasonably burdening the Association financially.

N. Contracting for, reviewing, and acting upon the recommendations provided in an annual inspection of the Units and Common Elements of the Regime.

The Board may delegate or assign any and all of the above duties, other than the employment, dismissal, and control of the Management Agent, to the Management Agent.

Section 4. MANAGEMENT AGENT. The initial Management Agent shall be appointed by the Declarant for a term not to exceed one (1) year from the establishment of the Regime. Thereafter, the Board may, but is not obligated to, employ a Management Agent at the compensation established by the Board to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed in Section 3 of this Article IV, except for those duties set forth in Article IV, Section 3(F). Any such management contracts shall be for a reasonable term and shall contain reasonable provisions regarding the right of the Association to terminate said contracts. If any holders, insurers or guarantors of mortgages on Units within the Regime shall require that professional management of Regime matters be

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maintained, and the Association is so advised in writing, any decision thereafter by the Association to establish or continue self-management by the Association shall require the prior consent of Owners holding sixty-seven (67%) percent of the votes in the Association.

Section 5. BOARD OF DIRECTORS. The first Board shall consist of three (3) members who shall be appointed by the Declarant, and who shall serve until the first annual meeting of the Owners. At the first annual meeting of the Owners, three (3) members shall be elected by the Owners. One member of the Board shall be an Owner or representative of the Owner of Commercial Unit 1 (the "Commercial Unit 1 Member"), one member of the Board shall be an Owner or representative of the Owner of Commercial Unit 2 (the "Commercial Unit 2 Member"), and one member of the Board shall be an Owner or representative of the Owner of a Unit in Building C, Sandcastle Plaza (the "Building C Member"). The term of office for members of the Board shall be one (1) year each. The members of the Board shall hold office until their successors have been appointed and hold their first meeting. Any and all Board members shall be subject to replacement upon resignation or death in the manner set forth in Section 6 of this Article IV.

Section 6. VACANCIES. Until the first annual meeting of the Association, any vacancy of a seat on the Board shall be filled by appointment by the Declarant. After the first annual meeting of the Association, any vacancy of the seat on the Board reserved for the Commercial Unit 1 Member shall be filled by appointment by the Owner of Commercial Unit 1, any vacancy of the seat on the Board reserved for the Commercial Unit 2 Member shall be filled by appointment by the Owner of Commercial Unit 2, and any vacancy of the seat on the Board reserved for the Building C Member shall be filled by election by the Owners of Units in Building C. Each person appointed or elected shall be a member of the Board until a successor is appointed or elected at the next meeting of the Association.

Section 7. REMOVAL OF MEMBERS OF THE BOARD. Until the first annual meeting of the Association, the Declarant may replace any member of the Board at any time, and from time to time, with or without cause. After the first annual meeting of the Association, the Owner of Commercial Unit 1 may



replace the Commercial Unit 1 Member at any time, and from time to time, with or without cause; the Owner of Commercial Unit 2 may replace the Commercial Unit 2 Member at any time, and from time to time, with or without cause; and the Owners of Units in Building C, by the vote of a majority of the Owners of Units in Building C, may replace the Building C Member at any time, and from time to time, with or without cause.

Section 8. ORGANIZATIONAL MEETING. The first meeting of a newly appointed or elected Board shall be held within ten (10) days of appointment or election at such place as shall be fixed by the Board at the meeting at which such Board members were appointed or elected, and no notice shall be necessary to the newly appointed or elected Board members in order to legally constitute such a meeting, providing a majority of the Board shall be present.

Section 9. REGULAR MEETINGS. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Board, but at least one (1) such meeting shall be held each fiscal year. Notice of regular meeting of the Board shall be given by the Secretary-Treasurer or other designated person, to each Board member, personally or by mail, electronic mail, express delivery service such as Federal Express, telefax, or telegraph, at least ten (10) days prior to the day selected for such meeting. Telephonic meetings are expressly authorized based upon the possibility that Board members will be from different geographical locations.

Section 10. SPECIAL MEETINGS. Special meetings of the Board may be called by the President on three (3) days notice to each Board member, given personally or by mail, electronic mail, telephone, express delivery service such as Federal Express, telefax, or telegraph, which notice shall state the time, place, and purpose or purposes of the meeting. Special meetings of the Board shall be called by the President or Secretary-Treasurer in like manner and on like notice on the written request of at least two (2) Board members.

Section 11. WAIVER OF NOTICE. Before or at any meeting of the Board, any member of the Board may, in writing, signed by that Board member, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of notice and shall be filed with the minutes of the



meeting in the corporate records of the Association. Attendance at or participation in any meeting of the Board by a Board member shall be a waiver of notice by him of the time, place, and purpose thereof, unless the Board member, upon arriving at the meeting or prior to a vote on a matter not noticed in conformity with these By-Laws, objects to lack of notice and does not thereafter vote for or otherwise assent to the objected action. If all members are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 12. ACTION WITHOUT A MEETING. Actions required or permitted by law, the Master Deed or these By-Laws may be taken without a meeting if the action is taken by all members of the Board and is evidenced by one or more consents describing the action taken, signed by each Director, and included in the corporate records of the Association reflecting the action taken.

Section 13. BOARD QUORUM. At all meetings of the Board, a majority of the Board members shall constitute a quorum for the transaction of business, and acts of the majority of the members present at a meeting at which a quorum is present shall be the acts of the Board. Any or all Board members may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all Directors participating may hear each other simultaneously during the meeting, and Directors so participating by this means shall be deemed to be present in person at the meeting. If, at any meeting of the Board, there is less than a quorum present, the majority of the Board members present may adjourn the meeting to another time. At any such adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 14. FIDELITY BONDS. The Board may require that any or all officers and employees of the Regime or the Management Agent handling or responsible for Regime funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Regime.

Section 15. COMPENSATION. No member of the Board shall receive any compensation from the Regime for acting as such. However, any Director



may be reimbursed for his reasonable and actual expenses incurred in the performances of his duties.

Section 16. LIABILITY OF THE BOARD OF DIRECTORS. Except as required under the laws of the State of South Carolina, the members of the Board shall not be liable to the Owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. To the fullest extent permitted under the laws of the State of South Carolina, the Association and the Owners shall indemnify and hold harmless each of the members of the Board against all contractual liability to others arising out of contracts made by the Board on behalf of the Association, unless any such contract shall have been made in bad faith or contrary to the provisions of the Act, the Master Deed, or these By-Laws. It is intended that the members of the Board shall have no personal liability with respect to any contract made by them on behalf of the Association. It is permissible for the members of the original Board who are members of or employed by the Declarant to contract with the Declarant and affiliated entities without liability for self-dealing. It is also intended that the liability of any Owner arising out of any contract made by the Board shall be limited to such proportions of the total liability hereunder as his interest in the Common Elements bears to the interest of all Owners in the Common Elements. Every agreement made by the Board or by the Management Agent on behalf of the Association shall provide that the members of the Board, or the Management Agent, as the case may be, are acting only as agent for the Owners and shall have no personal liability there under (except to the extent that they are also Owners), and that each Owners' liability there under shall be limited to such proportion of the total liability there under as his interest in the Common Elements bears to the interest of all Owners in the Common Elements.

ARTICLE V – OFFICERS

Section 1. DESIGNATION. The principal officers of the Association shall be a President and a Secretary-Treasurer both of whom shall be elected by and from the Board. The Board may appoint a Vice President, an Assistant Treasurer, and an Assistant Secretary, and such other officers as, in their



judgment may be necessary. One person may hold more than one of the aforementioned offices.

Section 2. ELECTION OF OFFICERS. The principal officers of the Association shall be elected annually by the Board at the organizational meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. REMOVAL OF OFFICERS. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed either with or without cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose. No principal officer shall continue to serve as such if, during his term of office, he shall cease to be an Owner.

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

Section 5. PRESIDENT. The President shall be the Chief Executive Officer of the Association. He shall preside at all meetings of the Association and of the Board. He shall have all of the general powers and duties which are usually vested in the office of President of a Regime or incorporated Association, including but not limited to the power to appoint committees from among the Owners from time to time as he may, in his discretion, feel appropriate to assist in the conduct of the affairs of the Association. The President shall sign all leases, mortgages, deeds and other written contracts and instruments and shall co-sign all checks and promissory notes, and perform all of the duties which may be delegated to him from time to time by the Board.

Section 6. SECRETARY-TREASURER. The Secretary-Treasurer shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board may direct and shall authenticate the records of the Association; and he shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and



disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name of, and to the credit of, the Association in such depositories as may from time to time be designated by the Board. He shall, in general, perform all the duties incident to the office of the Secretary-Treasurer.

ARTICLE VI – NOTICES

Section 1. DEFINITION. Except as otherwise set forth in these By-Laws, whenever under the provisions of the Master Deed or of these By-Laws notice is required to be given to the Board (except for those notices as provided in Article IV, Sections 9 and 10), the Management Agent or an Owner, it shall not be construed to mean personal notice; but such notice may be given in writing, by first class, certified or registered mail, by depositing the same in a post office or letter box, in a postpaid sealed wrapper, addressed to the Board, such Manager or such Owners at such address as appears on the books of the Association. Notice shall be deemed given as of the date of mailing.

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

ARTICLE VII – OBLIGATIONS OF THE OWNERS

Section 1. ASSESSMENTS FOR COMMON EXPENSES. All Owners shall be obligated to pay the annual Assessments imposed by the Association to meet all Common Expenses, which may include, among other things, and without limitation, liability insurance policy premiums, and insurance policy premiums to cover repair and reconstruction work for the Common Elements not otherwise the subject of insurance policies obtained by individual Owners



or groups of individual Owners, in case of hurricane, fire, earthquake, and other hazards; such amounts as the Board may deem proper for the operation and maintenance of the Association, the Regime, and the Property, and any authorized additions thereto; and any amounts for general working capital, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the Common Expenses for any prior year. Not less than fifteen (15) days prior to the Annual Meeting, the Board shall furnish all Owners with a copy of the budget for the next fiscal year and shall likewise advise them of the amount of the Assessments payable by each of them respectively, as determined by the Board as aforesaid. Payment of the annual Assessments shall be in equal monthly or quarterly (as determined by the Board) installments on or before the first day of each month or quarter, as appropriate, or in such other reasonable manner as the Board shall designate.

The transfer of ownership of a Unit shall carry with it the proportionate share of that Unit's ownership in the Association operating, escrow, working capital, or reserve accounts set aside to provide a contingency fund for the maintenance and repair of the Common Elements. Transfer of ownership of a Unit shall not relieve the Owner from any obligations the Owner may have to the Association as a result of obligations incurred, or commitments made, before such transfer.

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



Section 3. SPECIAL ASSESSMENTS. The Association may levy and collect such Special Assessments in such amounts and for such purposes as may be deemed necessary or desirable by the Board, including, but not limited to, insurance policy premiums, unbudgeted property taxes or assessments, any deductible amount under any insurance policy, and costs and expenses of any construction, reconstruction, repair, demolition, replacement, renovation, or maintenance of the Common Elements.

Section 4. SPECIFIC ASSESSMENTS. The Association shall have the power to levy and collect Specific Assessments against a particular Unit as follows:

A. To cover the costs, including overhead and administrative costs, of providing benefits, items, or services to one (1) or more Units or the Occupants or Owner thereof upon request of an Owner (which may include, without limitation, janitorial service, pest control, etc.), which assessments may be levied in advance of the provision of the requested benefit, item or service as a deposit against charges to be incurred by the Owner;

B. To cover the costs associated with maintenance, repair, replacement, and insurance of any Limited Common Elements assigned to one (1) or more Unit or Units;

C. To cover costs incurred in bringing a Unit into compliance with the terms of the Act, the Master Deed, these By-Laws, the Covenants, or any rules or regulations promulgated by the Board, or costs incurred as a consequence of the conduct of the Owner or the Occupants, their agents, contractors, employees, licensees, invitees, or guests, including, without limitation, fines imposed and assessed by the Board; and

D. To enforce the collection of fines imposed and assessed under Section 16(c) of this Article VII; and



E. As otherwise permitted by the Master Deed or these By-Laws.

Section 5. WORKING CAPITAL ASSESSMENT. In addition to the other Assessments referred to in this Article VII, in order to establish and maintain a working capital fund for the Association, each Owner, upon the acquisition of a Unit by any manner, shall be liable for the payment of a Working Capital Assessment levied against such Unit upon the transfer of title to such Unit in an amount equal to one-fourth (1/4) of the then current annual Assessment levied against such Unit. The funds collected by the Association as Working Capital Assessments shall be utilized by the Association as determined by the Board in its reasonable discretion.

Section 6. RECORDS. The Management Agent or the Board shall keep detailed records of the receipts and expenditures affecting the General and Limited Common Elements and any other expenses incurred. Records and vouchers authorizing the payments involved shall be available for examination by Owners during reasonable business hours.

Section 7. DEFAULT IN PAYMENT OF ASSESSMENTS OR OTHER CHARGES IMPOSED BY THE BOARD. The Board shall take prompt action to collect any assessment or charge, including fines imposed hereunder, due from any Owner or Occupant which remains unpaid for more than five (5) days from the due date for payment thereof. In the event of default by any Owner or Occupant in paying to the Board the assessments or charges as determined by the Board, such Owner shall be obligated to pay a late charge of one and one-half (1.5%) percent of the delinquent amount per month on such unpaid assessments or charge from the due date thereof, together with all expenses, including attorney's fees, incurred by the Board in any proceeding brought to collect such unpaid assessment or charge. The Board shall have the right and duty to attempt to recover such assessment or charge, together with interest thereon, and the expenses of the proceeding, including attorney's fees, in any action to recover the same brought against such Owner or Occupant, or by foreclosure of the lien on such Unit granted by Section 27-31-210 of the Act. With regard to the subordinate nature of such liens as it relates to mortgages



recorded prior to the recording of any evidence of such lien, the provisions of Section 27-31-210 of the Act shall be controlling.

Section 8. STATEMENT OF ASSESSMENT. The Board shall, for a reasonable fee, promptly provide any purchaser, Owner, mortgagee, or prospective mortgagee of a Unit so requesting the same in writing, with a written statement of all unpaid Assessments and charges due from the Owner of that Unit and the purchaser's liability for same shall be limited to the amount as set forth in the statement. Any mortgagee holding a lien on a Unit may pay any unpaid Assessments or charges payable with respect to such Unit, and upon such payment such mortgagee shall have a lien on such Unit for the amounts paid of the same rank as the lien of his encumbrance, to the extent permitted by the Act or other applicable law.

Section 9. STATEMENT UPON RESALE. Any Unit may be conveyed by an Owner free of any restrictions except for those set forth herein, except that no Owner shall convey or sell his Unit unless and until all unpaid Association expenses assessed against the Unit shall have been paid. Such unpaid Association expenses, however, may be paid out of the proceeds from the sale of a Unit or by the grantee. Upon the written request of an Owner or Owner's prospective buyer, the Board or the Management Agent shall furnish a written statement of the unpaid charges due from such Owner which shall be conclusive evidence of the payment of any amount assessed prior to the date of the statement, but unlisted thereon. Further, the Association shall undertake to provide copies of these By-Laws or other materials generally provided by the Association upon the written request of an Owner in connection with the sale or lease of their Unit. A reasonable charge may be made by the Board for the issuance of statements and other materials.

The provisions of this Section 9 shall not apply to the acquisition of a Unit by a mortgagee who shall acquire title to such Unit by foreclosure or by deed in lieu of foreclosure. In such event, the unpaid Assessments against the Unit which were assessed and became due prior to the acquisition of title to such Unit by such mortgagee shall be deemed waived by the Association as to such Unit in particular, and shall be charged to all Owners as a Common Expense. Such a provision shall not however apply to any Assessments which



are assessed and become due after the acquisition of title to such Unit by the mortgagee and to any purchaser to such mortgagee.

Section 10. MAINTENANCE AND REPAIR.

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

B. All the repairs of the Units and of all other accessories and Limited Common Elements appertaining or belonging to the Unit shall be at the expense of the Owner. In the case of those Units located within Building C all the repairs of the Limited Common Elements which are located within, or are part of, Building C but not reserved exclusively for a single Unit, shall be at the joint and several expense of the Owners of the Units in Building C.

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

D. The Board shall, at least once each year, retain the services of one or more professionals as the Board may deem appropriate to inspect the Units and the Common Elements, and to report to the Board on the condition thereof and make recommendations to the Board as to general and specific areas requiring the attention of Owners and the Board.

Section 11. UTILITIES.



A. WATER AND SEWER CHARGES. Potable water, landscape irrigation water, and sanitary sewer services are supplied to all Units and the Common Elements by Hilton Head Public Service District (the "District") through one or more service meters. All charges for water utilized and sewer services utilized by the Units will be billed to, and shall be the responsibility of, each individual Owner. All charges for water utilized and sewer services utilized on the Common Elements shall be a Common Expense; *provided, however*, that all charges for water and sewer service to the Limited Common Elements reserved for the exclusive use of all of the Units in Building C shall be the joint and several expense of the Owners of the Units in Building C.

A. ELECTRICITY. Electricity is supplied to all Units and the Common Elements by Palmetto Electric Cooperative, Inc. through one or more service meters. All charges for electricity utilized by the Units will be billed to, and shall be the responsibility of, each individual Owner. All charges for electricity utilized on the Common Elements shall be a Common Expense; *provided, however*, that all charges for electricity to the Limited Common Elements reserved for the exclusive use of all of the Units in Building C shall be the joint and several expense of the Owners of the Units in Building C.

B. TELEPHONE, CABLE TELEVISION, AND DATA SERVICES. Telephone service, cable television service, and data service shall be supplied to all Units and the Common Elements by one or more companies providing such services in the area through one or more service meters or connections. All charges for telephone service, cable television service, and data service utilized by the Units shall be billed to, and shall be the responsibility of, each individual Owner. All charges for telephone service, cable television service, and data service to the Common Elements shall be a Common Expense; *provided, however*, that all charges for electricity to the Limited Common Elements reserved for the exclusive use of all of the Units in Building C shall be the joint and several expense of the Owners of the Units in Building C.



Section 12. USE OF THE UNITS; INTERNAL OR EXTERNAL CHANGES.

A. No Owner of any Unit in Building C may make any internal or external structural modifications or alterations, or external modifications or alterations of any nature, to Building C or his Unit or installations located therein, except in conformance with the provisions of Section 11 of the Master Deed.

B. The Owners of Commercial Unit 1 and Commercial Unit 2 may make such internal and external modifications or alterations to Building A and Building B, respectively, as they may deem appropriate in their sole discretion.

Section 13. USE OF COMMON ELEMENTS. Except as authorized by the Master Deed or these By-Laws, no Owner may place or cause to be placed in the common areas or on any portion of the Common Elements any obstructions of any kind. Such areas shall be held in common for the enjoyment of all Owners as determined by the Management Agent and the Board.

Section 14. RIGHT OF ENTRY. Each Owner and Occupant shall be deemed to have granted the right of entry to the Management Agent and to any Person authorized by the Board in case of any emergency originating in or threatening his Unit, whether the Owner or an Occupant is present at the time or not. Each Owner and Occupant shall permit other Owners, or their representatives, when so required, to enter his Unit for the purpose of performing installations, alterations, or repairs to the mechanical or utilities services, provided that such requests for entry are made in advance and that such entry is at a time reasonably convenient to the Owner or Occupant; *provided, however,* that in case of emergency, the right of entry shall be immediate.

Section 15. RULES OF CONDUCT. In order to assure the peaceful and orderly use and enjoyment of the Units and Common Elements, the Board may from time to time adopt, modify, amend and revoke, in whole or in part, such



reasonable rules and regulations, to be called Rules of Conduct, governing the conduct of persons on the Property, as they may deem necessary or convenient. The Rules of Conduct, upon adoption, and every amendment, modification or revocation thereof, shall be delivered promptly to each Owner by posting same with postage prepaid addresses to the Owners at their respective last registered addresses, and shall be binding upon all Owners and Occupants. The initial Rules of Conduct for the Regime are set forth in Attachment "A" to these By-Laws.

Section 16. ABATEMENT AND ENJOINMENT OF VIOLATIONS BY OWNERS AND OCCUPANTS. The violation of any rules or regulations adopted by the Board or the breach of any of these By-Laws, or the breach of any provisions of the Master Deed, shall give the Board the right, in addition to any other rights set forth in these By-Laws: (a) to enter the Unit in which or as to which such violations or breach exists and to summarily abate and remove, at the expense of the defaulting Owner or Occupant, any structure, thing or condition, that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass; and (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach and to recover the cost of such enforcement, including attorney's fees and court costs, and until such expense is recovered it shall be a lien upon the Unit in which or as to which such violations or breach exists, similar to the lien for the payment of Common Expenses, and subject to the same rights of collection as provided herein; and (c) to impose fines for such violation or breach in amounts determined by the Board, and until such fines are recovered they shall be a lien upon the Unit in which or as to which such violations or breach exists, similar to the lien for the payment of Common Expenses, and subject to the same rights of collection as provided herein.

Section 17. FISCAL YEAR. The fiscal year for the Association shall begin on the 1st day of January of each year; *provided, however*, that the Board is expressly authorized to change to a different fiscal year in accordance with the provisions and regulations from time to time prescribed by the Internal Revenue Code of the United States of America, at such time as the Board may deem it advisable.



Section 18. LITIGATION. No judicial proceeding or litigation shall be commenced or prosecuted by the Association unless approved by a vote of seventy-five percent (75%) of the votes eligible to be cast by the Owners. This Section 18 shall not apply, however, to (a) actions brought by the Declarant or the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided herein; (c) proceedings involving taxation, including, but not limited to, challenges to *ad valorem* taxation; or (d) counterclaims brought by the Association in proceedings instituted against it. No judicial proceeding or litigation shall be commenced or prosecuted by the Association or by any Owner against the Declarant for any reason without the claims forming the basis of such proceeding or litigation being first submitted to binding arbitration by the parties according to the rules of the American Arbitration Association, and without the parties first submitting to mediation of such claims. If any litigation is instituted, then the Association shall levy a Special Assessment against all Owners for the costs of litigation, including, without limitation, attorney's fees incurred, and funds from regular assessments shall not be used for any such claim or litigation.

ARTICLE VIII – INSURANCE

Section 1. IN GENERAL. The Board shall obtain and maintain, as set forth below, in forms and amounts as hereinafter prescribed, the following insurance, without prejudice of the right of the Owner to obtain additional individual insurance at his own expense.

Section 2. HAZARD AND FLOOD INSURANCE. The Board shall insure all of the Buildings located on the Property, or just the Common Elements, as it may be constituted from time to time, against loss or damage due to fire, windstorm, lightning, and flood, with extended coverage, in an amount not less than the maximum insurable replacement value as determined by the Board upon recommendation made by the Regime's insurer, it being understood that the Board, at its discretion, may have an appraisal made of the Property, or of just the Common Elements, for this purpose, or in the amount reasonably



obtainable as it relates to the flood coverage. The Board shall also have the authority to insure against other hazards and risks as it may deem necessary or desirable for protection of the Property. All liability, hazard, and flood insurance shall, at a minimum, cover all of the General Common Elements.

A. All hazard and flood insurance policies obtained by the Board shall designate the Board as the named insured as Insurance Trustee for the benefit of all the Owners and their mortgagees collectively, as their respective interests may appear. In the event of loss or damage, all insurance proceeds shall be paid to the Board as Insurance Trustee under the provisions of the Master Deed, it being understood and acknowledged that the distribution of such proceeds shall be controlled by the Act and the provisions of the Master Deed.

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

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

D. Each mortgagee of which the Board has actual notice shall be entitled to receive, upon request, a statement of the replacement value as determined in this Section 2. If any such mortgagee disagrees with the values assigned to the Property by such determination and presents an appraisal prepared at such mortgagee's expense showing higher values which has been prepared by a qualified appraiser, then the Board



shall either adopt the higher value or shall cause a reappraisal to be made by a qualified appraiser approved by the Board and by the appraisers who conducted the prior appraisals and the findings of the third appraiser shall be conclusive to determining such value for insurance purposes.

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

Section 3. PUBLIC LIABILITY INSURANCE. The Board shall obtain comprehensive public liability insurance with limits and provisions as it deems desirable and as may be obtainable. All such policies shall contain severability of interest clauses or endorsements extending coverage to liabilities of the Association to an individual Owner and to liabilities of one Owner to another Owner.

Section 4. WORKMEN'S COMPENSATION INSURANCE. The Board, as necessary, shall obtain Workmen's Compensation Insurance to meet the requirements of law.

Section 5. ERRORS AND OMISSIONS INSURANCE. The Board shall purchase and maintain insurance with limits and provisions as it deems desirable and as may be obtainable on behalf of any individual who is a Director, officer, or employee of the Association, and who is made a party to a proceeding as a consequence of such person's service to the Association or the Declarant, against liability asserted against such person arising from such person's status as a Director, officer, or employee of the Association, whether or not the Association would have the power to indemnify such person against the same liability.

Section 6. PREMIUMS. All premiums upon insurance policies purchased by the Board shall be assessed as Common Expenses to be paid by



the Owners as part of the annual Assessments , as Special Assessments, or as Specific Assessments, as determined by the Board in its reasonable discretion.

Section 7. ADJUSTMENT. Each Owner shall be deemed to have delegated to the Board his right to adjust with insurance companies all losses under policies purchased by the Association, subject to the rights of mortgagees of such Owners.

Section 8. INSURANCE BY OWNERS. Each Owner shall be responsible for obtaining, at such Owner's expense, insurance covering personal property located within the Owner's Unit and the additions and improvements made by the Owner thereto. Each Owner shall also be responsible for obtaining, at such Owner's own expense, insurance covering his liability for the safety of the premises within such Owner's Unit, all with limits and provisions as each Owner deems desirable and as may be obtainable. All such insurance policies shall include provisions waiving (i) any right of the insurer to subrogation claims against the Association and against individual Owners, as well as their agents, servants, employees, and guests; and (ii) any right of the insurer to contribution or proration because of the master hazard policy.

Each Owner is responsible for any damage to his Unit or another Unit or to the Common Elements caused by his negligent or intentional action or inaction, or by the negligent or intentional action or inaction of any Occupant, tenant, lessee, invitee, or guest. If a claim is made against any of the Association's policies as a result of such negligence by an Owner or a person for whom he is liable, then the Board may make a determination to assess any non-reimbursable expenses, including, but not limited to, the deductible, attorney's fees, and the like, against such Owner, and such assessment shall be collectible as a Specific Assessment.

Unless otherwise provided by the Association in accordance with Article VIII, Section 2 above, the Owners of Commercial Unit 1 and Commercial Unit 2 shall each be responsible for obtaining, at their sole expense, insurance covering the Buildings located on their respective Units against loss or damage due to fire, windstorm, lightning, and flood, with extended coverage, in an amount not less than the maximum insurable replacement value of each Unit.



Unless otherwise provided by the Sandcastle Plaza Association in accordance with Article VIII, Section 2 above, the Owners of the Units contained in Building C shall be responsible for obtaining, at their sole collective expense, insurance covering the Limited Common Elements reserved for the exclusive use of the Units contained in Building C against loss or damage due to fire, windstorm, lightning, and flood, with extended coverage, in an amount not less than the maximum insurable replacement value of each Unit, and shall also be responsible for obtaining, at their own collective expense, comprehensive public liability insurance with limits and provisions as it deems desirable and as may be obtainable insurance covering liability for the safety of the Limited Common Elements reserved for the exclusive use of the Units contained in Building C. All such insurance policies shall include provisions waiving (i) any right of the insurer to subrogation claims against the Association and against individual Owners, as well as their agents, servants, employees, and guests; and (ii) any right of the insurer to contribution or pro-rata because of the master hazard policy.

Each Owner or group of Owners responsible for obtaining insurance in accordance with the Master Deed and these By-Laws shall annually provide the Association with proof of such insurance in a form acceptable to the Board. In the case of the failure of any Owner or group of Owners to either obtain the required insurance coverage in an amount acceptable to the Board, or to provide proof of such insurance to the Association, the Board will obtain such insurance coverage at the sole cost and expense of the Owner or Owners who failed to do so. Any cost incurred by the Association in obtaining insurance in the place of an Owner or group of Owners with an obligation to do so will be an expense for which such Owner or Owners will be immediately assessed as a Specific Assessment.

Section 9. SUBSTITUTION OF INSURANCE TRUSTEE. The Board, in its discretion, may decline to serve as Insurance Trustee and may appoint in its place any financial institution which is qualified and willing to act as Trustee and which also has offices in Beaufort County, South Carolina. Any substitute Insurance Trustee appointed by the Board shall succeed to all of the powers



and responsibilities vested in the Board as Insurance Trustee under the terms of this Master Deed.

ARTICLE IX – RECONSTRUCTION AND REPAIR

Section 1. PROCEDURE. Each Owner agrees that in the event of casualty loss or damage to all or any part of the Property, including, without limitation, partial or total loss or damage to one or more Units, the Property shall be totally restored, and each Owner shall vote for such total restoration, in such a manner so as to comply with and to take advantage of the provisions of Section 16-7-302(C)(3) of the Land Management Ordinance of the Town of Hilton Head Island, South Carolina (the “LMO”), as currently written and as amended from time to time. Each Owner and the Board shall be responsible for applying the proceeds of all casualty insurance to the repair, reconstruction or restoration of the Property in accordance with the provisions of this Article IX and Section 16-7-302(C)(3) of the LMO. All cost of repair, reconstruction or restoration to any particular Unit or Limited Common Element reserved for that Unit that is not covered by applicable insurance shall be funded by the Owner of that Unit individually, or collectively as in the case of damage to the Limited Common Elements reserved for the exclusive use of the Units contained in Building C, and the Board and the Sandcastle Plaza Board shall take such actions as may be necessary or desirable to assure such funding by the Owners, including, without limitation, the levying of Special Assessments and Specific Assessments. Reconstruction, repair or restoration shall be mandatory unless otherwise provided in the Act, as amended from time to time, or unless all Owners vote, at a duly authorized meeting, not to reconstruct; *provided, however*, that the Owner of Commercial Unit 1 and the Owner of Commercial Unit 2 may each determine individually whether or not to reconstruct their respective Units; *and further provided, however*, that if all of the Owners of the Units contained in Building C vote, at a duly authorized meeting, not to reconstruct, then Building C may not be reconstructed. Reconstruction, repair, or restoration of the Common Elements shall be mandatory unless otherwise provided in the Act, as amended from time to time, unless all of the Owners vote, at a duly authorized meeting, not to reconstruct. In situations where reconstruction or repair is not to be undertaken, any



insurance indemnity received by the Board shall be distributed (a) pro-rata to the Owners and their mortgagees jointly in proportion to their respective percentage interests in the Common Elements for loss or damage to the Common Elements, and (b) to the Owners of each Unit for loss or damage to their respective Units. The remaining portion of the Property shall be subject to an action for partition by any Owner or lien holder as if owned in common, and if such partition action results in a sale of the entire Property, the net proceeds of such sale, together with the net proceeds of insurance policies, shall be considered one fund and distributed pro-rata among all Owners and their mortgagees jointly in proportion to their respective statutory interests in the Common Elements. In the situation where reconstruction or repair is undertaken, then the Property shall be repaired in the following manner:

A. Any reconstruction or repair must follow substantially the As-Built Survey and the Floor Plans, unless (i) the Owners holding seventy-five percent (75%) or more of the total interest in Common Elements and their mortgagees, if any, vote to adopt different plans and specifications, and (ii) all Owners whose Units are being reconstructed or repaired unanimously consent to the adoption of such different plans and specifications.

B. The Board, as to the Common Elements, and each Owner, as to his respective Unit, shall promptly obtain estimates of the cost required to restore the damaged property to its condition before the casualty occurred. Such costs may include such professional fees and premiums for bids as the Board deems necessary.

C. If the insurance proceeds paid to the Board are insufficient to cover the cost of reconstruction or restoration of the Common Elements, the Association may use funds out of its reserve or replacement accounts for the reconstruction or restoration of the Common Elements, and, if still not sufficient, the Association shall levy and collect a special assessment against all Owners in an amount that shall provide the funds required to pay for the repair, replacement, reconstruction or restoration of the Common Elements. If the insurance proceeds paid to the Board or to any individual Owner are insufficient to



cover the cost of reconstruction or restoration of a Unit, the Owner of such Unit shall provide funds for the reconstruction or restoration of such Unit; *provided, however*, that, except for existing or replacement utility lines, wires, pipes and other improvements serving their respective Units, no Owner shall be responsible, either individually or as a Member of the Association, for any costs or expenses associated with the reconstruction or restoration of another Unit.

D. The insurance proceeds received by the Board and the mortgagees, and any special assessments collected to cover a deficiency in insurance shall constitute a construction fund from which the Board and the mortgagees shall disburse payment of the costs of reconstruction and repair. The first disbursements from the construction fund shall be insurance proceeds; and if there is a balance in the fund after payment of all costs of reconstruction and repair, it shall be distributed to the Owners who paid special assessments in proportion to their payments. Any balance remaining after such distribution shall be retained by the Association.

Section 2. PROXY; POWER OF ATTORNEY. In the event of casualty loss or damage to the Property the provisions of this Article shall govern matters pertaining to reconstruction and repair. In order to assure the reconstruction and repair of the Property in the event of casualty loss or damage, each Owner shall be deemed, by acceptance of a deed to a Unit, to have thereby delivered an irrevocable limited proxy and irrevocable limited power of attorney, on behalf of that Owner and his or her heirs, personal representatives, successors and assigns, vested in whomever shall hold the office of Secretary-Treasurer of the Association from time to time. The irrevocable limited proxy and the irrevocable limited power of attorney, which shall be deemed to be an irrevocable limited power of attorney coupled with an interest, shall authorize the Secretary-Treasurer to cast all votes in the Association appertaining to each Owner's Unit in favor of reconstruction and repair of the Property if the Building on the Property is damaged or destroyed to the extent of fifty (50%) percent or more of its value, and if such a vote is required under the Act or the LMO. The Secretary-Treasurer shall have the responsibility to vote in favor of reconstruction or repair in such event. Every



mortgagee shall be deemed, by acceptance of a mortgage to a Unit, to have thereby consented to such reconstruction or repair.

ARTICLE X – INSURANCE TRUST

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

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

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

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

D. In the event a Certificate of Insurance has been issued to an Owner bearing a mortgagee endorsement, the share of the Owner shall be held in trust for the mortgagee and the Owner as their interests may appear; *provided, however*, that no mortgagee shall have any right to determine or participate in the determination as to whether any damaged property shall be reconstructed or repaired, and no mortgagee shall have any right to apply or have applied to the reduction of a mortgage debt any insurance proceeds except for insurance proceeds required by the



loan documents to be paid jointly to the Owners and their respective mortgagees pursuant to the provisions of the Master Deed.

ARTICLE XI – MORTGAGES

Section 1. NOTICE TO BOARD. An Owner who mortgages his Unit shall notify the Board through the Secretary-Treasurer, with a copy to the Management Agent, of the name and address of his mortgagee, and the Association shall maintain such information in a book entitled “Mortgages on Units” or in the individual Unit file.

Section 2. NOTICE TO MORTGAGEES. Upon written request from any Mortgagee (the term “Mortgagee” to include the holder, insurer or guarantor of a mortgage on any Unit), which request must identify the name and address of the Mortgagee, the name of the Owner, and the Unit number, the Board shall give such Mortgagee reasonable advance written notice of the following events:

- A. Any change in the Master Deed or these By-Laws;
- B. Any unpaid Assessments due the Association for over sixty (60) days from the Owner of the Unit;
- C. Any default by the Owner or Occupant of the Unit in the performance of such Owner’s obligations under the Master Deed or these By-Laws when such default is not cured within sixty (60) days.
- D. Any notice of special or annual meetings of the Association.
- E. Any condemnation loss or any casualty loss which affects a material portion of the Property or the Unit;
- F. Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;



G. Any proposed action which would require the consent of a specified percentage of eligible mortgage holders as specified in the Master Deed or these By-Laws; and

H. Any proposed change from professional management of the Property to self management of the Property by the Association.

Section 3. FINANCIAL STATEMENTS TO MORTGAGEES. Upon written request to the Association from any Mortgagee of which it has notice as herein provided, the Board or Management Agent shall supply such Mortgagee with a reasonably current financial statement of the Association within a reasonable time of such request. If no current audited financial statements of the Association are available, the holders of fifty-one (51%) percent or more of first mortgages shall be entitled to have such an audited statement prepared at their expense.

ARTICLE XII – AMENDMENTS

Section 1. AMENDMENT BY THE DECLARANT. The Declarant reserves the right to amend these By-Laws for any reason, including, without limitation, the right, upon advice of counsel, to make changes in these By-Laws as may be required by law, or to comply with the Act, or to correct any typographical error. This provision is designed to permit changes to these By-Laws necessary to carry out the intentions of the Declarant in establishing the Regime and to ensure the recorded documents comply with the provisions of the Act.

Section 2. AMENDMENT BY THE OWNERS. Except where a greater percentage is expressly required, either herein, or by law, these By-Laws may be materially amended only with the consent of (i) a Majority of the Owners, and (ii) Mortgagees from which the Association has received the written notice referred to in Article XI, Section 2 holding mortgages on Units which have at least fifty-one (51%) percent of the votes of Units subject to such mortgages, as it relates to modification of any material provisions of these By-Laws or other



governing document, which establish, provide for, govern or regulate any of the following:

- A. Voting;
- B. Assessments, Assessment liens, or subordination of such liens;
- C. Reserves for maintenance, repair and replacement of the Common Elements;
- D. Insurance or fidelity bonds;
- E. Rights to use of the Common Elements;
- F. Responsibility for maintenance and repair of the several portions of the Property;
- G. Boundaries of any Unit;
- H. The percentage interests of Owners in the Common Elements;
- I. Convertibility of Units into Common Elements, or of Common Elements into Units;
- J. Imposition of any additional or further right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey his or her Unit; and
- K. Any provisions which are for the express benefit of mortgage holders, eligible mortgage holders, or eligible insurers or guarantors of first mortgages on Units.

Any other amendments to these By-Laws shall be effective upon approval by a Majority of the Owners.



Section 3. MATERIALITY OF AMENDMENTS; MORTGAGEE APPROVAL PROCEDURE. An amendment to these By-Laws or the Master Deed shall not be considered material under this Article XII if it is for the purpose of correcting technical errors, or for clarification only. An eligible mortgage holder who receives a written request to approve an amendment and who does not deliver or post to the requesting party a negative response within thirty (30) days shall be conclusively deemed to have approved such amendment, and proof of mailing such request in affidavit form, together with an affidavit of non-receipt, shall be sufficient evidence of such approval.

ARTICLE XIII – MISCELLANEOUS MATTERS

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

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

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

Section 4. NOTICES. Except as otherwise provided in these By-Laws, all notices required by these By-Laws shall be hand delivered, posted in the U. S. Mail, or sent by overnight delivery or other courier service to the Association at the address of the President, and to Owners at the address of the Unit or at such other address as may have been designated by such Owner from time to time in writing to the Association. All notices from or to the Association shall be deemed to have been given when mailed or delivered, except notice of changes of address which shall be deemed to have been given when received.



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

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

Section 7. CONFLICT. These By-laws are set forth to comply with the requirements of the Act, as amended, and may be amended from time to time. In the event of any conflict between these By-Laws and the provisions of the Act or the Master Deed, the provisions of first the Act, then the Master Deed, then these By-Laws, as the case may be, shall control.

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

[END]



**ATTACHMENT A
TO
BY-LAWS OF
ADVENTURE COVE HORIZONTAL PROPERTY REGIME
AND
ADVENTURE COVE OWNERS' ASSOCIATION**

RULES OF CONDUCT

In order to create a pleasant, safe, and secure atmosphere that is respectful of the concerns of Owners of Units, these Rules of Conduct have been adopted. These Rules of Conduct supplement the Master Deed of the Regime and the By-Laws of the Association. They apply to all Owners and Occupants, and their respective family members, tenants, renters, guests, agents, invitees, contractors, and employees. Some Rules of Conduct below may repeat or supplement provisions of the Master Deed or the By-Laws, but are restated for ease of reference. Capitalized terms used herein shall have the meanings ascribed to them in the Master Deed and the By-Laws.

1. Business Activity. No business or business activity shall be carried on in any Residential Unit at any time; *provided, however*, that this prohibition shall not preclude (a) such business activities of the Association or the Management Agent as are reasonably required for the effective operation of the Property, (b) the showing of any Unit for sale or rent during normal business hours and in accordance with any procedures established by the Management Agent, and (c) business operations of the Declarant and its agents during the period of marketing the Units or managing the Property. The Business Units may be used for such business or business activities as are permitted by applicable laws and regulations.

2. Minimum Age of Occupants. Occupants of Residential Units less than eighteen (18) years of age must be accompanied by, or under the supervision of, a Person who is at least eighteen (18) years of age.

3. Number of Occupants. No Residential Unit may be occupied by more Persons than can be accommodated by normal use of the beds in the



Residential Unit (one Person for each single bed, two Persons for each king size, queen size or double bed); *provided, however*, that small children sleeping in cribs, or an additional person sleeping on a cot shall not be prohibited.

4. Access to the Property. Only Persons with proper authorization may enter upon or remain on the Property. Upon request of the Management Agent or its employee, or security personnel retained by the Association or the Management Agent, any Person on the Property shall provide proper identification and, if purportedly visiting at the invitation of an Occupant of a Residential Unit, provide the name and telephone number of the person who authorized access for the Person.

5. Prohibited Uses and Activities. No Owner or Occupant shall permit or suffer anything to be done on the Property that will, in the sole reasonable opinion of the Board or the Management Agent, (a) increase the insurance rates on any Unit or the Common Elements over those rates that would reasonably be anticipated from use of the Unit for its normal purpose; (b) obstruct or interfere with the rights of other Owners or Occupants, or the Association; or (c) violate any law, permit or regulation of a governmental body, or the Master Deed, the By-Laws, or the Covenants. No Owner or Occupant may hang garments, towels, rugs or similar objects from the windows or balconies or from any of the facades of the Property; clean dust mops, rugs or similar objects from the windows or balconies by beating on the exterior part of the Property; or operate or utilize any charcoal or gas grills in or on any part of the Building, except in a kitchen area or as authorized in writing by the Board or the Management Agent.

6. Pets. No animals, livestock, reptiles, fowl, or other pets shall be allowed, kept, housed, or otherwise maintained in any Unit; *provided, however*, that a reasonable number of common household pets may be kept and housed in a Residential Unit.

7. Offensive Activities. Noxious, offensive, or illegal activities shall not be carried out on or about the Property, nor shall anything be done thereon that reasonably is an annoyance or nuisance to any Owner or Occupant of any Unit. Without limiting the generality of this provision, radios, televisions and



other electronic equipment that emit sounds shall be operated only at a level that is not clearly audible in another Unit.

8. Parking. Except for parking spaces assigned to the Management Agent or reserved for delivery or use by handicapped persons, on-grade parking spaces shall be available on a “first come, first served” basis. Because of the limited number of parking spaces available on the Property, no Owner or Occupant of a Residential Unit may store or park any vehicle on the Property except when such Owner or Occupant is actually occupying a Residential Unit. The Management Agent may require that all vehicles parked on the Property overnight register with the Management Agent, display a sticker or permit provided by the Management Agent, and comply with such other procedures as may be approved by the Board. No vehicle shall be parked on the Property unless it is operable and properly licensed. Vehicles shall be parked only in spaces that are reasonably configured for the size of such vehicle. Vehicles violating these rules may be towed at the sole cost and risk of the violator and without notice to the violator. The Association and the Management Agent shall not be responsible for any loss of or damage to vehicles or articles within vehicles parked on the Common Elements. Owners, Occupants, and all other Persons on the Property shall observe and comply with such procedures and rules as may be posted or distributed from time to time regarding use of the parking areas.

9. Keys and Emergency Access. In order to be able to respond to emergency situations and enforce the Association's easement rights under the Master Deed, the Management Agent may require that the Owner of each Unit provide a key for each Unit, which key shall be kept in a secure space under the control of the Management Agent. Except in situations reasonably believed to be emergencies or situations in which access is reasonably believed to be needed to prevent damage to any Unit or Common Element, or to prevent harm to any Person, access to a Unit shall occur only during normal business hours and then, whenever practicable, only upon advance notice to the Owner of the Unit. Keys and locks for Residential Units shall not be altered or installed without the prior written consent of the Management Agent. If such consent is given, the Owner or the Owner's Agent shall provide a copy of the replacement key to the Management Agent.



10. Refuse. Trash, garbage, and other waste shall be placed only in areas designated by the Board or the Management Agent.

11. Obstruction and Use of Common Elements. Unless otherwise expressly approved in writing by the Board or the Management Agent, all corridors, steps, driveways, and pathways for ingress and egress shall be kept unobstructed and used for no purpose other than normal transit through them. Corridors, steps, driveways, and pathways shall not be used as storage or play areas.

12. Signs, Mail Receptacles, and Window Treatments. Unless otherwise expressly permitted in writing by the Board or the Management Agent, no Person may place or permit any sign, advertisement, or notice on the Property other than on the Common Elements designated by the Board for such purposes, in which case the sign, advertisement, or notice shall comply with any procedures or rules approved by the Board. The Board shall have the right to issue specifications for and approve the location, color, size, design, lettering, and all other particulars of receptacles for the receipt of mail, newspapers, or similar delivered materials; property identification markers; and name signs. The Board shall also have the right to issue specifications for and approve any interior window treatments, shades, blinds, draperies, or shutters that are visible outside a Unit.

13. Approval of Modifications. Unless otherwise expressly permitted in writing by the Board or its authorized designee, no painting, decoration, attachment to, or modification of a Unit (including, without limitation, structural, mechanical, electrical, or plumbing systems) shall be permitted until two (2) sets of plans showing the nature, shape, dimensions, materials, color, and location of the work have been submitted to and approved by the Board or its authorized designee, which may include the Management Agent. The Board shall have at least thirty (30) days from receipt of all required information regarding the work to review the submitted information. Upon completion of its review the Board may approve, reject, or modify the proposed plans based on its perception of the consistency and harmony of the plans with the Master Deed, the original structure of the Buildings, and other practical



and aesthetic factors deemed appropriate by the Board. If the Board determines that professional advice is required in order to evaluate the submitted information or to monitor the execution of the proposed work, it may impose reasonable fees to cover the costs to the Association, and charge such fees to the Owner of the Unit as a Specific Assessment. Such fees shall be payable by the applicant as a pre-condition of such evaluation or modification. Compliance with the procedures set forth in this paragraph is not a substitute for compliance with other applicable building and zoning ordinances and codes, or other covenants, conditions and restrictions that may apply to the work. The Board, the Association, the Management Agent, and their respective officers, employees, and agents shall not be responsible for any defects in any plans or specifications approved by the Board, nor for any defects in any work done according to such plans and specifications.

14. Penalties for Violations. Each Owner and Occupant shall be responsible, financially and otherwise, for the actions or inaction of themselves and their families, friends, guests, invitees, employees, and tenants, including violation of the Master Deed, the By-Laws, and these Rules of Conduct. In the event of any failure to comply with these Rules of Conduct, the Board shall take such action as it determines is appropriate to enforce these Rules of Conduct or to remedy any problem caused by a failure to comply. Without waiving of any other enforcement rights that the Board, the Association or any Owner may have under the Master Deed, the By-Laws, the Covenants, or applicable law, the Board may also impose a fine, which shall be a Specific Assessment against the applicable Unit, of up to \$100.00 for each violation of these Rules of Conduct. For an initial violation, the Board shall give the non-complying Owner or Occupant of the applicable Unit written notice of the violation and, if desired, the action that is required in order to cure the violation. Unless otherwise provided in the Master Deed, the By-Laws, or these Rules of Conduct, or unless the Board or the Management Agent determines that the violation constitutes a safety hazard, violation of law or an emergency situation, the Owner or Occupant shall have twenty-four (24) hours from receipt of written notice by the Board or the Management Agent, or such additional time as may be specified in such notice, to cure the violation or to provide reasonable evidence that no violation exists. No further notice shall be required prior to enforcement after initial notice of the violation is given.



15. Waivers of Rules of Conduct. The Board or the Management Agent may, for good cause, as determined in its sole discretion, waive violations of these Rules of Conduct. Such waiver shall be in writing.

16. Amendment. These Rules of Conduct are subject to amendment by the Board and may be supplemented by other rules and regulations promulgated from time to time by the Board.

