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Sharon W. Burris  
BEAUFORT COUNTY AUDITOR

**MASTER DEED**

**ESTABLISHING**

**ADVENTURE COVE**

**HORIZONTAL PROPERTY REGIME**

**September 26, 2008**

**STAR FISH INVESTMENTS, LLC**

ADD DMP Record 2/18/2009 05:50:59 PM  
BEAUFORT COUNTY TAX MAP REFERENCE

Dist	Map	SMap	Parcel	Block	Week
R511	009	000	1105	0000	00

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ADD DMP Record 2/18/2009 05:50:18 PM  
BEAUFORT COUNTY TAX MAP REFERENCE

Dist	Map	SMap	Parcel	Block	Week
R511	009	000	1000	0000	00



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<b>STATE OF SOUTH CAROLINA</b>	)	
	)	
<b>COUNTY OF BEAUFORT</b>	)	<b>MASTER DEED</b>
	)	
<b>STAR FISH INVESTMENTS, LLC</b>	)	<b>ESTABLISHING</b>
	)	
<b>TO</b>	)	<b>ADVENTURE COVE</b>
	)	<b>HORIZONTAL PROPERTY REGIME</b>
<b>ADVENTURE COVE HORIZONTAL</b>	)	
<b>PROPERTY REGIME</b>	)	

At Hilton Head Island, Beaufort County, South Carolina, **STAR FISH INVESTMENTS, LLC** (the "Declarant"), does hereby declare:

1. **THE LAND.** The Declarant is the sole owner of the land described in Exhibit A attached hereto and made a part hereof, and which is more particularly shown on the As-Built Survey.

2. **THE PROPERTY; THE REGIME; THE ASSOCIATION.** The Declarant does hereby, by duly executing this Master Deed, submit the land referred to in Section 1, together with the buildings and improvements erected thereon, and all easements, rights, and appurtenances belonging thereto to the provisions of the Act, and does hereby state that it proposes to create, and does hereby create, with respect to the Property, a Horizontal Property Regime that shall be known as Adventure Cove Horizontal Property Regime to be governed by and be subject to the provisions of this Master Deed, the By-Laws, and the provisions of the Act. **SANDCASTLES PLAZA, LLC**, the tenant of the Declarant as to a portion of the Property, is the owner of the building and improvements located on that portion of the Property which it leases from the Declarant, and joins in this Master Deed for the purpose of submitting its leasehold and ownership interests in the Property to the provisions of the Act and this Master Deed. The Declarant does further declare that Adventure Cove Owners' Association shall, pursuant to the provisions of Section 27-31-90 of



the Act, constitute the Council of Co-Owners of the Regime and shall be governed by this Master Deed and the By-Laws, and that it may cause to be incorporated under the laws of the State of South Carolina a non-profit corporation known as Adventure Cove Owners' Association, Inc., which will thereafter constitute the Council of Co-Owners of the Regime and shall be governed by this Master Deed and the By-Laws.

3. **THE IMPROVEMENTS.** The improvements constructed on and forming a part of the Property are constructed in accordance with the As-Built Survey and the Floor Plans. The As-Built Survey is more fully described in Exhibit B-1. The Floor Plans are more fully described in Exhibit B-2.

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

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

B. **As-Built Survey** means the survey of the Property referred to in Exhibit B-1.

C. **Assessment** means (i) an Owner's pro rata share of the Common Expenses which from time to time is assessed against an Owner by the Association, (ii) Working Capital Assessments, (iii) Special Assessments, and (iv) Specific Assessments, all as more fully set forth in the By-Laws.

D. **Association** means the Council of Co-Owners as defined by the Act, and also means Adventure Cove Owners' Association, Inc., if the Declarant chooses or the Owners choose to incorporate the Association.



E. **Board of Directors** or **Board** means the group of Persons selected, authorized, and directed to manage and operate the Association as provided by the Act, this Master Deed, and the By-Laws.

F. **Building** means a structure containing one or more Units, or a part of a Unit, comprising a part of the Property.

G. **By-Laws** means the By-Laws of Adventure Cove Horizontal Property Regime and Adventure Cove Owners' Association attached hereto as Exhibit C.

H. **Commercial Unit** means a Unit specifically identified as such in Section 5(A).

I. **Common Elements** means the General Common Elements and the Limited Common Elements as defined in Section 14 and in the Act, which shall include all portions of the Regime which are not designated as Units or parts of Units. Common Elements shall include real property and the tangible personal property required for maintenance and operation of Common Elements.

J. **Common Expenses** means the expenses incurred or anticipated to be incurred by the Association for the general benefit of the Regime, and for which the Owners are liable to the Association, including, but not necessarily limited to:

1. Expenses related to the administration, maintenance, insurance, operation, repair, or replacement of the General Common Elements;

2. Expenses of levying and collection, including attorney's fees, of any Assessments.

3. Expenses declared to be Common Expenses by the provisions of this Master Deed, or otherwise lawfully agreed upon.



K. **Condominium** means a Unit in the Regime.

L. **Condominium Ownership** means the individual ownership of a particular Unit and the common right to a share, with other Owners, in the Common Elements.

M. **Co-Owner** means a Person, fiduciary, firm, corporation, partnership, association, or other legal entity, or any combination thereof, who owns a Unit at any given point in time.

N. **Council of Co-Owners** means all the Co-Owners as defined herein, and shall also refer to the Association as defined herein.

O. **Covenants** means those certain easements, covenants, conditions, restrictions, and other matters currently applicable to the Property, including, without limitation, that certain easement to Capital Utilities Corporation recorded in the Office of the Register of Deeds for Beaufort County, South Carolina in Deed Book 347 at Page 272; that certain easement to Palmetto Electric Cooperative, Inc. recorded in said Register's Office in Deed Book 606 at Page 830; that certain Declaration of Restrictive Covenants (Landscape Buffer) recorded in said Register's Office in Record Book 631 at Page 1810; that certain Grant of Easement (Service Road) recorded in said Register's Office in Record Book 631 at Page 1826; that certain easement recorded in said Register's Office in Record Book 632 at Page 577; that certain Easement Agreement for Pathway for Pedestrian and Bicycle Travel recorded in said Register's Office in Record Book 755 at Page 197; that certain Easement Agreement for Pathway for Pedestrian and Bicycle Travel recorded in said Register's Office in Record Book 1158 at Page 1834; that certain Utility Easement recorded in said Register's Office in Record Book 1219 at Page 999; that certain Order of Condemnation, Easement and Payment recorded in said Register's Office in Record Book 1397 at Page 2478; that certain Absolute Assignment recorded in said Register's Office in Record Book 1966 at Page 1327; that certain deed recorded in said Register's Office in Record



Book 2171 at Page 142; that certain Absolute Assignment recorded in said Register's Office in Record Book 2171 at Page 150; that certain Declaration of Restrictive Covenants for Commercial Tract recorded in said Register's Office in Record Book 2171 at Page 164; that certain Subordination, Non-Disturbance Agreement recorded in said Register's Office in Record Book 2270 at Page 2598; that certain Non-Exclusive Telecommunications and Cablevision Facilities Easement recorded in said Register's Office in Record Book 2320 at Page 1082; that certain Storm Water Drainage Easement recorded in said Register's Office in Record Book 2380 at Page 1155; all matters shown on the plats recorded in said Register's Office in Plat Book 31 at Page 183, in Plat Book 31 at Page 193, in Plat Book 32 at Page 193, in Plat Book 35 at Page 120, in Plat Book 43 at Page 85, in Plat Book 46 at Page 127, in Plat Book 46 at Page 130, in Plat Book 46 at Page 147, in Plat Book 51 at Page 158, in Plat Book 69 at Page 133, in Plat Book 78 at Page 186, in Plat Book 99 at Page 151, in Plat Book 104 at Page 180, in Plat Book 106 at Page 118, in Plat Book 107 at Page 59, in Plat Book 107 at Page 60, in Plat Book 112 at Page 4, in Plat Book 113 at Page 164, and in Plat Book 113 at Page 189, and on the As-Built Survey; that certain Memorandum of Lease (and the unrecorded lease referred to therein) recorded in said Register's Office in Lease Book 20 at Page 1060, as amended by those certain Partial Releases recorded in said Register's Office in Record Book 755 at Page 205, in Record Book 1158 at Page 1845, in Record Book 2364 at Page 2016, and in Record Book 2394 at Page 2146; and that certain unrecorded lease effective September 27, 2004 by and between Island Putt & Drive, Inc., as Landlord, and Carrabba's/Second Coast, Limited Partnership, as Tenant, as amended by that certain First Amendment to Lease effective May 2, 2005, and by that certain Second Amendment to Lease effective May 22, 2006.

P. **Declarant** means Star Fish Investments, LLC, its successors and assigns, provided that such successors or assigns are designated in writing by the Declarant as its successor or assignee of the rights of the Declarant set forth herein.





Q. **Floor Plans** means the floor plans of the Buildings on the Property and the Units referred to in Exhibit B-2.

R. **Majority of the Co-Owners** or **Majority of the Owners** means the Owners owning fifty-one (51%) percent or more of the statutory value of the Property as a whole as set forth in Section 18.

S. **Management Agent** means any company or entity vested with the power to manage the Property and retained pursuant to the provisions set forth in the By-Laws.

T. **Master Deed** means this deed or declaration establishing the Regime and specifying the Property subject thereto, and all Exhibits hereto.

U. **Occupant** means the Person or Persons, including, without limitation, the Owner, in possession of a Unit or, as to any Residential Unit, residing therein.

V. **Owner** means the same as Co-Owner.

W. **Person** means an individual, fiduciary, firm, corporation, partnership, association, limited liability company, trust, or other legal entity, or any combination thereof.

X. **Property** means and includes the land, the Buildings, and all improvements and structures thereon, as shown, described and depicted on Exhibits A, B-1, and B-2, and all easements, rights, and appurtenances belonging thereto.

Y. **Regime** means the Adventure Cove Horizontal Property Regime created by this Master Deed. All references to the Association, as herein defined, shall likewise refer to the Regime, and vice versa.



Z. **Residential Unit** means a Unit specifically identified as such in Section 5(A).

AA. **Sandcastle Plaza** means Building C described in Section 5(A).

BB. **Sandcastle Plaza Association** means the association of Sandcastle Plaza Owners, and also means Sandcastle Plaza Owners' Association, Inc., the corporate form by which the Owners of Units in Building C may operate the Sandcastle Plaza Association.

CC. **Sandcastle Plaza Board of Directors** or **Sandcastle Plaza Board** means the group of Persons selected, authorized, and directed to manage and operate the Sandcastle Plaza Association.

DD. **Sandcastle Plaza By-Laws** means the By-Laws of the Sandcastle Plaza Owners' Association attached hereto as Exhibit E.

EE. **Sandcastle Plaza Owner** means a Person, fiduciary, firm, corporation, partnership, association, or other legal entity, or any combination thereof, who owns a Unit in Sandcastle Plaza at any given point in time.

FF. **Unit** has the same connotation as the term "Apartment" as used in the Act, and means a part of the Property intended for individual ownership and independent use, and with a direct exit to a common area or areas leading to a public street or highway.

## 5. **DESCRIPTIONS OF THE UNITS.**

A. **GENERAL DESCRIPTIONS OF THE UNITS.** The Property contains eleven (11) Units in three (3) Buildings, including four (4) Commercial Units and seven (7) Residential Units. The Buildings are more fully shown on the As-Built Survey. For ease of reference, and as



specifically designated on the Floor Plans, the Units are referred to herein as Commercial Unit 1, Commercial Unit 2, Commercial Unit 3, Commercial Unit 4, Residential Unit 1, Residential Unit 2, Residential Unit 3, Residential Unit 4, Residential Unit 5, Residential Unit 6, and Residential Unit 7.

All Units are to be used for such purposes as may be permitted by applicable laws and ordinances, and the Covenants. The Units are capable of individual utilization on account of having their own exits to the Common Elements and a particular and exclusive property right thereto, and also an undivided interest in the Common Elements, as hereinafter described, necessary for their adequate use and enjoyment, all of the above in accordance with the Act.

The Property includes eleven (11) Units in three (3) Buildings containing a total of approximately 29,784 square feet of interior area, as shown on the Floor Plans, as follows:

Building	Approximate Interior Area (Square Feet)
A	5,978
B	4,630
C	19,176
Total Area	29,784

The Buildings are grouped together as a residential and commercial center located on Folly Field Road at its intersection with US Highway 278, William Hilton Parkway, Hilton Head Island, South Carolina, as more fully shown on the As-Built Survey.

Building A is a single story, stucco over steel frame construction building with a total of approximately 5,978 heated and cooled square feet. Building B is a two story, stucco over wood frame construction building with total of approximately 4,630 heated and cooled square feet. Building C, Sandcastle Plaza, is a five story, stucco over post tension concrete construction building with a total of approximately 19,176 heated and cooled square feet.



All Unit measurements specified below are from inside face of wall to inside face of wall. All restrooms have a wall mounted sink and floor mounted water closet (toilet), unless otherwise indicated on Exhibit B-2. All Units have separate mechanical rooms with individual HVAC units and electrical breaker boxes and meters.

Building A is located within Commercial Unit 1. Commercial Unit 1 is a portion of the Property containing 0.550 acre, more or less, containing parking spaces and drive aisles, landscaped areas, Building A, and other improvements, as more fully shown on the As-Built Survey. Building A is a generally square space approximately 77' wide by 77' deep, containing approximately 5,978 square feet on one floor. Commercial Unit 1 is currently used as a restaurant. Entry to Building A is by way of a door in the front wall of Building A, two doors on the back wall of Building A, and one door on the left side wall of Building A. Non-structural walls separate reception, waiting and eating areas, office space, kitchen area, storage areas, and the restrooms within Building A. The restrooms are located to the right rear of Building A. Mechanical areas are located in the left rear of Building A, and are accessed by doors on the left side wall of Building A (water conditioning room) and the rear wall of Building A (mechanical room and electrical room). There is an exit door located in the right side wall of Building A.

Building B is located within Commercial Unit 2. Commercial Unit 2 is a portion of the Property containing 1.584 acres, more or less, containing parking spaces, landscaped areas, a miniature golf course, Building B, and other improvements, as more fully shown on the As-Built Survey. Building B contains two floors, and is currently used primarily as an indoor and outdoor recreation and entertainment facility. The first, or ground, floor is a generally rectangular space, approximately 78' wide by 40' deep, containing approximately 3,243 square feet. Entry to Building B is by two single doors and one set of double doors in the front wall and one set of double doors in the back wall. The first floor of Building B contains a large retail area, an inventory and storage room,



two restrooms, and a mechanical room. Non-structural walls separate the retail area, storage area, and the restrooms within Building B. The mechanical room is accessed by double doors on the rear of Building B.

The second floor of Building B is also a generally rectangular space, approximately 35'-3" wide by 46'-1" deep, containing approximately 1,387 square feet. Entry is by a stairway from the first floor located in the front left hand side of Building B. The second floor contains three offices, a count room, and a restroom. Non-structural walls separate the offices, the count room, and the restroom within Building B.

Sandcastle Plaza contains Commercial Unit 3, Commercial Unit 4, Residential Unit 1, Residential Unit 2, Residential Unit 3, Residential Unit 4, Residential Unit 5, Residential Unit 6, and Residential Unit 7. Sandcastle Plaza contains approximately 19,176 square feet. Sandcastle Plaza contains a central hall area on the ground floor, with access to the elevator, the elevator mechanical room, a storage room, and the two interior stairwells. Sandcastle Plaza is accessed by a door into the hall area, and contains an exit door at the rear of the building, accessible from the rear stairwell. Sandcastle Plaza also contains a sprinkler riser closet accessible by a door on the rear wall of the building. Mechanicals are contained in a service yard at the rear of the left side wall.

Commercial Unit 3 is located on the first, or ground, floor of Sandcastle Plaza, and is a generally rectangular space, approximately 27'-1" wide by 54'-0" deep, containing approximately 1,706 square feet. Entry is by way of single doors in the front and back walls. A non-structural wall separates the single large commercial area from the restroom located in the rear left corner of the Unit.

Commercial Unit 4 is located on the first, or ground, floor of Sandcastle Plaza, and is a generally rectangular space, approximately 27'-1" wide by 54'-0" deep, containing approximately 1,666 square feet. Entry is by way of single doors in the front and back walls. A non-



structural wall separates the single large commercial area from the restroom located in the rear right corner of the Unit.

Residential Units 1, 3, and 5 are located on the second, third, and fourth floors of Sandcastle Plaza, respectively, and contain approximately 1,873 square feet of heated and cooled living area. Residential Units 1, 3, and 5 also each have approximately 308 square feet of Limited Common Element exterior balconies accessed from within each Unit. Each of Residential Units 1, 3, and 5 contains a, a living area with a balcony, a dining, a kitchen, a pantry, a powder room, a laundry room, one master bedroom with a bathroom and closet area and a balcony, one bedroom with a bathroom and closet area, a storage room, and a closet area housing the HVAC system, all as more fully shown on the Floor Plans. Entry to each of Residential Units 1, 3, and 5 is by a single door from an elevator lobby, and each Unit also has an exit door to a rear stairwell.

Residential Units 2, 4, and 6 are located on the second, third, and fourth floors of Sandcastle Plaza, respectively, and contain approximately 1,873 square feet of heated and cooled living area. Residential Units 2, 4, and 6 also each have approximately 308 square feet of Limited Common Element balconies accessed from within each Unit. The floor plan for each of Residential Units 2, 4, and 6 are mirror images of the floor plans of Residential Units 1, 3, and 5, with identical rooms and dimensions. Entry to each of Residential Units 2, 4, and 6 is by a single door from an elevator lobby, and each Unit also has an exit door to a rear stairwell.

Residential Unit 7 occupies the entire fifth floor of Sandcastle Plaza, and contains approximately 1,930 square feet of heated and cooled living area. Residential Unit 7 also has approximately 681 square feet of Limited Common Element exterior balconies. Residential Unit 7 contains a foyer; living area with a balcony; a dining area with a balcony; a powder room; a breakfast area; a kitchen which opens to a deck; a pantry; a master bedroom with a bathroom (which opens to a deck),



three closets, and a balcony; a bedroom with a bathroom, a closet, and a balcony; and a laundry room; all as more fully shown on the Floor Plans. Entry to Residential Unit 7 is by a double door from an elevator lobby, and an exit door to a rear stairwell.

B. **THE UNITS; NUMBERING SYSTEM.** The eleven (11) Units are located and numbered as follows:

Unit Number	Approximate Square Footage of the Unit
Commercial Unit 1	5,978
Commercial Unit 2	4,630
Commercial Unit 3	1,706
Commercial Unit 4	1,666
Residential Unit 1	1,873
Residential Unit 2	1,873
Residential Unit 3	1,873
Residential Unit 4	1,873
Residential Unit 5	1,873
Residential Unit 6	1,873
Residential Unit 7	1,930

All Units are more particularly shown on the Floor Plans and, together with the Unit numbers, the square footage of area in each Unit, and the description of Unit boundaries as hereinafter set forth in this Section 5, shall constitute a complete description of the Units within the Regime.

C. **UNIT BOUNDARIES; GENERAL RULES.**

1. The boundaries of Commercial Unit 1 and Commercial Unit 2 are as shown on the As-Built Survey. Within each of Commercial Unit 1 and Commercial Unit 2 is a stand-alone Building. Commercial Unit 1 contains Building A, and Commercial Unit 2 contains Building B. Each of Commercial Unit 1 and Commercial Unit 2 includes not only the entirety of the Building therein (specifically including the structure, all internal and external structural walls and columns, all other structural portions



of each Building, the roof, the roof overhangs, foundation, plumbing, electrical, HVAC and other systems of the Building, and the abutting sidewalks) but also the remaining acreage, improved with landscaping, and in the case of Commercial Unit B, the miniature golf course and other improvements, all as more fully shown and depicted on the As-Built Survey.

2. With regard to Sandcastle Plaza, the upper and lower boundaries of each Commercial Unit and each Residential Unit are the interior unfinished surfaces of the floor and ceilings of each Unit. The perimetric boundaries of each Commercial Unit in Sandcastle Plaza and each Residential Unit extended to an intersection with the upper and lower boundaries, are as follows:

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

b. All vertical planes of the Unit shall extend to intersections with each other.

3. All lath, wallboard, tiles, paint, finished flooring, carpet, and any other materials constituting any part of the finished surfaces of the walls, floors, and ceilings which are the boundaries of a Unit, together with all telephones, and all built-in light fixtures, wires, services outlets, vent outlets, heating and cooling equipment and duct work, electrical switches, thermostats, toilet and other bathroom fixtures, and any and all other similar mechanical or physical fixtures which are within the perimetric





walls or ceilings and serving a single Unit, or within the space above the ceiling and below the floor of the Unit or, in the case of the heating, air conditioning, and ventilation system, located in the service area and in the equipment rooms, are a part of the Unit.

4. Because of the structural characteristics and arrangement of the Property, disputes may arise regarding issues such as whether an element is part of a Unit, a Limited Common Element, or a General Common Element. Unit Owners shall attempt to resolve such matters in a fair manner; however, if Unit Owners are unable to resolve such matters between themselves, or if a dispute arises between a Unit Owner and the Association or the Sandcastle Plaza Association as to what portion of the Property constitutes a Unit, Common Element, or Limited Common Element, or the proper allocation of any costs or expenses relating to such areas, the Board of Directors shall have the authority to determine the proper designation of the disputed element and the allocation of any costs or expenses involved, after such consultation with others as it may determine to be appropriate. The determination of the Board of Directors shall be set forth in writing, shall be made in good faith, shall not be clearly inconsistent with this Master Deed, and shall be final.

5. As to Sandcastle Plaza, any chute, flue, duct, chase, conduit, bearing wall, bearing column, joists, rafters, and all other similar mechanical or physical fixtures, except those designated in Subsection 5(C)(3) above, whether or not it lies partially within and partially outside the designated boundaries of a Unit, is a Limited Common Element reserved for the use and enjoyment of the Sandcastle Plaza Owners.

6. Subject to the provisions of Subsection 5(C)(5) above, all spaces, interior non-bearing partitions, and other fixtures and improvements within the boundaries of a Unit installed within the perimeter walls or ceilings, whether as a part of the original



construction or as a part of subsequent construction, are a part of the Unit.

**6. THE OWNER'S RESPONSIBILITIES FOR MAINTENANCE AND REPAIR.**

A. While an Owner is generally responsible for the maintenance and repair of the area described above in Section 5(C) as being included in a Unit, notwithstanding the generality of the foregoing description of Unit boundaries, each Unit Owner shall also be responsible for maintenance and repair of the following, whether it shall be defined as within a Unit or not:

1. The doorways, windows, vents, and other structural elements in the walls, floors, and ceilings of the Unit, which are regarded as enclosures of space;
2. The doors opening into the Unit and into any mechanical area integral to the Unit, including the frames, casings, hinges, handles, and other fixtures which are part of the doors;
3. The window glasses, screens, frames, wells, and casings which are part of the windows opening from the Unit;
4. The plumbing and mechanical vents which exclusively serve the Unit;
5. The appliances, air conditioning and heat pump units, (compressors, air handlers, and condensers), water heaters, lavatories, bath tubs, toilets, carpeting, floor covering, flooring, trim, ceilings, walls, insulation, and other fixtures, furnishings, and building materials which are part of the Unit at the time of conveyance of the Unit by the Declarant to the Owner, and any subsequent replacements thereof;



6. The screens, lattice work, partitions, railings, or balustrades bounding or enclosing any deck, walkways, porch, or service area that is integral and exclusive to the Unit and the concrete surface or other topping within any such area;

7. All pipes, wires, ducts, and other plumbing, mechanical, and electrical appurtenances which are integral and exclusive to the Unit, including lamps attached to the exterior of the Unit;

8. Any damage to the Unit itself, or to any other Unit or any General Common Element or Limited Common Element, directly or indirectly caused by any negligent or intentional action or inaction within the Owner's Unit, or by the Owner, the Occupant, or any guest, invitee, employee, agent, or tenant of the Owner or the Occupant; and

9. Limited Common Elements reserved for the use of one or more individual Units.

Limited Common Elements reserved for the use of more than one individual Unit shall be maintained and repaired by the Owners of all such Units, collectively, on a pro rata basis based upon the statutory value of each Unit as a percentage of the total statutory value of all Units for which that particular Limited Common Element is reserved.

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

B. Except in the event of an emergency situation, if the Association determines that any Owner has failed or refused to discharge properly its obligations with respect to the maintenance cleaning, repair,



or replacement of items for which he is responsible under this Master Deed, then the Association shall give such Owner written notice of the Association's intent to provide such necessary maintenance, cleaning, repair, or replacement, at such Owner's sole cost and expense, and setting forth with reasonable particularity the maintenance, cleaning, repair, or replacement deemed necessary; and such Owner shall have fifteen (15) days in which to complete said maintenance, cleaning, repair, or replacement, in a good and workmanlike manner, or, if such maintenance, cleaning, repair, or replacement is not capable of completion within said fifteen (15) day period, to commence said maintenance, cleaning, repair, or replacement and thereafter to diligently proceed to complete said maintenance, cleaning, repair, or replacement in a good and workmanlike manner. In the event of emergency situations, or if any Owner fails or refuses to timely comply with the provisions hereof after such notice, the Association may provide any such maintenance, cleaning, repair, or replacement at such Owner's sole cost and expense, and said cost shall be assessed against such Owner and his Unit as a Specific Assessment, which shall be a lien against such Unit as provided herein and in the By-Laws.

7. **USES OF THE UNITS.** The Units are to be used for such purposes as may be permitted by applicable laws and ordinances, and the Covenants.

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

B. In case of any emergency originating in or threatening any Unit, regardless of whether the Owner or any Occupant is present at the



time of such emergency, the Board and its agents, and all managerial personnel shall have the right to enter such Unit for the purpose of remedying or abating the cause of such emergency, and such right of entry shall be immediate. To facilitate entry in the event of any such emergency, the Owner of each Unit, if required by the Association, shall deposit under the control of the Association a key to such Unit.

C. If an Owner sells or otherwise conveys a Unit, the conveying Owner shall promptly give written notice to the Association of the name, home address, and telephone number of the purchaser or transferee of the Unit, and the forwarding address of the conveying Owner. The Association may require a transferor or transferee Owner to provide a copy of the deed or other instrument by which the Unit was conveyed. When any Person receives title to a Unit by devise or inheritance, or by any other method not heretofore considered, it shall be the responsibility of the Person acquiring title to give written notice to the Association of such transfer having occurred and to provide the information set forth above. All purchasers for value of a Unit shall be obligated to pay the Working Capital Assessment referred to in Article VII of the By-Laws, to be paid at closing to the Association.

D. Reference is made to the By-Laws for specific rights and authority of the Board with respect to Common Elements.

E. Reference is made to the Covenants applicable to the Property.

F. The Association and its employees and agents, and their successors and assigns shall have the right of access to each Unit at any time, and from time to time, for maintaining, repairing, or replacing any Common Elements located within or accessible through the Unit, or for making emergency repairs within the Unit necessary to prevent damages to the Common Elements or to another Unit. This easement and right of access may be exercised by the Board, its agents, and employees. Damages resulting to any Unit because of such maintenance and repairs



shall be corrected promptly at the expense of the Association. The Sandcastle Plaza Association and its employees and agents, and their successors and assigns shall have the right of access to each Sandcastle Plaza Unit at any time, and from time to time, for maintaining, repairing, or replacing any Common Elements located within or accessible through the Unit, or for making emergency repairs within the Unit necessary to prevent damages to the Common Elements or to another Unit. This easement and right of access may be exercised by the Sandcastle Plaza Board, its agents, and employees. Damages resulting to any Unit because of such maintenance and repairs shall be corrected promptly at the expense of the Sandcastle Plaza Association.

G. The Declarant hereby declares and affirms that the use restrictions described in this Master Deed shall be deemed restrictive covenants running with the land and are imposed as a limitation and burden upon the Property, upon each Unit, upon the Declarant, and upon all future Owners of Units.

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

9. **ASSESSMENTS FOR COMMON EXPENSES; RESPONSIBILITIES FOR MAINTENANCE.** The obligations of all Unit Owners with regard to Assessments for Common Expenses and the maintenance and repair of the individual Units shall be as provided in the By-Laws. Common Expenses shall include, without limitation, any other costs related to the operation of the Property which are declared by this Master Deed to be Common Elements and any valid charges against the Property as a whole. Nothing in this Master Deed



shall prohibit the allocation of Common Expenses specifically incurred for the benefit of one particular Building from being assessed against only the Owners of Units contained within such Building as Specific Assessments.

**10. RELOCATION OF BOUNDARIES BETWEEN UNITS IN SANDCASTLE PLAZA; CONSOLIDATION OF UNITS IN SANDCASTLE PLAZA.**

The Declarant intends to provide a flexible and certain method consistent with the Act in the interest of the Association and all of its members by which boundaries between individual Units in Sandcastle Plaza may be relocated. Subject to the provisions of this Master Deed and other provisions of law, one or more Sandcastle Plaza Owners may apply to relocate the boundaries of a Unit, or consolidate two or more Units, subject to the conditions and procedures described in this Section 10.

A. The Owner of a Unit or Owners of adjoining Units in Sandcastle Plaza may, at any time, and from time to time, deliver a letter to the President of the Sandcastle Plaza Association stating their intentions to relocate the boundaries of their respective Units, or consolidate two or more Units, together with a revision to the Floor Plans which conforms with Sections 27-31-100, 27-31-110, and 27-31-120 of the Act showing the proposed relocated boundaries of the Units. In such case, with respect to every proposed Unit which will result from the proposed relocation or consolidation, such Unit must comply with all applicable laws, rules, regulations, codes, and ordinances, including, but not limited to, those relating to health, fire, safety, and parking, and adequate provision must be made for any required fire and emergency exits, mechanical and support systems of the Buildings, utilities, as well as assurance that there is no impairment of the structural integrity of the Unit or the Building or that there is no increase in any Owner's insurance costs.

B. All expenses of the Association and the Sandcastle Plaza Association, including legal fees, architectural, and consultant's fees, shall be borne by the Unit Owners requesting the relocation of



boundaries or consolidation of Units.

C. Within sixty (60) days after receipt of a letter from a Unit Owner pursuant to this Section 10, the President of the Sandcastle Plaza Association shall cause an amendment to this Master Deed to be prepared which conforms to this Master Deed and the Act, together with a certified amendment to the Floor Plans which conforms to the requirements of the Act. The amendment to the Master Deed shall reallocate the assigned appurtenant interests among all the Units resulting from the boundary relocation or consolidation of Units but shall not affect in any manner the percentage interest appertaining to the other Units not otherwise redefined. The amendment to this Master Deed shall, to the extent necessitated by the boundary relocation or consolidation, take into consideration potential redefinition of boundaries of the newly constituted Unit or Units, as compared to the definition in Section 6.

D. When the amendment to this Master Deed is fully prepared, the President of the Sandcastle Plaza Association shall submit it to the Declarant, or its successors and assigns, for approval, it being the expressed reserved right of Declarant to approve any relocation of boundaries or consolidation of Units. The Declarant further reserves the right to assign this review and approval right to the Association or to a successor or assign of the Declarant, or to an affiliate of the Declarant.

E. Upon payment by the requesting Unit Owners of all permitting, recording, legal, architectural, and other fees incurred by the Association and the Sandcastle Plaza Association, the President of the Sandcastle Plaza Association and the requesting Unit Owners shall execute the amendment to this Master Deed and record same, including the revised Floor Plans relocating the boundaries of, or consolidating, the Units and showing the altered boundaries of the Units and their dimensions and identifying numbers, in the Office of the Register of Deeds for Beaufort County, South Carolina.





F. Any amendment to this Master Deed and the Floor Plans to relocate any boundary line between Units in Sandcastle Plaza or to consolidate Units in Sandcastle Plaza will be effective only when executed in the manner required by this Section 10 and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina. Any required consents to any such amendment to this Master Deed by the mortgagees of the affected Units shall also be recorded.

G. No work to implement any boundary relocation or consolidation of Units in Sandcastle Plaza may be undertaken until plans and specifications for such work have been approved in writing by the Sandcastle Plaza Board as provided for in this Section 10.

11. **ALTERATIONS IN THE UNITS.** Any Unit Owner may make such additional improvements or alterations to his Unit as he may deem necessary or desirable in his sole discretion, without the permission of the Association; *provided, however,* that any such work (a) shall not unreasonably interfere with the rights of the other Owners, and (b) shall be undertaken only in compliance with applicable laws and ordinances and the Covenants; *and further provided, however,* that no alterations to any General Common Elements may be made without the prior written approval of the Board, and that no alterations to any Limited Common Elements reserved for the use of the Sandcastle Plaza Owners may be made without the prior written approval of the Sandcastle Plaza Board.

12. **EASEMENTS.** In addition to any easements provided for elsewhere herein, the following easements are hereby established and reserved:

A. **EASEMENTS FOR THE ASSOCIATION AND THE MANAGEMENT AGENT.** The Association and its directors, officers, agents, and employees, including, but not limited to, the Management Agent and its officers, agents, and employees, shall have a general right and easement to enter upon the Property and within the Units, for any purposes reasonably required in the performance of their respective



duties, including, without limitation, the management, inspection, repair, cleaning, maintenance, and replacement of Common Elements. Except in situations that may then reasonably be thought to be emergencies in which access may be needed to prevent damage to the Property or harm or injury to any Person, or unless otherwise expressly approved by the Owner or Owners directly affected thereby, this easement shall be exercised only during business hours and then, whenever practicable, only upon advance notice to the Owner or Owners directly affected thereby.

**B. EASEMENTS FOR THE SANDCASTLE PLAZA**

**ASSOCIATION.** The Sandcastle Plaza Association and its directors, officers, agents, and employees, including, but not limited to, the Management Agent and its officers, agents, and employees, shall have a general right and easement to enter upon Sandcastle Plaza and within the Units of Sandcastle Plaza, for any purposes reasonably required in the performance of their respective duties, including, without limitation, the management, inspection, repair, cleaning, maintenance, and replacement of Common Elements. Except in situations that may then reasonably be thought to be emergencies in which access may be needed to prevent damage to the Property or harm or injury to any Person, or unless otherwise expressly approved by the Owner or Owners directly affected thereby, this easement shall be exercised only during business hours and then, whenever practicable, only upon advance notice to the Owner or Owners directly affected thereby.

**C. EASEMENTS FOR THE DECLARANT.** The Declarant, its successors and assigns, shall have an alienable and transferable right and easement upon, over, through, under, and across the Property for (i) the purposes of constructing, installing, inspecting, maintaining, repairing, and replacing portions of the Property, (ii) the purposes of construction, sale, rental, and management of the Units, and (iii) any purpose or reason that might arise which requires that the Declarant have access to the Property or any of the Units. Such rights shall not unreasonably interfere with the occupancy, use, or enjoyment of a Unit



by its Owner or Occupants. Except in situations that may then reasonably be thought to be emergencies in which access may be needed to prevent damage to the Property or harm or injury to any Person, or unless otherwise expressly approved by the Owner or Owners directly affected thereby, this easement shall be exercised only during business hours and then, whenever practicable, only upon advance notice to the Owner or Owners directly affected thereby. The exercise of such right and easement by Persons other than the Declarant shall be undertaken only with the express written approval of the Declarant. The Declarant shall have a transferable, perpetual power and authority to grant easements to, and accept easements from, any private entity or public authority, agency, public service district, public or private utility, or other Person, upon, over, through, under, and across the Common Elements for constructing, installing, maintaining, repairing, inspecting, and replacing television antennae or television cable systems, data transmission systems, security and similar systems, landscaping, walkways, lighting, and all utility facilities and services, including, but not limited to, storm water and sanitary sewer systems, and electrical, gas, telephone, water, and sewer lines. The rights of the Declarant hereunder shall automatically be assigned to the Association upon conveyance by the Declarant of all Units to another Person or Persons (unless the rights of the Declarant are also transferred or assigned along with any such conveyance), or such earlier time as the Declarant records a supplement to this Master Deed relinquishing its rights under this Master Deed or this Section 12(C).

**D. EASEMENT FOR REPAIR, MAINTENANCE, AND EMERGENCIES.** Some Common Elements may be conveniently accessible only through one or more Units. The Owners of other Units and the Association, and the Sandcastle Plaza Association as to Units in Sandcastle Plaza, shall have an irrevocable easement, to be exercised by the Association, the Sandcastle Plaza Association, or the Management Agent, as the Owners' agent, for access to and through each Unit and to all Common Elements from time to time for the maintenance, repair, removal, or replacement of any of the Common Elements accessible



therefrom, or for making repairs necessary to prevent damage to the Property or to any Unit. Except in situations that may then reasonably be thought to be emergencies in which access may be needed to prevent damage to the Property or harm or injury to any Person, or unless otherwise expressly approved by the Owner or Owners directly affected thereby, this easement shall be exercised only during business hours and then, whenever practicable, only upon advance notice to the Owner or Owners directly affected thereby.

E. **EASEMENTS FOR ENCROACHMENTS.** The Property is subject to the following easements for encroachments between Units and the Common Elements:

1. An easement in favor of all Owners so that they shall have no legal liability if any of the Common Elements encroaches upon a Unit or other Common Elements;
2. An easement in favor of the Owner of each Unit so that the Owner shall have no legal liability if any part of such Owner's Unit encroaches upon the Common Elements or upon another Unit; and
3. An easement in favor of all Owners, the Association, and the Owner of any encroaching Unit for the maintenance and repair of such encroachments.

Encroachments referred to in this Section 12(E) include, but are not limited to, encroachments caused by error, omission, or variance from the Floor Plans in the Common Elements or any Unit; by error in the Floor Plans or this Master Deed; by settling, rising, or shifting of the earth; or by changes in position caused by repair or reconstruction of any part of the Common Elements or any Unit in substantial conformity to the Floor Plans.

F. **PRIOR RECORDED EASEMENTS.** The Property and each



Unit shall be subject to any easements shown on any prior recorded plat of the Property or defined in this Master Deed.

G. **GOVERNMENTAL EASEMENTS.** Police, fire, emergency medical services, water, and other authorized governmental officials, employees, and vehicles shall have the right of ingress and egress to the Property, and to any portion thereof, for the performance of their official duties, to the extent permitted by applicable law and any rule or regulation not contrary to applicable law that is adopted by the Board of Directors.

H. **COMMERCIAL UNIT 1.** Easements are established for the benefit of Commercial Unit 1 for (i) the use, operation, and maintenance of grease traps over a portion of the general common elements included within that certain area adjacent to Building A designated "32'x20' Easement" on the As-Built Survey; and (2) for the use of parking spaces as set forth in that certain unrecorded lease effective September 27, 2004 by and between Island Putt & Drive, Inc., as Landlord, and Carrabba's/Second Coast, Limited Partnership, as Tenant, as amended by that certain First Amendment to Lease effective May 2, 2005, and by that certain Second Amendment to Lease effective May 22, 2006.

13. **AREAS COMPRISING PROPERTY.** The Property as presently constructed has a total of 4.841 acres, or approximately 210,874 square feet, on which is situate three (3) Buildings containing a total of approximately 29,784 square feet of space, and occupying approximately 14,008 square feet of ground area, with the remaining area of the Property consisting of portions of Commercial Unit 1 and Commercial Unit 2, driveways, parking, sidewalks, outside landscape areas, and other Common Elements, all as more fully shown on the As-Built Survey.

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



A. **GENERAL COMMON ELEMENTS.** General Common Elements, as defined in the Act, are those Common Elements intended for the use of all Owners. In the Regime, the General Common Elements are as follows:

1. The Property, excluding the Limited Common Elements and the Units, and including, but not limited to, any structure on the Property that does not contain Units, or is not part of any Unit, the foundations, stairways, exterior portions of perimeter walls, including exterior wall surfaces, those portions of partitions and walls separating Units not otherwise part of a Unit, load-bearing columns or walls, slabs, public utility lines; and pipes, wires, or conduits located within slabs or elsewhere in the Buildings other than as described in Section 5(C). In each instance the space actually occupied by any of the above items shall also be considered a General Common Element.

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

3. All installations, and the areas occupied by same, for services such as power, light, gas (including underground storage tanks), telephone, television, water, and other similar utilities serving the Property as a whole, including such installations as may be located within Commercial Unit 1 or Commercial Unit 2.

4. All sewer, drainage, and irrigation pipes, excluding those which are the property of the Hilton Head Public Service District.

5. All mailboxes and all appurtenances thereof.



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

7. All areas not designated as a Limited Common Element and not described as lying within the boundary of a Unit as described in Section 5(C) hereof, and all other elements of the Property constructed or to be constructed on the Property, rationally of common use or necessary to the existence, upkeep, and safety of the Property, and in general all other devices or installations existing for common use.

**B. LIMITED COMMON ELEMENTS.** Limited Common Elements as defined in the Act are those Common Elements reserved for the use of certain Unit Owners to the exclusion of other Owners. In the Regime, the Limited Common Elements are as follows:

1. Any and all patios, balconies, and decks immediately adjacent to any Unit or to which any Unit has direct access from the interior thereof, if any, as may be shown on the Floor Plan or the As-Built Survey, are Limited Common Elements reserved for the use of such Unit.

2. The space lying between the upper boundary of each Unit in Sandcastle Plaza, as described in Section 5(C), and the floor or roof above such Unit, subject to easements for utilizing



service as previously described, is a Limited Common Element reserved for the use of such Unit below such space.

3. The exterior walls, all internal and external structural walls and columns, the roof, the roof overhangs, the foundation, the abutting sidewalks, all other structural portions of Sandcastle Plaza, and all other areas contained within Sandcastle Plaza not specifically a part of a Unit or a Limited Common Element for the benefit of a particular Unit in Sandcastle Plaza, together with all mechanical, electrical, HVAC, and other systems and fixtures contained in Sandcastle Plaza and not otherwise a part of any Unit, are Limited Common Elements reserved for the exclusive use of Commercial Unit 3, Commercial Unit 4, Residential Unit 1, Residential Unit 2, Residential Unit 3, Residential Unit 4, Residential Unit 5, Residential Unit 6, and Residential Unit 7.

4. The swimming pool adjacent to the Sandcastle Plaza Building and the other improvements (excluding any Units) located within the Sandcastle Plaza Limited Common Elements area designated on the As-Built Survey are Limited Common Elements reserved for the exclusive use of Commercial Unit 3, Commercial Unit 4, Residential Unit 1, Residential Unit 2, Residential Unit 3, Residential Unit 4, Residential Unit 5, Residential Unit 6, and Residential Unit 7.

5. Certain parking spaces are Limited Common Elements, as more fully shown and designated on the As-Built Survey.

6. All other areas depicted as Limited Common Elements to the Units on the Floor Plan or the As-Built Survey.

15. **USE OF THE COMMON ELEMENTS.** Each Owner shall have the right to use the Common Elements for their intended purposes in common with





all other Owners. Each Owner shall have also a non-exclusive easement appurtenant to his Unit for ingress and egress over the Common Elements for access to and from his Unit, which shall extend to the family members, guests, agents, invitees, and employees of the Owners. All rights to use and enjoyment of the Common Elements shall be subject to the provisions of the Act, this Master Deed, the By-Laws, and rules and regulations adopted by the Association pursuant to the By-Laws.

16. **GENERAL PLAN OF DEVELOPMENT.** Construction of the current improvements on the Property, as shown on the As-Built Survey, has been completed.

17. **REVOCATION.** The dedication of the Property to the Regime shall not be revoked, nor shall the Property be removed from the Regime, unless all of the Owners and the mortgagees of all the mortgages encumbering the Units unanimously agree to such revocation or removal of the Property from the Regime by duly recorded instrument.

18. **PERCENTAGE INTERESTS OF THE UNITS.**

A. **STATUTORY PERCENTAGE INTEREST.** Unless provided otherwise in this Master Deed or the By-Laws, the percentage of title and interest appurtenant to each Unit and the Owner's title and interest in the Common Elements of the Property, and the proportionate share of common monthly expenses, as well as the proportionate representation for voting purposes in the meeting of the Association, is based on the proportionate value of each Unit to the value of the total Property set forth below. For purposes of the Act and pursuant to the terms of this Master Deed, the percentage interest appurtenant to each Unit of the Regime shall be established in accordance with the following formula  $V \div A = P$ , where "V" = the Statutory Value of the respective Units as set forth



in this Section 18; "A" = the Aggregate Valuation of all Units existing in the Regime; and "P" = the Percentage Interest of each Unit.

B. **UNIT TYPES; STATUTORY VALUES.** The eleven (11) Units have the following statutory value for purposes of the Act:

Unit	Statutory Value
Commercial Unit 1	US\$2,000,000.00
Commercial Unit 2	US\$2,000,000.00
Commercial Unit 3	US\$140,000.00
Commercial Unit 4	US\$140,000.00
Residential Unit 1	US\$245,700.00
Residential Unit 2	US\$245,700.00
Residential Unit 3	US\$245,700.00
Residential Unit 4	US\$245,700.00
Residential Unit 5	US\$245,700.00
Residential Unit 6	US\$245,700.00
Residential Unit 7	US\$245,800.00

C. **STATUTORY PERCENTAGE INTEREST OF ALL UNITS.**

Based upon the above values, the percentage of undivided interest in the Common Elements appurtenant to each Unit of the Regime is set forth below:

Unit	Statutory Value	Percentage Interest
Commercial Unit 1	US\$2,000,000.00	33.333%
Commercial Unit 2	US\$2,000,000.00	33.333%
Commercial Unit 3	US\$140,000.00	2.333%
Commercial Unit 4	US\$140,000.00	2.333%
Residential Unit 1	US\$245,700.00	4.095%
Residential Unit 2	US\$245,700.00	4.095%
Residential Unit 3	US\$245,700.00	4.095%
Residential Unit 4	US\$245,700.00	4.095%
Residential Unit 5	US\$245,700.00	4.095%
Residential Unit 6	US\$245,700.00	4.095%
Residential Unit 7	US\$245,800.00	4.098%
Aggregate Valuation	US\$6,000,000.00	100.000%



**NOTE: THESE STATUTORY VALUES ARE SOLELY FOR PURPOSES OF THE ACT, AND MAY OR MAY NOT REFLECT THE ACTUAL FAIR MARKET VALUE OF THE UNITS.**

D. **NO ALTERATION.** The proportionate representation for voting purpose and the percentage of the undivided interest in the Common Elements provided in this Section 18 shall not be altered without an amendment to this Master Deed duly recorded as required by Section 23.

19. **ADMINISTRATION AND BY-LAWS.**

A. **THE ASSOCIATION; BY-LAWS.** As noted in Section 2 above, Adventure Cove Owners' Association, and, if and when incorporated, Adventure Cove Owners' Association, Inc., is the Council of Co-Owners that will serve as the body by which the Owners will manage the affairs of the Regime and the Association. Each Owner shall have voting rights in the Association in the same percentage as the percentage of interest his Unit has in the Common Elements. The administration of the Regime and the Association shall be in accordance with the provisions of this Master Deed and the By-Laws. Nothing in this Master Deed shall prohibit the Owners of the Units in Sandcastle Plaza from jointly administering the Limited Common Elements which directly pertain to Sandcastle Plaza through the Sandcastle Plaza Association, subject to the overall administration of the Association.

B. **THE SANDCASTLE PLAZA ASSOCIATION.** Sandcastle Plaza Association, and, if and when incorporated, Sandcastle Plaza Association, Inc., is the association that will serve as the body by which the Sandcastle Plaza Owners will manage the affairs of Sandcastle Plaza and the Limited Common Elements reserved for the use of the Sandcastle Plaza Owners. Each Sandcastle Plaza Owner shall have voting rights in the Sandcastle Plaza Association based upon the statutory value of each Unit in Sandcastle Plaza as a percentage of the



total statutory value of all Units in Sandcastle Plaza. The administration of the Sandcastle Plaza Association shall be in accordance with the provisions of this Master Deed and the Sandcastle Plaza By-Laws.

C. **AUTOMATIC MEMBERSHIP IN THE ASSOCIATION AND IN THE SANDCASTLE PLAZA ASSOCIATION.** Each Owner shall automatically become and shall be a member of the Association so long as he continues to be an Owner, and shall exercise such percentage of vote in all matters as shown in Section 18. Likewise, each Sandcastle Plaza Owner shall automatically become and shall be a member of the Sandcastle Plaza Association so long as he continues to be an Owner, and shall exercise such percentage of vote in all matters pertaining to Sandcastle Plaza as set forth in Section 19(B). If a Unit is owned by more than one Person, the Person entitled to cast the vote for the Unit shall be designated by a certificate signed by all the record Owners of the said Unit and filed with the Secretary of the Association or the Sandcastle Plaza Association. If a Unit is owned by a corporation, partnership, or other entity, the Person entitled to cast the vote for the Unit shall be designated by a certificate signed by the President or Vice President of the corporation, or other appropriate officer or agent of the entity, and filed with the Secretary of the Association or the Sandcastle Plaza Association. All such certificates shall be valid until revoked, superseded by a subsequent certificate, or until there has been a change in ownership of the Unit concerned.

20. **HORIZONTAL PROPERTY REGIME CONSTITUTED.** A Horizontal Property Regime is hereby constituted under and subject to the provisions of the Act, so that the Units may be the subject of Condominium Ownership and may be conveyed and recorded as individual properties capable of independent use and each having its own exit to the Common Elements of the Property, and each Owner having an exclusive and particular right over his respective Unit and, in addition, the specified undivided interest in the Common Elements.



**21. DECLARANT SUBJECT TO THIS MASTER DEED; DECLARANT USE; DECLARANT RESERVED RIGHTS.**

A. **IN GENERAL.** So long as the Declarant owns one or more of the Units, it shall be subject to the provisions of this Master Deed and the Exhibits attached hereto, and the Declarant covenants to take no action which will materially adversely affect the rights of the Regime; *provided, however,* that the Declarant, as in the case with any other Unit Owner, shall have the absolute right and privilege of leasing any or all of the Units owned by it on a short or long term basis for the uses permitted by this Master Deed, and that the Declarant's lessees, invitees, guests, etc., shall be entitled to all of the privileges and rights, and be subject to the requirements hereunder, of an Owner with respect to the use of the Property excluding voting rights which shall remain with the Declarant.

B. **ALTERATION OF UNIT BOUNDARIES AND DIMENSIONS.** The Declarant reserves the right in its sole discretion at any time, and from time to time, to change the interior design and arrangement of any Unit so long as the Declarant owns the entire Unit changed and altered, and provided the change shall be reflected by an amendment to this Master Deed. Such an amendment for the purpose of altering the interior design or arrangement of a Unit owned by the Declarant shall be signed and acknowledged only by the Declarant, and need not be approved by the Association or other Owners, whether or not elsewhere required for an amendment to this Master Deed, except that no change may be made by the Declarant that conflicts with the Act or this Master Deed.

**22. PROVISIONS AND COVENANTS APPLICABLE TO THE UNITS.**

Each Owner and all Occupants shall comply with the provisions of this Master Deed and authorized amendments thereto, such other covenants, easements, and restrictions of record effecting the Property as of the recording of this Master Deed, including, without limitation, the Covenants, and decisions and



resolutions of the Association and the Board. The failure to comply with such provisions, decisions, or resolutions shall be grounds for an action to recover sums due for damages or for injunctive relief. The Units shall be conveyed subject to the recorded plat and plans of the Property and amendments thereto.

23. **AMENDMENTS.**

A. **BY THE DECLARANT.** The Declarant reserves the right to amend this Master Deed and the By-Laws, including, without limitation, the right upon advice of counsel, to make changes in this Master Deed 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 this Master Deed 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; *provided, however,* that any amendment that results in the alteration of the proportionate representation for voting purposes and the percentage of the undivided interest in the Common Elements provided in Section 18 shall be approved by all affected Owners.

B. **BY THE OWNERS.** This Master Deed may be amended at any time, and from time to time, at any duly called meeting of the Association by the affirmative vote of the Owners owning not less than sixty-seven (67%) percent of the undivided interest in the Common Elements. The amendment shall become effective upon execution of an amendment to this Master Deed setting forth said amendment or addition and stating that it has been approved by not less than sixty-seven (67%) percent of the undivided interest in the Common Elements and by the Declarant, and the filing for record thereof in the Office of the Register of Deeds for Beaufort County, South Carolina.



24. **REPURCHASE OPTION.** Each Owner acknowledges that the Declarant hereby retains and reserves unto itself a right of first refusal on all Units within the Property, not only as to the immediate grantee of a Unit from the Declarant, but also as to all future grantees and Owners of any Unit, on the terms and conditions set forth in this Section 24. These provisions shall not restrict an Owner's right to enter into a binding contract for the sale of a Unit, provided that the contract is made subject to the Declarant's right of first refusal. This right of first refusal shall not apply to any transfer or conveyance in connection with a mortgage foreclosure or deed in lieu of foreclosure, but shall apply to any transfer or conveyance occurring after a foreclosure or deed in lieu of foreclosure.

If any Owner receives a *bona fide*, written offer to purchase a Unit which is deemed acceptable by the Owner, that Owner shall promptly submit a copy of the offer to the Declarant. The Declarant shall have a period of thirty (30) days from and after the receipt of such offer in which to exercise its right of first refusal as to the Unit, on the same terms and conditions as the offer, by giving the Owner written notice of such exercise. If the Declarant fails or declines to exercise the right of first refusal, upon request, the Declarant shall execute a release of the right to repurchase the Unit. The release shall only apply to the offer submitted to the Declarant and shall not diminish, extinguish or otherwise affect the Declarant's right of first refusal as to any other offers to, or future conveyances of the Unit by, the current or any future Owner of the Unit. If the Declarant elects to purchase the Unit, the transaction shall be consummated within sixty (60) days following delivery of written notice of the exercise of the right of first refusal by the Declarant to the Owner.

The Declarant shall assign its reserved repurchase option as to the Units in Sandcastle Plaza to Sandcastle Plaza, LLC.

25. **RIGHTS OF MORTGAGEES.**

A. **AMENDMENTS.** Notwithstanding any provisions of this Master Deed to the contrary, neither this Master Deed nor the



By-Laws nor the Sandcastle Plaza By-Laws may be amended to adversely affect a right held by a mortgagee unless such amendment is approved by mortgagees holding mortgages on Units representing at least 51% of the aggregate statutory value of the Units as set forth in Section 18 above. A mortgagee shall be conclusively presumed to have approved a proposal if such mortgagee fails to respond in writing to any written amendment proposal within sixty (60) days after due notice of the proposal if such notice is delivered by certified or registered mail, with a return receipt requested.

B. **REPURCHASE OPTION.** The right of first refusal reserved to the Declarant in Section 24 shall not apply to or adversely impact the rights of a *bona fide* holder of a first priority mortgage on a Unit to (i) foreclose or take title to a Unit pursuant to remedies provided for in the mortgage; (ii) accept a deed in lieu of foreclosure in the event of default by a mortgagor; or (iii) sell or lease a Unit acquired by the mortgagee by foreclosure or deed in lieu of foreclosure.

C. **INSURANCE AND CONDEMNATION PROCEEDS.** No provisions of this Master Deed, the By-Laws, or the Sandcastle Plaza By-Laws shall give an Owner or any other party priority over any rights of the first mortgagee of a Unit pursuant to its mortgage in the case of payment to, or for the account of, the Owner of insurance proceeds or condemnation awards for losses to, or a taking of, Units and Common Elements.

26. **GENERAL CONDITIONS AND MISCELLANEOUS MATTERS.**

A. **COMMON ELEMENTS NOT TO BE PARTITIONED.** Except as provided herein, the Common Elements shall remain undivided, and no Owner may bring any action for partitioning or division.





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

C. **NONUSE NOT AN EXEMPTION FROM LIABILITY FOR COMMON EXPENSES.** No Owner may exempt himself from liability for his contribution toward the Common Expenses by waiver of the use or enjoyment of any of the Common Elements or by the abandonment of his Unit.

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

E. **ASSESSMENTS.** In addition to Assessments for Common Expenses, the Association may levy and collect Working Capital Assessments, Special Assessments, and Specific Assessments as provided for in the By-Laws. The Association may take all such action as permitted by South Carolina law for the collection of any Assessments of any type. In taking such action, the Association shall be entitled to reasonable attorney's fees unless prohibited by law. The Sandcastle Plaza Association may levy and collect from Sandcastle Plaza Owners such assessments as the Sandcastle Plaza Association deems appropriate. The Sandcastle Plaza Association may take all such action as permitted by South Carolina law for the collection of any assessments of any type. In taking such action, the Sandcastle Plaza Association shall be entitled to reasonable attorney's fees unless prohibited by law.



F. **ASSESSMENTS SUBORDINATE TO MORTGAGEE TAKING TITLE.** Where a mortgagee or other purchaser of a Unit obtains title by reason of foreclosure or deed in lieu of foreclosure of a mortgage covering a Unit, such acquirer of title, his or its heirs, successors, assigns, or grantees, shall not be liable for Assessments by the Association or the Sandcastle Plaza Association which became due prior to the acquisition of title by such acquirer; *provided, however,* that the provisions of this Section 27(F) shall not be construed to prevent the Association or the Sandcastle Plaza Association from filing and claiming liens for such Assessments and enforcing same as provided by law, and that such Assessments shall be subordinate to such mortgage.

G. **INSURANCE.** The Board shall be required to obtain and maintain those types and forms of insurance as are required by the By-Laws. The Sandcastle Plaza Board shall be required to obtain and maintain those types and forms of insurance as are required by the Sandcastle Plaza By-Laws. Individual Unit Owners shall be required to obtain and maintain those types and forms of insurance as required by the By-Laws.

H. **RECONSTRUCTION AND REPAIRS.** In the event of casualty loss or damage to the Property, the provisions of the By-Laws shall govern all matters pertaining to reconstruction and repair.

I. **CONDEMNATION.**

1. **THE COMMON ELEMENTS.** The Association shall represent the Owners in any condemnation proceedings or in negotiations, settlements, and agreements with the condemning authority for acquisition of the Common Elements, or part thereof, and each Owner appoints the Association as attorney-in-fact for such purposes. In the event of a taking or acquisition of part or all of the Common Elements by a condemning authority, the award or proceeds of settlement shall be payable to the Association, or the



Insurance Trustee for the use and benefit of the Owners and their mortgagees as their interests may appear.

2. **THE UNITS.** In the event of a condemnation of all of one or more Units, the remaining Units shall thereafter constitute all of the Units in the Regime, and the percentage interest of the remaining Units in the Common Elements shall be reallocated based on the statutory values of the remaining Units as set forth in Section 18 above. In the event of a condemnation of part of one or more Units, no reallocation of percentage interests in the Common Elements may be effected without the prior approval of the Owners of the Units subject to the condemnation action and the holders of mortgages on all other Units which have at least seventy-five (75%) percent of the votes of such remaining Units.

J. **INDEMNIFICATION OF ASSOCIATION DIRECTORS AND OFFICERS, AND THE DECLARANT.** To the fullest extent permitted by law, the Association and the Owners shall indemnify any individual made a party to a proceeding because such individual is or was a director, officer, agent, or employee of the Board, the Association, or the Declarant, if the director, officer, agent, or employee, in taking the action about which there is complaint, believed that his conduct was in the best interest of the Board, the Association, or the Declarant. Further, the Association shall pay for all expenses incurred by any such director, officer, agent, or employee who is a party to a proceeding in advance of the final disposition of the proceeding, if without such payment the director, officer, agent, or employee would be obligated to make such payment. In the event any proceeding is brought by an Owner against the Declarant and the Declarant prevails, by virtue of a decision of a Court of competent jurisdiction or the ruling by an agency of the State of South Carolina, the Owner shall pay all attorney's fees and costs incurred by the Declarant in prosecuting or defending such cause.

K. **INDEMNIFICATION OF SANDCASTLE PLAZA DIRECTORS AND OFFICERS.** To the fullest extent permitted by law, the Sandcastle



Plaza Association and the Sandcastle Plaza Owners shall indemnify any individual made a party to a proceeding because such individual is or was a director, officer, agent, or employee of the Sandcastle Plaza Board or the Sandcastle Plaza Association, if the director, officer, agent, or employee, in taking the action about which there is complaint, believed that his conduct was in the best interest of the Sandcastle Plaza Board or the Sandcastle Plaza Association. Further, the Sandcastle Plaza Association shall pay for all expenses incurred by any such director, officer, agent, or employee who is a party to a proceeding in advance of the final disposition of the proceeding, if without such payment the director, officer, agent, or employee would be obligated to make such payment.

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

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



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

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

P. **GENDER AND NUMBER.** The use of the masculine gender in this Master Deed shall be deemed to refer to the feminine and neuter gender, and the use of the singular shall be deemed to refer to the plural, and vice versa, whenever the context so requires.

Q. **APPLICABLE LAW; INTERPRETATION.** This Master Deed is intended to comply with the requirements of the Act as presently constituted or as hereafter amended. This Master Deed shall be interpreted in every instance in order to comply with the requirements of the Act. In case any of the Master Deed, the By-Laws, or the Sandcastle Plaza By-Laws conflict with the provisions of the Act, the provisions of the Act shall apply and control. In case the By-Laws or the Sandcastle Plaza By-Laws conflict with the provisions of this Master Deed, the provisions of this Master Deed shall apply and control. In case the Sandcastle Plaza By-Laws conflict with the provisions of the By-Laws, the provisions of the By-laws shall apply and control. Except in the case of any conflict with the Act, the provisions of this Master Deed shall be given that reasonable interpretation or construction which will best effect consummation of the general plan of land use restrictions and affirmative obligations of the Property, which will carry out the intent of



the Declarant as expressed herein and which will preserve the Property as a site for an attractive, well maintained property. If any provision of this Master Deed is declared to be void, invalid, illegal, or unenforceable for any reason by the adjudication of the highest court or other tribunal which considers such matters and has jurisdiction over the parties hereto and the subject matter hereof, such judgment shall in no way affect the other provisions hereof which are hereby declared to be severable. Contrary to the restrictive common law rule of construction, this Master Deed shall by this covenant be interpreted broadly to touch and concern the Property with recognition of modern economic, land use planning, and real estate finance and development principles, theories, and practices. It is the Declarant's intent, and all Owners who take ownership subject to this Master Deed do covenant and agree, and the same are thereby estopped to deny, that any reserved right or function of the Declarant, the Association, or the Sandcastle Plaza Association, and any other covenant condition, restriction, or obligation within this Master Deed, is intended to promote the use and enjoyment of the Property, and is intended to foster the creation, preservation, and enhancement of economic or intangible values associated with the Property, and does touch and concern, benefit and burden, and run with the Property.

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

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

T. **TRADEMARK USE.** Each Owner, by acceptance of a deed to any Unit, acknowledges that the name "Adventure Cove" and any other names and designs used in connection with the Property are service marks and trademarks of the Declarant. Each Owner, by acceptance of a deed to any Unit, acknowledges that the name "Sandcastle Plaza" and any other names and designs used in connection with Sandcastle Plaza are service marks and trademarks of Sandcastles Plaza, LLC. Each



Owner agrees to refrain from misappropriating or infringing these service marks or trademarks.

27. **DISCLAIMER OF AND LIMITATION OF WARRANTIES.** The Declarant does not and shall not by the execution of this Master Deed, or by the execution and delivery of any document or instrument in connection with the closing of the sale of any Unit, make any warranty, express or implied, of any kind or any nature whatsoever, with respect to the Property, any Unit, any portion of the Common Elements, or any items of tangible personal property or fixtures, other than warranties of title pursuant to any deed of conveyance, and all such warranties are hereby expressly disclaimed. Without limiting the foregoing, THE DECLARANT MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED AS TO THE FITNESS, DESIGN, OR CONDITION OF ITEMS OF TANGIBLE PERSONAL PROPERTY OR FIXTURES, THEIR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, DESIGN, OR CONDITION OF THE PROPERTY, ANY UNIT, ANY PORTION OF THE COMMON ELEMENTS, OR ANY ITEMS OF TANGIBLE PERSONAL PROPERTY OR FIXTURES; OR AS TO THE VALUE, QUALITY, CONDITION, OR SALABILITY OF THE PROPERTY, ANY UNIT, ANY PORTION OF THE COMMON ELEMENTS, OR ANY ITEMS OF TANGIBLE PERSONAL PROPERTY OR FIXTURES.

[Signature page follows]



IN WITNESS WHEREOF, STAR FISH INVESTMENTS, LLC has set its hand and seal to this Master Deed this 26 day of September, 2008.

SIGNED AND SEALED IN THE PRESENCE OF:

STAR FISH INVESTMENTS, LLC

[Signature]  
Robin Gardiner

By: [Signature] (L.S.)  
Michael F. Russo, Manager

STATE OF SOUTH CAROLINA )  
  )  
COUNTY OF BEAUFORT            )

ACKNOWLEDGEMENT

I, the undersigned Notary Public, do hereby certify that Michael F. Russo, Manager of Star Fish Investments, LLC, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and seal this 26<sup>th</sup> day of September, 2008.

[Signature] (SEAL)  
Notary Public for South Carolina  
My Commission Expires: 7-31-2010





**INDEX TO EXHIBITS**  
**TO**  
**MASTER DEED ESTABLISHING**  
**ADVENTURE COVE HORIZONTAL PROPERTY REGIME**

- Exhibit A -- Description of the Property.
- Exhibit B-1 -- As-Built Survey of the Property.
- Exhibit B-2 -- Floor Plans and Architects' Certificates.
- Exhibit C -- By-Laws of Adventure Cove Horizontal Property Regime and Adventure Cove Owners' Association.
- Exhibit D -- Joinder of Tenant.
- Exhibit E -- By-Laws of Sandcastle Plaza Owners Association.
- Exhibit F -- Joinder of Mortgagee.



**EXHIBIT A**  
**TO**  
**MASTER DEED ESTABLISHING**  
**ADVENTURE COVE HORIZONTAL PROPERTY REGIME**  
  
**DESCRIPTION OF THE PROPERTY**

ALL that certain piece, parcel, or tract of land situate, lying, and being on Hilton Head Island, Beaufort County, South Carolina, containing 4.84 acres, more or less, shown and designated as "Commercial Tract" on that certain plat of survey entitled "Boundary Plat of 17.51 Ac. Tract" prepared by Surveying Consultants, Terry G. Hatchell, SCRLS 11059, dated May 19, 2005, last revised June 7, 2005, and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina in Plat Book 107 at Page 60.

This being the same property conveyed to Star Fish Investments, LLC by deed of Frank F. Russo and Madeline E. Russo recorded in said Register's Office in Record Book 2084 at Page 53; and by deeds of The Town of Hilton Head Island, South Carolina recorded in said Register's Office in Record Book 2171 at Page 146 and in Record Book 2394 at Page 2132.

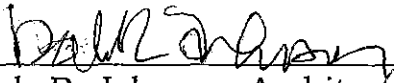
Being TMS District 511, Map 009, Submap 000, Parcels 1000 & 1105.



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**EXHIBIT B-2**  
**TO**  
**MASTER DEED ESTABLISHING**  
**ADVENTURE COVE HORIZONTAL PROPERTY REGIME**  
  
**ARCHITECT'S CERTIFICATE**

This is to certify that the three buildings located on the property comprising Adventure Cove Horizontal Property Regime are constructed substantially in conformance with the floors plans referred to below

  
\_\_\_\_\_  
Dale R. Johnson, Architect  
South Carolina Registration No. 2538  
September 26, 2008

**FLOOR PLANS**

**BUILDING A, A PORTION OF COMMERCIAL UNIT 1** -- THAT certain plan designated as Sheet A1.1 entitled "Dimension Plan" prepared by DP3 Architects, Ltd., dated January 12, 2005, and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina in Plat Book 127 at Page 32.

**BUILDING B, A PORTION OF COMMERCIAL UNIT 2** -- THAT certain plan designated as Sheet No. A-2 entitled "Floor Plan" prepared by Arkiteknic, Inc., last revised June 17, 2005, and



**EXHIBIT B-1**  
**TO**  
**MASTER DEED ESTABLISHING**  
**ADVENTURE COVE HORIZONTAL PROPERTY REGIME**  
  
**AS-BUILT SURVEY**

That certain plat of survey entitled "Boundary, Asbuilt & Condominium Regime Survey of Adventure Cove Horizontal Property Regime" prepared by Surveying Consultants, Terry G. Hatchell, SCRLS 11059, dated September 22, 2008, and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina in Plat Book 127 at Page 32.



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recorded in the Office of the Register of Deeds for Beaufort County, South Carolina in Plat Book 127 at Page 32.

**SANDCASTLE PLAZA** -- THOSE certain plans designated as Sheet No. A-2 entitled "First Floor Plan", as Sheet No. A-3 entitled "Second, Third & Fourth Floor Plan", and as Sheet No. A-4 entitled "Fifth Floor Plan" prepared by Arkiteknic, Inc., all last revised June 14, 2005, and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina in Plat Book 127 at Pages 32 through 37.



**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**.

## **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



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 1<sup>st</sup> 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.



**EXHIBIT D**  
**TO**  
**MASTER DEED ESTABLISHING**  
**ADVENTURE COVE HORIZONTAL PROPERTY REGIME**

**STATE OF SOUTH CAROLINA     )**  
**)**                   **JOINDER OF TENANT**  
**COUNTY OF BEAUFORT         )**

**WHEREAS, SANDCASTLES PLAZA, LLC**, (the “Tenant”), is the tenant of Star Fish Investments, LLC (the “Declarant”) pursuant to that certain Ground Lease dated February 23, 2006 and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina in Record Book 2334 at Page 2218, re-recorded in Record Book 2364 at Page 2020 (the “Ground Lease”), which encumbers a portion of that certain real property located on Hilton Head Island, South Carolina, described in Exhibit A to the Master Deed establishing Adventure Cove Horizontal Property Regime (the “Regime”);

**NOW, KNOW ALL MEN BY THESE PRESENTS**, that the Tenant hereby joins in the Master Deed establishing the Regime and the provisions of the South Carolina Horizontal Property Act for the purpose of consenting to the creation by the Declarant of the Regime.

This Joinder of Tenant shall in no way adversely affect or diminish the effect of the Ground Lease on the property described therein; *provided, however*, upon the conveyance of Commercial Unit 3, Commercial Unit 4, and the Residential Units by the Declarant to the Tenant, the Ground Lease shall be merged into the fee interest of said Units, and shall terminate by merger.

[Signature page follows]

IN WITNESS WHEREOF SANDCASTLES PLAZA, LLC has set its hand and seal to this Joinder of Tenant this 24<sup>th</sup> day of ~~September~~ October, 2008.

WITNESSES:

SANDCASTLES PLAZA, LLC

Greci Nylund

By: [Signature] (L.S.)  
Richard A. Neste, Manager

[Signature]

STATE OF SOUTH CAROLINA )

ACKNOWLEDGEMENT

COUNTY OF BEAUFORT )

I, the undersigned Notary Public, do hereby certify that Richard A. Neste, Manager of **SANDCASTLES PLAZA, LLC**, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and seal this 24<sup>th</sup> day of ~~September~~ October, 2008.

[Signature] (SEAL)  
Notary Public for South Carolina  
My Commission Expires: 3/12/09



**EXHIBIT E**  
**TO**  
**MASTER DEED ESTABLISHING**  
**ADVENTURE COVE HORIZONTAL PROPERTY REGIME**

**BY-LAWS**  
**OF**  
**SANDCASTLE PLAZA**  
**OWNERS' ASSOCIATION**

Law Office of Chester C. Williams, LLC  
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X:\Clients\Active\01237-007 Star Fish Master Deed\2008-09-26 Sandcastle Plaza By-Laws.doc

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

## **ARTICLE I – PLAN OF SANDCASTLE PLAZA UNIT OWNERSHIP**

**Section 1. PROPERTY.** 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 Building C, also known as Sandcastle Plaza, of the ADVENTURE COVE HORIZONTAL PROPERTY REGIME (the "Regime"), which has been, by the Master Deed (the "Master Deed") to which these Sandcastle Plaza By-Laws are attached, submitted to the provisions of the Horizontal Property Act of South Carolina (the "Act").

**Section 2. SANDCASTLE PLAZA ASSOCIATION.** In conjunction with the establishment of the Regime, the Sandcastle Plaza Owners' Association (the "Sandcastle Plaza Association") has been established as the unincorporated association of Sandcastle Plaza Owners; *provided, however*, that either Sandcastles Plaza, LLC (the "Developer") or the Sandcastle Plaza Owners, upon unanimous decision, may, at any time hereafter, without amending the Master Deed or these Sandcastle Plaza By-Laws, be entitled to incorporate the Sandcastle Plaza Association, and in such event, the Sandcastle Plaza Association shall thereafter be such incorporated entity, and shall be governed by these Sandcastle Plaza By-Laws. The offices of the Sandcastle Plaza Association shall be at the offices of the Developer at 25 North Calibogue Cay Road, Hilton Head Island, SC 29928, or such other place as subsequently designated by the Sandcastle Plaza Board of Directors.

**Section 3. APPLICABILITY OF THE SANDCASTLE PLAZA BY-LAWS.** The provisions of these Sandcastle Plaza By-Laws are applicable to the Property. All terms used herein and not otherwise defined in these Sandcastle Plaza 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 Sandcastle Plaza 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 Sandcastle Plaza in any manner, are subject to the regulations set forth in these Sandcastle Plaza 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 Sandcastle Plaza Units by any person or entity shall signify that these Sandcastle Plaza 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 SANDCASTLE PLAZA OWNERS; QUORUM; PROXIES**

**Section 1. ELIGIBILITY.** Any person or entity who acquires title to a Sandcastle Plaza Unit is deemed to have consented to be a Member of the Sandcastle Plaza Association. There shall be one membership for each Sandcastle Plaza Unit owned. Transfer of the ownership of a Sandcastle Plaza Unit, either voluntarily or by operation of law, shall terminate the membership in the Sandcastle Plaza Association of the transferor, and said membership shall become vested in the transferee. If title to a Sandcastle Plaza Unit is vested in more than one person or entity, then all Sandcastle Plaza Owners shall agree upon the designation of one of the Sandcastle Plaza Owners to act as a Member of the Sandcastle Plaza Association. If title to a Sandcastle Plaza 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 Sandcastle Plaza Association, and written notice of such designation shall be given to the Secretary-Treasurer of the Sandcastle Plaza Association.

**Section 2. VOTING.** Except as set forth below in Article IV, Sections 5, 6, and 7 regarding appointment of members of the Sandcastle Plaza Board,



voting shall be on a percentage basis. The percentage of the vote to which any Sandcastle Plaza Owner is entitled is based upon the statutory percentage assigned to the Sandcastle Plaza Unit or Sandcastle Plaza Units in the Master Deed, as a percentage of the total value of the Sandcastle Plaza Units. The voting percentages are as follows:

Unit	Statutory Value	Percentage Interest
Commercial Unit 3	US\$140,000.00	7.000%
Commercial Unit 4	US\$140,000.00	7.000%
Residential Unit 1	US\$245,700.00	12.285%
Residential Unit 2	US\$245,700.00	12.285%
Residential Unit 3	US\$245,700.00	12.285%
Residential Unit 4	US\$245,700.00	12.285%
Residential Unit 5	US\$245,700.00	12.285%
Residential Unit 6	US\$245,700.00	12.285%
Residential Unit 7	US\$245,800.00	12.290%
Aggregate Valuation	US\$2,000,000.00	100.000%

The Developer shall have all voting rights attendant to the ownership for all Units until the Units are sold by the Developer.

**Section 3. MAJORITY OF THE SANDCASTLE PLAZA OWNERS.** As used in these Sandcastle Plaza By-Laws, the term “Majority of the Sandcastle Plaza Owners” shall mean those Sandcastle Plaza Owners holding fifty-one (51%) percent or more of the total statutory value of the Sandcastle Plaza Units, in accordance with the statutory percentages set forth hereinabove.

**Section 4. QUORUM.** Except as otherwise provided in Article III, Section 7 and elsewhere in these Sandcastle Plaza By-Laws, the presence in person or by proxy of a Majority of the Sandcastle Plaza 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 Sandcastle Plaza 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 Sandcastle Plaza 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 Sandcastle Plaza Owners present at a meeting at which a quorum is present shall be binding upon all Sandcastle Plaza Owners for all purposes, except when in the Master Deed, these Sandcastle Plaza By-Laws, or by law, a higher percentage is required.

### **ARTICLE III – SANDCASTLE PLAZA ASSOCIATION**

**Section 1. SANDCASTLE PLAZA ASSOCIATION RESPONSIBILITIES.** The Sandcastle Plaza Association has the responsibility of administering the Property and electing the Sandcastle Plaza Board. Except as otherwise provided in the Master Deed or these Sandcastle Plaza By-Laws, decisions and resolutions of the Sandcastle Plaza Association shall require approval by a Majority of the Sandcastle Plaza Owners.

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

**Section 3. ANNUAL MEETINGS.** The annual meetings of the Sandcastle Plaza 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 Sandcastle Plaza Owners may agree upon. At such meetings, the Sandcastle Plaza Board shall be appointed by the Developer or elected by the Owners in accordance with the requirements of Article IV, Sections 5 and 7 of these Sandcastle Plaza By-Laws. There shall be a report by the President or Secretary-Treasurer on the activities and financial condition of the Sandcastle Plaza Association. The Sandcastle Plaza Owners may also transact such other



business of the Sandcastle Plaza 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 Sandcastle Plaza Owners (i) as directed by resolution of the Sandcastle Plaza Board; (ii) at the request of a majority of the Sandcastle Plaza Directors; or (iii) upon a petition signed by Sandcastle Plaza Owners holding at least thirty-five (35%) percent of the total voting power of the Sandcastle Plaza Association and having been presented to the Secretary. A notice of any special meeting shall state the time and place of such meeting and the purpose or purposes thereof. No business shall be transacted at a special meeting except as stated in the notice. If a Sandcastle Plaza Owner intends to raise a matter at a special meeting, the Owner shall submit a request in writing to the Sandcastle Plaza Secretary or Sandcastle Plaza President at least ten (10) days before the date notice is to be mailed to the Sandcastle Plaza 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 Sandcastle Plaza Association shall be held at the call of the Sandcastle Plaza President in the month of November following the recordation of the Master Deed and the conveyance by the Developer of at least one (1) Sandcastle Plaza Unit to a Sandcastle Plaza Owner or Owners, or at such earlier time as may be determined by the Developer.

**Section 6. NOTICE OF MEETINGS.** It shall be the duty of the Sandcastle Plaza 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 Sandcastle Plaza 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 Sandcastle Plaza Owners intend to raise at the meeting if an appropriate written request is timely submitted to the Sandcastle Plaza Secretary-Treasurer or Sandcastle Plaza President.



**Section 7. ADJOURNED MEETING.** If any meeting of the Sandcastle Plaza Association cannot be organized because a quorum has not attended, the Sandcastle Plaza 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 Sandcastle Plaza Owners holding at least twenty-five (25%) percent of the total statutory value of the Sandcastle Plaza Units in accordance with the percentages assigned herein 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 Sandcastle Plaza 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 Sandcastle Plaza 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 Sandcastle Plaza Board shall fix a record date for determining Sandcastle Plaza 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 Sandcastle Plaza Owners at a meeting is required or permitted by any provision of these Sandcastle Plaza By-Laws to be taken in connection with action of the Sandcastle Plaza Association, the meeting and vote of the Sandcastle Plaza Owners may be waived if all Sandcastle Plaza Owners who would have been entitled to vote on the action if such meeting were held, shall consent in writing to the action.

Any Sandcastle Plaza Owner may waive any notice of a meeting required by these Sandcastle Plaza By-Laws if the waiver is submitted in writing, signed by the Sandcastle Plaza Owner entitled to notice, and delivered to the Sandcastle Plaza Association prior to the date of the meeting. A Sandcastle Plaza Owner's attendance at a meeting waives objection to lack of notice or defective notice of the meeting unless the Sandcastle Plaza Owner, at the beginning of the meeting, objects to holding the meeting or transacting business at a meeting. Further, a Sandcastle Plaza 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 Sandcastle Plaza 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 Sandcastle Plaza Board, a complete list of Members of the Sandcastle Plaza Association shall be prepared by the Sandcastle Plaza Secretary-Treasurer. The membership list shall list the Sandcastle Plaza Owners by classification of membership and shall include the addresses and number of votes each Sandcastle Plaza Owner is entitled to vote at the meeting. Such list shall be maintained in the office of the Sandcastle Plaza 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 Sandcastle Plaza Board shall govern the conduct of the Sandcastle Plaza Association's meetings when not in conflict with the Act, the Master Deed, or these Sandcastle Plaza By-Laws.

#### **ARTICLE IV – SANDCASTLE PLAZA BOARD OF DIRECTORS**

**Section 1. NUMBER AND QUALIFICATIONS.** During the period of time in which the Developer owns at least one (1) Unit in Sandcastle Plaza (the "Developer Control Period"), the Developer shall have the authority and right to appoint, and to remove or replace, at its discretion, at any time, and from time to time, any and all members of the Board of Directors. Whenever the Developer shall designate or select any person or persons to serve on the Board, the manner in which such person or persons shall be designated shall be by a written statement signed and acknowledged by the Developer and delivered to the Board of Directors. It shall not be grounds of exclusion from service or disqualification from any vote whatsoever of the Board if member or members, in any capacity, serve as a Director, officer, or employee of, or have a pecuniary, ownership, or other interest in, the Developer or any affiliate of the Developer. The affairs of the Sandcastle Plaza Association shall be governed by the Sandcastle Plaza Board, which shall be comprised of not less than two (2) persons who are Sandcastle Plaza Owners; *provided, however*, that any Director appointed by the Developer need not be an Owner.

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

A. Compliance with all of the terms and conditions of these Sandcastle Plaza By-Laws, and any amendments thereto, and enforcement of same.

B. Care, upkeep, maintenance, and surveillance of the Property and the Sandcastle Plaza Limited Common Elements.

C. Collection from the Sandcastle Plaza Owners (excluding the Developer), at the time of the closing of the sale of each Sandcastle Plaza Unit, of a working capital assessment equal to one-fourth (1/4) of the current Common Expense assessment for such Sandcastle Plaza Unit for the purpose of establishing a working capital fund for the Sandcastle Plaza Association. These funds shall be available for the use and benefit of the Sandcastle Plaza Association. Sandcastle Plaza Owners are not entitled to reimbursement of any portion of the working capital assessment from the Sandcastle Plaza Association upon the sale of a Sandcastle Plaza Unit.

D. Establishment of the annual budget. The budget shall be distributed by the Sandcastle Plaza 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 Sandcastle Plaza Association's annual meeting. Notwithstanding the responsibilities and authority of the Sandcastle Plaza Board, the budget may be modified by the Sandcastle Plaza Association at the annual meeting or a special meeting of the Sandcastle Plaza Association by a vote of the Sandcastle Plaza Owners holding at least sixty-seven (67%) percent of the percentage interests in Sandcastle Plaza 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 Sandcastle Plaza Association of an adequate reserve fund for periodic maintenance, repair, and replacement of improvements to the Sandcastle Plaza Limited 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 Sandcastle Plaza Limited Common Elements.

G. Collection of all Sandcastle Plaza Assessments, whether general, special, working capital, or specific, and fees from the Sandcastle Plaza 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 Property, pursuant to the provisions hereof, or causing the same to be done, as set forth in Article VIII of these Sandcastle Plaza By-Laws.

J. Granting or relocating easements which are not inconsistent with the Sandcastle Plaza Owners' use and enjoyment of the Sandcastle Plaza Limited 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 Sandcastle Plaza By-Laws.

L. Making available for inspection, upon request during normal working hours or under other reasonable circumstances, to Sandcastle Plaza Owners and the holders, insurers, or guarantors of any first mortgage on any Sandcastle Plaza Unit, current copies of these



Sandcastle Plaza By-Laws, other rules or regulations pertaining to the Sandcastle Plaza Association, and the books, records and financial statements of the Sandcastle Plaza Association.

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

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

The Sandcastle Plaza 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.** During the Developer Control Period, the Developer shall have the authority and right to appoint and retain, and to remove or replace, at its sole discretion, at any time, and from time to time, the Management Agent. The Developer may have a pecuniary, ownership, or other interest in the Management Agent, and any such interest shall not constitute a conflict of interest or a violation of this Master Deed. The initial Management Agent shall be appointed by the Developer for a term not to exceed the Developer Control Period. After the end of the Developer Control Period, the Sandcastle Plaza Board may, but is not obligated to, employ a Management Agent at the compensation established by the Sandcastle Plaza Board to perform such duties and services as the Sandcastle Plaza 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 III, Section 3(F). Any such management contracts shall be for a reasonable term and shall contain reasonable provisions regarding the right of the Sandcastle Plaza Association to terminate said contracts. If any holders, insurers or guarantors of mortgages on Sandcastle Plaza Units within the Regime shall require that professional management of Regime matters be maintained, and the Sandcastle Plaza Association is so advised in writing, any decision thereafter by the Sandcastle



Plaza Association to establish or continue self-management by the Sandcastle Plaza Association shall require the prior consent of Sandcastle Plaza Owners holding sixty-seven (67%) percent of the votes in the Sandcastle Plaza Association.

**Section 5. SANDCASTLE PLAZA BOARD OF DIRECTORS.** The first Sandcastle Plaza Board shall consist of two (2) members, both of whom shall be appointed by the Developer, and who shall serve until the first annual meeting of the Sandcastle Plaza Owners after the end of the Developer Control Period. At the first annual meeting of the Sandcastle Plaza Owners after the end of the Developer Control Period, the number of members of the Sandcastle Plaza Board shall increase to three (3), all of whom shall be elected by the Sandcastle Plaza Owners. The term of office for members of the Sandcastle Plaza Board shall be one (1) year each. The members of the Sandcastle Plaza Board shall hold office until their successors have been appointed and hold their first meeting. Any and all Sandcastle Plaza 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 Sandcastle Plaza Association after the end of the Developer Control Period, any vacancy of a seat on the Sandcastle Plaza Board shall be filled by appointment by the Developer. After the first annual meeting of the Sandcastle Plaza Association after the end of the Developer Control Period, any vacancy of a seat on the Sandcastle Plaza Board shall be filled by election by the Sandcastle Plaza Owners. Each person appointed or elected shall be a member of the Sandcastle Plaza Board until a successor is appointed or elected at the next meeting of the Sandcastle Plaza Association.

**Section 7. REMOVAL OF MEMBERS OF THE SANDCASTLE PLAZA BOARD.** Until the first annual meeting of the Sandcastle Plaza Association after the end of the Developer Control Period, the Developer may replace any member of the Sandcastle Plaza Board at any time, and from time to time, with or without cause. After the first annual meeting of the Sandcastle Plaza Association after the end of the Developer Control Period, the Sandcastle Plaza Owners, by a Majority vote of the Sandcastle Plaza Owners, may replace any



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

**Section 9. REGULAR MEETINGS.** Regular meetings of the Sandcastle Plaza Board may be held at such time and place as shall be determined, from time to time, by a majority of the Sandcastle Plaza Board, but at least one (1) such meeting shall be held each fiscal year. Notice of regular meeting of the Sandcastle Plaza Board shall be given by the Sandcastle Plaza Secretary-Treasurer or other designated person, to each Sandcastle Plaza 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 Sandcastle Plaza Board members will be from different geographical locations.

**Section 10. SPECIAL MEETINGS.** Special meetings of the Sandcastle Plaza Board may be called by the President on three (3) days notice to each Sandcastle Plaza 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 Sandcastle Plaza Board shall be called by the President or the Secretary-Treasurer in like manner and on like notice on the written request of at least two (2) Sandcastle Plaza Board members.

**Section 11. WAIVER OF NOTICE.** Before or at any meeting of the Sandcastle Plaza Board, any member of the Sandcastle Plaza Board may, in writing, signed by that Sandcastle Plaza 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 Sandcastle Plaza Association. Attendance at or participation in any meeting of the Sandcastle Plaza Board by a Sandcastle Plaza Board member shall be a waiver of notice by him of the time, place, and purpose thereof, unless the Sandcastle Plaza Board member, upon arriving at the meeting or prior to a vote on a matter not noticed in conformity with these Sandcastle Plaza 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 Sandcastle Plaza 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 Sandcastle Plaza By-Laws may be taken without a meeting if the action is taken by all members of the Sandcastle Plaza Board and is evidenced by one or more consents describing the action taken, signed by each Sandcastle Plaza Director, and included in the corporate records of the Sandcastle Plaza Association reflecting the action taken.

**Section 13. SANDCASTLE PLAZA BOARD QUORUM.** At all meetings of the Sandcastle Plaza Board, a majority of the Sandcastle Plaza 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 Sandcastle Plaza Board. Any or all Sandcastle Plaza 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 Sandcastle Plaza Directors participating may hear each other simultaneously during the meeting, and Sandcastle Plaza Directors so participating by this means shall be deemed to be present in person at the meeting. If, at any meeting of the Sandcastle Plaza Board, there is less than a quorum present, the majority of the Sandcastle Plaza 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 Sandcastle Plaza Board may require that any or all officers and employees of the Sandcastle Plaza Association or the Management Agent handling or responsible for Sandcastle Plaza funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Sandcastle Plaza Association.

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

**Section 16. LIABILITY OF THE SANDCASTLE PLAZA BOARD OF DIRECTORS.** Except as required under the laws of the State of South Carolina, the members of the Sandcastle Plaza Board shall not be liable to the Sandcastle Plaza Association or the Sandcastle Plaza 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 Sandcastle Plaza Owners shall indemnify and hold harmless each of the members of the Sandcastle Plaza Board against all contractual liability to others arising out of contracts made by the Sandcastle Plaza Board on behalf of the Sandcastle Plaza 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 Sandcastle Plaza By-Laws. It is intended that the members of the Sandcastle Plaza Board shall have no personal liability with respect to any contract made by them on behalf of the Sandcastle Plaza Association. It is permissible for the members of the original Sandcastle Plaza Board who are members of or employed by the Developer to contract with the Developer and affiliated entities without liability for self-dealing. It is also intended that the liability of any Sandcastle Plaza Owner arising out of any contract made by the Sandcastle Plaza Board shall be limited to such proportions of the total liability hereunder as his interest in the Sandcastle Plaza Limited Common Elements bears to the interest of all Sandcastle Plaza Owners in the Sandcastle Plaza Limited Common Elements. Every agreement made by the Sandcastle Plaza Board or by the Management Agent on behalf of the Sandcastle Plaza Association shall provide that the members of the Sandcastle Plaza 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 Sandcastle Plaza Owners), and that each Sandcastle Plaza Owners' liability there under shall be limited to such proportion of the total liability there under as his interest in the Sandcastle Plaza Limited Common Elements bears to the interest of all Sandcastle Plaza Owners in the Sandcastle Plaza Limited Common Elements.

## **ARTICLE V – OFFICERS**

**Section 1. DESIGNATION.** The principal officers of the Sandcastle Plaza Association shall be a President and a Secretary-Treasurer both of whom shall be elected by and from the Sandcastle Plaza Board. The Sandcastle Plaza Board may appoint a Vice President, an Assistant Treasurer, and an Assistant Secretary, and such other Sandcastle Plaza 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 Sandcastle Plaza Association shall be elected annually by the Sandcastle Plaza Board at the organizational meeting of each new Sandcastle Plaza Board and shall hold office at the pleasure of the Sandcastle Plaza Board.

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

**Section 4. VACANCIES.** A vacancy in any office may be filled by appointment by the Sandcastle Plaza 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 Sandcastle Plaza Association. He shall preside at all meetings of the Sandcastle Plaza Association and of the Sandcastle Plaza Board. He shall have all of the general powers and duties which are usually vested in the office of President of an association, including but not limited to the power to appoint committees from among the Sandcastle Plaza Owners from time to time as he may, in his discretion, feel appropriate to assist in the conduct of the affairs of the Sandcastle Plaza 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 Sandcastle Plaza Board.

**Section 6. SECRETARY-TREASURER.** The Secretary-Treasurer shall keep the minutes of all meetings of the Sandcastle Plaza Board and the minutes of all meetings of the Sandcastle Plaza Association; he shall have charge of such books and papers as the Sandcastle Plaza Board may direct and shall authenticate the records of the Sandcastle Plaza Association; and he shall have responsibility for Sandcastle Plaza Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Sandcastle Plaza 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 Sandcastle Plaza Association in such depositories as may from time to time be designated by the Sandcastle Plaza 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 Sandcastle Plaza By-Laws, whenever under the provisions of these Sandcastle Plaza By-Laws notice is required to be given to the Sandcastle Plaza Board (except for those notices as provided in Article IV, Sections 9 and 10), the Management Agent, or a Sandcastle Plaza 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 Sandcastle Plaza Board, such Manager or such Sandcastle Plaza Owners at such address as appears on the books of the Sandcastle Plaza 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 Sandcastle Plaza 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, whether before or after the time stated therein, shall be deemed the equivalent thereof.

## **ARTICLE VII – OBLIGATIONS OF THE SANDCASTLE PLAZA OWNERS**

**Section 1. ASSESSMENTS FOR COMMON EXPENSES.** All Sandcastle Plaza Owners shall be obligated to pay the annual assessments imposed by the Sandcastle Plaza Association to meet all Sandcastle Plaza Association 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 Sandcastle Plaza Limited Common Elements not otherwise the subject of insurance policies obtained by individual Sandcastle Plaza Owners or groups of individual Sandcastle Plaza Owners, in case of hurricane, fire, earthquake, and other hazards; such amounts as the Sandcastle Plaza Board may deem proper for the operation and maintenance of 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 Sandcastle Plaza Board shall furnish all Sandcastle Plaza 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 Sandcastle Plaza Board as aforesaid. Payment of the annual assessments shall be in equal monthly or quarterly (as determined by the Sandcastle Plaza Board) installments on or before the first day of each month



or quarter, as appropriate, or in such other reasonable manner as the Sandcastle Plaza Board shall designate.

The transfer of ownership of a Sandcastle Plaza Unit shall carry with it the proportionate share of that Sandcastle Plaza Unit's ownership in the Sandcastle Plaza Association operating, escrow, working capital, or reserve accounts set aside to provide a contingency fund for the maintenance and repair of the Limited Common Elements. Transfer of ownership of a Sandcastle Plaza Unit shall not relieve the Sandcastle Plaza Owner from any obligations the Sandcastle Plaza Owner may have to the Sandcastle Plaza 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 Sandcastle Plaza 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 these Sandcastle Plaza By-Laws or a release of any Sandcastle Plaza Owner from the obligation to pay the assessment, or an installment thereof for that or any subsequent year, but the assessment fixed for the preceding year shall continue until a new assessment is fixed by the Sandcastle Plaza Board at a duly held Sandcastle Plaza Board meeting. Amendments to this Section 2 of Article VII shall be effective upon unanimous written consent of the Sandcastle Plaza Owners and their mortgagees. No Sandcastle Plaza Owner may exempt himself from liability for his contribution towards the Common Expenses by waiver of the use or enjoyment of any of the Sandcastle Plaza Limited Common Elements or by abandonment of his Sandcastle Plaza Unit.

**Section 3. SPECIAL ASSESSMENTS.** The Sandcastle Plaza Association may levy and collect such special assessments in such amounts and for such purposes as may be deemed necessary or desirable by the Sandcastle Plaza Board, including, but not limited to, 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 Sandcastle Plaza Limited Common Elements.



**Section 4. SPECIFIC ASSESSMENTS.** The Sandcastle Plaza Association shall have the power to levy and collect specific assessments against a particular Sandcastle Plaza Unit as follows:

A. To cover the costs, including overhead and administrative costs, of providing benefits, items, or services to one (1) or more Sandcastle Plaza Units or the Occupants or Sandcastle Plaza Owner thereof upon request of a Sandcastle Plaza 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 Sandcastle Plaza Owner;

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

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

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

**Section 5. WORKING CAPITAL ASSESSMENT.** In addition to the other assessment referred to in this Article VII, in order to establish and maintain a working capital fund for the Sandcastle Plaza Association, each Sandcastle Plaza Owner, upon the acquisition of a Sandcastle Plaza Unit by any manner, shall be liable for the payment of a working capital assessment levied against such Sandcastle Plaza Unit upon the transfer of title to such Sandcastle Plaza



Unit in an amount equal to one-fourth (1/4) of the then current annual assessment levied against such Sandcastle Plaza Unit. The funds collected by the Sandcastle Plaza Association as working capital assessments shall be utilized by the Sandcastle Plaza Association as determined by the Sandcastle Plaza Board in its reasonable discretion.

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

**Section 7. DEFAULT IN PAYMENT OF ASSESSMENTS OR OTHER CHARGES IMPOSED BY THE SANDCASTLE PLAZA BOARD.** The Sandcastle Plaza Board shall take prompt action to collect any assessment or charge, including fines imposed hereunder, due from any Sandcastle Plaza 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 Sandcastle Plaza Owner or Occupant in paying to the Sandcastle Plaza Board the assessments or charges as determined by the Sandcastle Plaza Board, such Sandcastle Plaza Owner or Occupant 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 Sandcastle Plaza Board in any proceeding brought to collect such unpaid assessment or charge. The Sandcastle Plaza 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 Sandcastle Plaza Owner or Occupant. The Sandcastle Plaza Board may also have a lien on the defaulting Sandcastle Plaza Owner's Unit, and may foreclose on such lien to recover any unpaid assessment or charge.

**Section 8. STATEMENT OF ASSESSMENT.** The Sandcastle Plaza Board shall, for a reasonable fee, promptly provide any purchaser, Sandcastle Plaza Owner, mortgagee, or prospective mortgagee of a Sandcastle Plaza Unit so requesting the same in writing, with a written statement of all unpaid



Assessments and charges due from the Owner of that Sandcastle Plaza 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 Sandcastle Plaza Unit may pay any unpaid Assessments or charges payable with respect to such Sandcastle Plaza Unit, and upon such payment such mortgagee shall have a lien on such Sandcastle Plaza Unit for the amounts paid of the same rank as the lien of his encumbrance, to the extent permitted by applicable law.

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

The provisions of this Section 9 shall not apply to the acquisition of a Sandcastle Plaza Unit by a mortgagee who shall acquire title to such Sandcastle Plaza Unit by foreclosure or by deed in lieu of foreclosure. In such event, the unpaid assessments against the Sandcastle Plaza Unit which were assessed and became due prior to the acquisition of title to such Sandcastle Plaza Unit by such mortgagee shall be deemed waived by the Sandcastle Plaza Association as to such Sandcastle Plaza 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 Sandcastle Plaza Unit by the mortgagee and to any purchaser to such mortgagee.

**Section 10. MAINTENANCE AND REPAIR.**

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

B. All the repairs of the Sandcastle Plaza Units and of all other accessories and Limited Common Elements appertaining or belonging to a Sandcastle Plaza Unit shall be at the expense of the Sandcastle Plaza Owner. The repairs of the Sandcastle Plaza Limited Common Elements which are located within, or are part of, Sandcastle Plaza but not reserved exclusively for a single Sandcastle Plaza Unit, shall be at the common expense of the Sandcastle Plaza Owners.

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

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



**Section 11. UTILITIES.**

A. WATER AND SEWER CHARGES. Potable water, landscape irrigation water, and sanitary sewer services are supplied to all Sandcastle Plaza Units and the Sandcastle Plaza Limited 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 Sandcastle Plaza Units and the Sandcastle Plaza Limited Common Elements reserved for the exclusive use of a single Sandcastle Plaza Unit will be billed to, and shall be the responsibility of, each individual Sandcastle Plaza Unit Owner. All other charges for water utilized and sewer services utilized on the Sandcastle Plaza Limited Common Elements shall be a Common Expense of the Sandcastle Plaza Owners.

A. ELECTRICITY. Electricity is supplied to all Sandcastle Plaza Units and the Sandcastle Plaza Limited Common Elements by Palmetto Electric Cooperative, Inc. through one or more service meters. All charges for electricity utilized by the Sandcastle Plaza Units and the Limited Common Elements reserved for the exclusive use of a single Sandcastle Plaza Unit will be billed to, and shall be the responsibility of, each individual Sandcastle Plaza Unit Owner. All charges for electricity utilized on the Sandcastle Plaza Limited Common Elements shall be a Common Expense of the Sandcastle Plaza Owners.

B. TELEPHONE, CABLE TELEVISION, AND DATA SERVICES. Telephone service, cable television service, and data service shall be supplied to all Sandcastle Plaza Units and the Sandcastle Plaza Limited 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 Sandcastle Plaza Units and the Sandcastle Plaza Limited Common Elements reserved for the exclusive use of a single Sandcastle Plaza Unit shall be billed to, and shall be the responsibility of, each individual Sandcastle Plaza Unit Owner. All charges for all other telephone service,



cable television service, and data service to the Sandcastle Plaza Limited Common Elements shall be a Common Expense of the Sandcastle Plaza Owners.

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

A. No Sandcastle Plaza Owner may make any modifications or alterations to any portion of Sandcastle Plaza or his Sandcastle Plaza Unit or installations located therein, except in conformance with the provisions of Section 11 of the Master Deed, and with the written approval of the Sandcastle Plaza Association.

B. No Sandcastle Plaza Owner may make any changes or additions to the exterior of the Building or to any portion of the Sandcastle Plaza Limited Common Elements, except in conformance with the provisions of Section 11 of the Master Deed.

**Section 13. USE OF THE SANDCASTLE PLAZA LIMITED COMMON ELEMENTS.** Except as authorized by the Master Deed or these Sandcastle Plaza By-Laws, no Sandcastle Plaza Owner may place or cause to be placed in the common areas or on any portion of the Sandcastle Plaza Limited Common Elements not reserved for the exclusive use of a Sandcastle Plaza Unit any obstructions of any kind. Such areas shall be held in common for the enjoyment of all Sandcastle Plaza Owners as determined by the Management Agent and the Sandcastle Plaza Board.

**Section 14. RIGHT OF ENTRY.** Each Sandcastle Plaza Owner and Sandcastle Plaza Occupant shall be deemed to have granted the right of entry to the Management Agent and to any Person authorized by the Sandcastle Plaza Board in case of any emergency originating in or threatening his Sandcastle Plaza Unit, whether the Sandcastle Plaza Owner or a Sandcastle Plaza Occupant is present at the time or not. Each Sandcastle Plaza Owner and Sandcastle Plaza Occupant shall permit other Sandcastle Plaza Owners, or their representatives, when so required, to enter his Sandcastle Plaza 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 Sandcastle Plaza Owner or Sandcastle Plaza 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 Sandcastle Plaza Units and Limited Common Elements, the Sandcastle Plaza 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 Sandcastle Plaza Owner by posting same with postage prepaid addresses to the Sandcastle Plaza Owners at their respective last registered addresses, and shall be binding upon all Sandcastle Plaza Owners and Sandcastle Plaza Occupants. The initial Rules of Conduct for the Regime are set forth in Attachment "A" to these Sandcastle Plaza By-Laws.

**Section 16. ABATEMENT AND ENJOINMENT OF VIOLATIONS BY OWNERS AND OCCUPANTS.** The violation of any rules or regulations adopted by the Sandcastle Plaza Board or the breach of any of these Sandcastle Plaza By-Laws, or the breach of any provisions of the Master Deed, shall give the Sandcastle Plaza Board the right, in addition to any other rights set forth in these Sandcastle Plaza By-Laws (a) to enter the Sandcastle Plaza Unit in which or as to which such violations or breach exists and to summarily abate and remove, at the expense of the defaulting Sandcastle Plaza Owner or Sandcastle Plaza Occupant, any structure, thing or condition, that may exist therein contrary to the intent and meaning of the provisions hereof, and the Sandcastle Plaza 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 Sandcastle Plaza 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 Sandcastle Plaza Board, and until such fines are recovered they shall be a lien upon the Sandcastle Plaza 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 Sandcastle Plaza Association shall begin on the 1<sup>st</sup> day of January of each year; *provided, however,* that the Sandcastle Plaza 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 Sandcastle Plaza Board may deem it advisable.

**Section 18. LITIGATION.** No judicial proceeding or litigation shall be commenced or prosecuted by the Sandcastle Plaza Association unless approved by a vote of seventy-five percent (75%) of the votes eligible to be cast by the Sandcastle Plaza Owners. This Section 18 shall not apply, however, to (a) actions brought by the Developer or the Sandcastle Plaza Association to enforce the provisions of these Sandcastle Plaza By-Laws (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 Sandcastle Plaza Association in proceedings instituted against it. No judicial proceeding or litigation shall be commenced or prosecuted by the Sandcastle Plaza Association against the Developer 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 Sandcastle Plaza Association shall assess all Sandcastle Plaza 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 Sandcastle Plaza 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 a Sandcastle Plaza Owner to obtain additional individual insurance at his own expense.

**Section 2. HAZARD AND FLOOD INSURANCE.** The Sandcastle Plaza Board shall insure the Building located on the Property, or just the Sandcastle Plaza Limited Common Elements, as they 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 Sandcastle Plaza Board upon recommendation made by the Sandcastle Plaza Association's insurer, it being understood that the Sandcastle Plaza Board, at its discretion, may have an appraisal made of the Property, or of just the Sandcastle Plaza Limited Common Elements, for this purpose, or in the amount reasonably obtainable as it relates to the flood coverage. The Sandcastle Plaza 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 Sandcastle Plaza Limited Common Elements.

A. All hazard and flood insurance policies obtained by the Sandcastle Plaza Board shall designate the Sandcastle Plaza Board as the named insured as Insurance Trustee for the benefit of all the Sandcastle Plaza 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 Sandcastle Plaza Board as Insurance Trustee, it being understood and acknowledged that the distribution of such proceeds shall be controlled by the Act.

B. All hazard and flood insurance policies obtained by the Sandcastle Plaza Board shall provide for the issuance of Certificates of Insurance to each Sandcastle Plaza 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 Sandcastle Plaza Unit is located. If a Sandcastle Plaza 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 Adventure Cove Owners' Association and the Sandcastle Plaza Association, and their agents and employees, and against the individual Sandcastle Plaza Owners and their servants, agents, and guests; and (ii) any rights of the insurer to contribution from hazard insurance purchased by the Sandcastle Plaza Owner upon the contents and furnishings of their Sandcastle Plaza Units.

D. Each mortgagee of which the Sandcastle Plaza 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 Sandcastle Plaza Board shall either adopt the higher value or shall cause a reappraisal to be made by a qualified appraiser approved by the Sandcastle Plaza 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 Sandcastle Plaza 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 Sandcastle Plaza 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 Sandcastle Plaza Association to an individual Sandcastle Plaza Owner and to liabilities of one Sandcastle Plaza Owner to another Sandcastle Plaza Owner.

**Section 4. WORKMEN'S COMPENSATION INSURANCE.** The Sandcastle Plaza 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 Sandcastle Plaza Board shall be assessed as Common Expenses to be paid by the Sandcastle Plaza Owners as part of the annual assessments, as special assessments, or as specific assessments, as determined by the Sandcastle Plaza Board in its reasonable discretion.

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

**Section 8. INSURANCE BY OWNERS.** Each Sandcastle Plaza Owner shall be responsible for obtaining, at such Sandcastle Plaza Owner's own expense, insurance covering personal property located within the Sandcastle Plaza Owner's Unit, any additions and improvements made by the Sandcastle





Plaza Owner to his Unit, and comprehensive liability insurance covering his liability for the safety of the premises within such Sandcastle Plaza Owner's Unit, all with limits and provisions as each Sandcastle Plaza Owner deems desirable and as may be obtainable.

The Owners or Occupants of Sandcastle Plaza Commercial Unit 3 and of Sandcastle Plaza Commercial Unit 4 shall obtain Workmen's Compensation Insurance covering employees in their respective Sandcastle Plaza Units to meet the requirements of law. All such insurance policies shall include provisions waiving (i) any right of the insurer to subrogation claims against the Sandcastle Plaza Association and against individual Sandcastle Plaza 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 Sandcastle Plaza Owner is responsible for any damage to his Sandcastle Plaza Unit or another Sandcastle Plaza Unit or to the Sandcastle Plaza Limited Common Elements caused by his negligent or intentional action or inaction, or by the negligent or intentional action or inaction of any Sandcastle Plaza Occupant, tenant, lessee, invitee, or guest. If a claim is made against any of the Sandcastle Plaza Association's policies as a result of such negligence by a Sandcastle Plaza Owner or a person for whom he is liable, then the Sandcastle Plaza 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 Sandcastle Plaza Owner, and such assessment shall be collectible as a Specific Assessment.

Each Sandcastle Plaza Owner responsible for obtaining insurance in accordance with these Sandcastle Plaza By-Laws shall annually provide the Sandcastle Plaza Association with proof of such insurance in a form acceptable to the Sandcastle Plaza Board. In the case of the failure of any Sandcastle Plaza Owner to either obtain the required insurance coverage in an amount acceptable to the Sandcastle Plaza Board, or to provide proof of such insurance to the Sandcastle Plaza Association, the Sandcastle Plaza Board will obtain such insurance coverage at the sole cost and expense of the Sandcastle Plaza Owner who failed to do so. Any cost incurred by the Sandcastle Plaza Association in obtaining insurance in the place of a Sandcastle Plaza Owner



with an obligation to do so will be an expense for which such Sandcastle Plaza Owner will be immediately assessed as a Specific Assessment.

**Section 9. SUBSTITUTION OF INSURANCE TRUSTEE.** The Sandcastle Plaza 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 Sandcastle Plaza Board shall succeed to all of the powers and responsibilities vested in the Sandcastle Plaza Board as Insurance Trustee under the terms of these Sandcastle Plaza By-Laws.

## **ARTICLE IX – RECONSTRUCTION AND REPAIR**

**Section 1. PROCEDURE.** Each Sandcastle Plaza 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 Sandcastle Plaza Units, the Property shall be totally restored, and each Sandcastle Plaza 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 Sandcastle Plaza Owner and the Sandcastle Plaza 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 Sandcastle Plaza Unit or Limited Common Element reserved for that Sandcastle Plaza Unit that is not covered by applicable insurance shall be funded by the Sandcastle Plaza Owner of that Sandcastle Plaza Unit individually, or collectively as in the case of damage to the Limited Common Elements reserved for the exclusive use of all of the Sandcastle Plaza Units. Reconstruction, repair or restoration shall be mandatory unless otherwise provided in the Act, as amended from time to time; *provided, however*, that if all of the Sandcastle Plaza Owners of the Sandcastle Plaza Units vote, at a duly authorized meeting, not to reconstruct, then



Sandcastle Plaza may not be reconstructed. Reconstruction, repair, or restoration of the Limited Common Elements shall be mandatory unless otherwise provided in the Act, as amended from time to time, unless all of the Sandcastle Plaza 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 Sandcastle Plaza Board shall be distributed (a) pro-rata to the Sandcastle Plaza Owners and their mortgagees jointly in proportion to their respective percentage interests in the Sandcastle Plaza Limited Common Elements for loss or damage to the Sandcastle Plaza Limited Common Elements, and (b) to the Sandcastle Plaza Owners of each Sandcastle Plaza Unit for loss or damage to their respective Sandcastle Plaza Units. The remaining portion of the Property shall be subject to an action for partition by any Sandcastle Plaza 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 Sandcastle Plaza Owners and their mortgagees jointly in proportion to their respective statutory interests in the Sandcastle Plaza Limited 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 Sandcastle Plaza Owners holding seventy-five percent (75%) or more of the total interest in Sandcastle Plaza Limited Common Elements and their mortgagees, if any, vote to adopt different plans and specifications, and (ii) all Sandcastle Plaza Owners whose Sandcastle Plaza Units are being reconstructed or repaired unanimously consent to the adoption of such different plans and specifications.

B. The Sandcastle Plaza Board, as to the Sandcastle Plaza Limited Common Elements, and each Sandcastle Plaza Owner, as to his respective Sandcastle Plaza 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 Sandcastle Plaza Board deems necessary.



C. If the insurance proceeds paid to the Sandcastle Plaza Board are insufficient to cover the cost of reconstruction or restoration of the Limited Common Elements, the Sandcastle Plaza Association may use funds out of its reserve or replacement accounts for the reconstruction or restoration of the Sandcastle Plaza Limited Common Elements, and, if still not sufficient, the Sandcastle Plaza Association shall levy and collect a Special Assessment against all Sandcastle Plaza Owners in an amount that shall provide the funds required to pay for the repair, replacement, reconstruction or restoration of the Sandcastle Plaza Limited Common Elements. If the insurance proceeds paid to the Sandcastle Plaza Board or to any individual Sandcastle Plaza Owner are insufficient to cover the cost of reconstruction or restoration of a Sandcastle Plaza Unit, the Sandcastle Plaza Owner of such Sandcastle Plaza Unit shall provide funds for the reconstruction or restoration of such Sandcastle Plaza Unit; *provided, however*, that, except for existing or replacement utility lines, wires, pipes and other improvements serving their respective Sandcastle Plaza Units, no Sandcastle Plaza Owner shall be responsible, either individually or as a Member of the Sandcastle Plaza Association, for any costs or expenses associated with the reconstruction or restoration of another Sandcastle Plaza Unit.

D. The insurance proceeds received by the Sandcastle Plaza Board and the mortgagees, and any Special Assessments collected to cover a deficiency in insurance shall constitute a construction fund from which the Sandcastle Plaza 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 Sandcastle Plaza Owners who paid Special Assessments in proportion to their payments. Any balance remaining after such distribution shall be retained by the Sandcastle Plaza 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 Sandcastle Plaza Owner shall be deemed, by acceptance of a deed to a Sandcastle Plaza Unit, to have thereby delivered an irrevocable limited proxy and irrevocable limited power of attorney, on behalf of that Sandcastle Plaza Owner and his or her heirs, personal representatives, successors and assigns, vested in whomever shall hold the office of Secretary-Treasurer of the Sandcastle Plaza Association from time to time. The irrevocable limited proxy and the irrevocable limited power of attorney coupled with an interest shall authorize the Sandcastle Plaza Secretary-Treasurer to cast all votes in the Sandcastle Plaza Association appertaining to each Sandcastle Plaza Owner's Unit in favor of reconstruction and repair of the Property if Sandcastle Plaza 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 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 Sandcastle Plaza 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 Sandcastle Plaza Association shall be paid to the Sandcastle Plaza Board as Insurance Trustee. The Sandcastle Plaza 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 Sandcastle Plaza Association, the Sandcastle Plaza Owners, and their respective mortgagees in the following share:

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



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

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

D. In the event a Certificate of Insurance has been issued to an Sandcastle Plaza Owner bearing a mortgagee endorsement, the share of the Sandcastle Plaza Owner shall be held in trust for the mortgagee and the Sandcastle Plaza 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 Sandcastle Plaza Owners and their respective mortgagees pursuant to the provisions of the Master Deed.

## **ARTICLE XI - MORTGAGES**

### **Section 1. NOTICE TO THE SANDCASTLE PLAZA BOARD. A**

Sandcastle Plaza Owner who mortgages his Sandcastle Plaza Unit shall notify the Sandcastle Plaza Board through the Secretary-Treasurer, with a copy to the Management Agent, of the name and address of his mortgagee, and the Sandcastle Plaza Association shall maintain such information in a book entitled "Mortgages on Sandcastle Plaza Units" or in the individual Sandcastle Plaza 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 Sandcastle Plaza Unit), which request must identify the name and address of the Mortgagee, the name of the Sandcastle Plaza Owner, and the Sandcastle Plaza Unit number, the Sandcastle Plaza Board shall give such Mortgagee reasonable advance written notice of the following events:

- A. Any change in these Sandcastle Plaza By-Laws;
- B. Any unpaid assessments due the Sandcastle Plaza Association for over sixty (60) days from the Owner of the Sandcastle Plaza Unit;
- C. Any default by the Sandcastle Plaza Owner or Occupant of the Sandcastle Plaza Unit in the performance of such Owner's obligations under these Sandcastle Plaza By-Laws when such default is not cured within sixty (60) days.
- D. Any notice of special or annual meetings of the Sandcastle Plaza Association.
- E. Any condemnation loss or any casualty loss which affects a material portion of the Property or the Sandcastle Plaza Unit;
- F. Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Sandcastle Plaza Association;
- G. Any proposed action which would require the consent of a specified percentage of eligible mortgage holders as specified in these Sandcastle Plaza By-Laws; and
- H. Any proposed change from professional management of the Property to self management of the Property by the Sandcastle Plaza Association.



**Section 3. FINANCIAL STATEMENTS TO MORTGAGEES.** Upon written request to the Sandcastle Plaza Association from any Mortgagee of which it has notice as herein provided, the Sandcastle Plaza Board or Management Agent shall supply such Mortgagee with a reasonably current financial statement of the Sandcastle Plaza Association within a reasonable time of such request. If no current audited financial statements of the Sandcastle Plaza 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 DEVELOPER.** During the Developer Control Period, the Developer reserves the right to amend these Sandcastle Plaza By-Laws for any reason, including, without limitation, the right, upon advice of counsel, to make changes in these Sandcastle Plaza 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 Sandcastle Plaza By-Laws necessary to carry out the intentions of the Developer in participating in the Regime and to ensure the recorded documents comply with the provisions of the Act. Otherwise, there shall be, and is no, limitation on the absolute right of the Developer to amend these Sandcastle Plaza By-Laws at any time, and from time to time, and in such manner as the Developer, in its sole discretion, may determine to be necessary or desirable.

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





Sandcastle Plaza 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 Sandcastle Plaza Limited Common Elements;
- F. Responsibility for maintenance and repair of the several portions of the Property;
- G. Boundaries of any Sandcastle Plaza Unit;
- H. The percentage interests of Sandcastle Plaza Owners in the Sandcastle Plaza Limited Common Elements;
- I. Convertibility of Sandcastle Plaza Units into Sandcastle Plaza Limited Common Elements, or of Sandcastle Plaza Limited Common Elements into Sandcastle Plaza Units;
- J. Imposition of any additional or further right of first refusal or similar restriction on the right of a Sandcastle Plaza Owner to sell, transfer, or otherwise convey his or her Sandcastle Plaza 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 Sandcastle Plaza Units.



Any other amendments to these Sandcastle Plaza By-Laws shall be effective upon approval by (i) a Majority of the Sandcastle Plaza Owners, and (ii) the Developer, during the Developer Control Period.

**Section 3. MATERIALITY OF AMENDMENTS; MORTGAGEE APPROVAL PROCEDURE.** An amendment to these Sandcastle Plaza By-Laws 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.

**Section 4. APPROVAL OF THE DEVELOPER.** No amendment of these Sandcastle Plaza By-Laws during the Developer Control Period shall be effective without the written consent and approval of the Developer.

### **ARTICLE XIII – MISCELLANEOUS MATTERS**

**Section 1. GENDER; NUMBER.** The use of the masculine gender in these Sandcastle Plaza 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 Sandcastle Plaza By-Laws.

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

**Section 4. NOTICES.** Except as otherwise provided in these Sandcastle Plaza By-Laws, all notices required by these Sandcastle Plaza By-Laws shall be



hand delivered, posted in the U. S. Mail, or sent by overnight delivery or other courier service to the Sandcastle Plaza Association at the address of the Sandcastle Plaza President, and to Sandcastle Plaza Owners at the address of the Sandcastle Plaza Unit or at such other address as may have been designated by such Sandcastle Plaza Owner from time to time in writing to the Sandcastle Plaza Association. All notices from or to the Sandcastle Plaza 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 Sandcastle Plaza By-Laws are inserted as a matter of convenience and for reference, and in no way define, limit, or describe the scope of these Sandcastle Plaza By-Laws or the intent of any provision of these Sandcastle Plaza By-Laws.

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

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

**Section 8. WAIVER.** No restriction, condition, obligation, or covenant contained in these Sandcastle Plaza 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  
SANDCASTLE PLAZA OWNERS' ASSOCIATION**

**RULES OF CONDUCT**

In order to create a pleasant, safe and secure atmosphere that is respectful of the concerns of Owners of Sandcastle Plaza Units, these Rules of Conduct have been adopted. These Rules of Conduct supplement the Master Deed of Adventure Cove Horizontal Property Regime, the Adventure Cove Horizontal Property Regime By-Laws, and the By-Laws of the Sandcastle Plaza Owners' Association. They apply to all Owners and Occupants of Sandcastle Plaza Units, 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 Adventure Cove Horizontal Property Regime By-Laws, or the Sandcastle Plaza 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 Sandcastle Plaza By-Laws.

1. Business Activity. No business or business activity shall be carried on in any Sandcastle Plaza Residential Unit at any time; *provided, however*, that this prohibition shall not preclude (a) such business activities of the Sandcastle Plaza Association or the Management Agent as are reasonably required for the effective operation of the Property, (b) the showing of any Sandcastle Plaza 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 Developer and its agents during the period of marketing the Sandcastle Plaza Units or managing the Property. The Sandcastle Plaza 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 Sandcastle Plaza 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 Sandcastle Plaza Residential Unit may be occupied by more Persons than can be accommodated by normal use of the beds in the Sandcastle Plaza 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 Sandcastle Plaza 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 Sandcastle Plaza Residential Unit, provide the name and telephone number of the person who authorized access for the Person.

5. Use of Parking. Sandcastle Plaza 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.

6. Prohibited Uses and Activities. No Sandcastle Plaza Owner or Occupant shall permit or suffer anything to be done on the Property that will, in the sole reasonable opinion of the Sandcastle Plaza Board or the Management Agent, (a) increase the insurance rates on any Sandcastle Plaza Unit or the Sandcastle Plaza Limited Common Elements over those rates that would reasonably be anticipated from use of the Sandcastle Plaza Unit for its normal purpose; (b) obstruct or interfere with the rights of other Sandcastle Plaza Owners or Occupants, or the Sandcastle Plaza Association; or (c) violate any law, permit or regulation of a governmental body, or the Master Deed, the Adventure Cove Horizontal Property Regime By-Laws, the Sandcastle Plaza By-Laws, or the Covenants. No Sandcastle Plaza 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; 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 Sandcastle Plaza Board or the Management Agent.

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

8. 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 Sandcastle Plaza Owner or Occupant of any Sandcastle Plaza 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 Sandcastle Plaza Unit.

9. 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 Sandcastle Plaza Owner or Occupant of a Residential Sandcastle Plaza Unit may store or park any vehicle on the Property except when such Owner or Occupant is actually occupying a Residential Sandcastle Plaza 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 Sandcastle Plaza 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 Sandcastle Plaza Association and the Management Agent shall not be responsible for any loss of or damage to vehicles or articles within vehicles parked on the Limited Common Elements.

10. Keys and Emergency Access. In order to be able to respond to emergency situations and enforce the Adventure Cove Owner's Association and the Sandcastle Plaza Association's easement rights under the Master Deed, the



Management Agent may require that the Sandcastle Plaza Owner of each Sandcastle Plaza Unit provide a key for each Sandcastle Plaza 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 Sandcastle Plaza Unit or Limited Common Element, or to prevent harm to any Person, access to a Sandcastle Plaza Unit shall occur only during normal business hours and then, whenever practicable, only upon advance notice to the Sandcastle Plaza Owner of the Sandcastle Plaza Unit. Keys and locks for Residential Sandcastle Plaza Units shall not be altered or installed without the prior written consent of the Management Agent. If such consent is given, the Sandcastle Plaza Owner or the Owner's Agent shall provide a copy of the replacement key to the Management Agent.

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

12. Obstruction and Use of Limited Common Elements. Unless otherwise expressly approved in writing by the Sandcastle Plaza 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.

13. Signs, Mail Receptacles, and Window Treatments. Unless otherwise expressly permitted in writing by the Sandcastle Plaza Board or the Management Agent, no Person may place or permit any sign, advertisement, or notice on the Property other than on the Limited Common Elements designated by the Sandcastle Plaza Board for such purposes, in which case the sign, advertisement, or notice shall comply with any procedures or rules approved by the Sandcastle Plaza Board. The Sandcastle Plaza 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 Sandcastle Plaza 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 Sandcastle Plaza Unit.

14. Approval of Modifications. Unless otherwise expressly permitted in writing by the Sandcastle Plaza Board or its authorized designee, no attachment to, or modification of a Sandcastle Plaza 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 Sandcastle Plaza Board or its authorized designee, which may include the Management Agent. The Sandcastle Plaza Board shall have thirty (30) days from receipt of all required information regarding the work to review the submitted information. Upon completion of its review the Sandcastle Plaza 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 Sandcastle Plaza Board. If notice of approval, disapproval, proposed modification or request for additional information is not received by the submitting Sandcastle Plaza Owner within such thirty (30) day period, the plans shall be deemed approved. If the Sandcastle Plaza 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 Sandcastle Plaza Association. 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 Sandcastle Plaza Board, the Sandcastle Plaza 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 Sandcastle Plaza Board, nor for any defects in any work done according to such plans and specifications.

15. Penalties for Violations. Each Sandcastle Plaza 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 Sandcastle Plaza By-





Laws, and these Rules of Conduct. In the event of any failure to comply with these Rules of Conduct, the Sandcastle Plaza 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 Sandcastle Plaza Board, the Sandcastle Plaza Association or any Sandcastle Plaza Owner may have under the Master Deed, the Sandcastle Plaza By-Laws, the Covenants, or applicable law, the Sandcastle Plaza Board may also impose a fine, which shall be a Specific Assessment against the applicable Sandcastle Plaza Unit, of up to \$100.00 for each violation of these Rules of Conduct. For an initial violation, the Sandcastle Plaza Board shall give the non-complying Sandcastle Plaza Owner or Occupant of the applicable Sandcastle Plaza 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 Sandcastle Plaza By-Laws, or these Rules of Conduct, or unless the Sandcastle Plaza Board or the Management Agent determines that the violation constitutes a safety hazard, violation of law or an emergency situation, the Sandcastle Plaza Owner or Occupant shall have twenty-four (24) hours from receipt of written notice by the Sandcastle Plaza 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.

16. Waivers of Rules of Conduct. The Sandcastle Plaza 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.

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



**EXHIBIT F**  
**TO**  
**MASTER DEED ESTABLISHING**  
**ADVENTURE COVE HORIZONTAL PROPERTY REGIME**

**STATE OF SOUTH CAROLINA     )**  
**)**                   **JOINDER OF MORTGAGEE**  
**COUNTY OF BEAUFORT            )**

**WHEREAS, COASTALSTATES BANK** (the “Lender”), is the owner and holder of that certain mortgage from Star Fish Investments, LLC (the “Declarant”) dated April 13, 2007 and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina in Record Book 2555 at Page 368 (the “Mortgage”), which is a lien upon a portion of that certain real property located on Hilton Head Island, South Carolina, described in Exhibit A to the Master Deed establishing Adventure Cove Horizontal Property Regime (the “Regime”);

**NOW, KNOW ALL MEN BY THESE PRESENTS,** that the Lender hereby joins in the Master Deed establishing the Regime and the provisions of the South Carolina Horizontal Property Act for the sole purpose of consenting to the creation by the Declarant of the Regime. The Lender makes no representations or warranties as to the validity of the documents creating the Regime, or the development and physical construction of the Buildings and Units within the Regime.

This Joinder of Mortgagee shall in no way adversely affect or diminish the lien of the Mortgage on the property described therein; *provided, however,* that the lien of the Mortgage shall hereafter be a lien on Commercial Unit 1 and Commercial Unit 2.

[Signature page follows]



**IN WITNESS WHEREOF, COASTALSTATES BANK** has caused this Joinder of Mortgage to be signed and sealed this 26 day of September, 2008.

**WITNESSES:**

**COASTALSTATES BANK**

[Signature]

By: [Signature] (L.S.)  
Walter Buzzy Lawson  
 Its EVP

Anta Podgurski

**STATE OF SOUTH CAROLINA** )  
 )  
**COUNTY OF BEAUFORT** )

**ACKNOWLEDGEMENT**

I, the undersigned Notary Public, do hereby certify that Walter N. Lawson, III, the Executive Vice President of **COASTALSTATES BANK**, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and seal this 26 day of September, 2008.

[Signature] (SEAL)  
 Notary Public for South Carolina  
 My Commission Expires: 08/4/16

