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SUNSET PLACE SUBDIVISION
"BUILDING GUIDELINES"

Sunset Place is a unique neighborhood of just seventeen home sites located within the gates of Hilton Head Plantation, in the Villages of Skull Creek. The community is within walking distance to The Country Club of Hilton Head, The Old Fort Pub Restaurant, The Skull Creek Marina, and The Cypress Retirement Community. The entire community of Sunset Place was pre-planned to ensure that the total development remains compatible architecturally and that the landscape, streetscape, colors and textures all relate properly one to another for the total benefit of the community. The Purchaser of property in Sunset Place will acquire fee simple title and automatically become members of The Hilton Head Plantation Property Owner's Association, The Villages Of Skull Creek Association and The Sunset Place Property Owner's Association.

The Sunset Place POA is responsible for maintaining Sunset Place Drive, all common area landscaping and exterior privacy wall maintenance. The cost of construction, maintenance and repair of the patio wall is the responsibility of each individual property owner. The privacy wall as designated on EXHIBIT B a Plat of " Building Guidelines" shows that lots 1 through 4 and 12 through 17, deals with the construction, maintenance and repair and becomes the responsibility of the individual property owner. One year after construction of these privacy walls, the exterior maintenance becomes the responsibility of The Sunset Place POA. All privacy wall colors and textures must match as closely as possible to the existing colors of the privacy walls along the entrance to Sunset Place Subdivision.

The Homes in Sunset Place are required to have a garage and have stucco front and rear exteriors and the general stucco color (finish selection) schemes will be soft, muted colors, tans and beiges to blend in with existing colors in the Village. The roofing material will be 300 pound asphalt dimensional shingles having colors blending with the existing tile roofing materials.

Each home must be constructed within the defined Building Guidelines under Class "A" Residential Covenants and Restrictions and included under Class "C" Declaration of Covenants, Conditions and Restrictions (Zero Lot Line) with typical set-back requirements of 10 feet from front of house to street property line, 20 feet in rear and 10 feet to the side. The existing "A" and "B" Models may not fit within the Building Guidelines of all the plated lots and either modifications or new plans may have to be drawn. The Hilton Head Plantation Architectural Review Board reserves the right to grant variances on an individual basis from these typical Building Guidelines.

ARTICLE 1
EXISTING PROPERTY

Section 1.1 Existing Property. The real property which is and shall be held, transferred, sold, conveyed, leased and occupied, subject to this Declaration, is located in Hilton Head Plantation on Hilton Head Island, Beaufort County, South Carolina, and is more particularly described on the plat referenced in EXHIBIT A hereto as such plat may be amended in accordance with the provisions hereof. All of the real property hereinabove described shall hereinafter be referred to as "Existing Property".

Section 1.2 Mergers. The Association may be merged into or consolidated with another Association as provided in the Bylaws. Upon a merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or, in the alternative, the properties, rights and obligations of another association may, by operation of law, be added to the properties of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the covenants and restrictions established by this Declaration within the Existing Property and any Additional Property.

ARTICLE 2
GENERAL MATTERS

Each Lot in SUNSET PLACE SUBDIVISION shall be separately conveyed and separately encumbered. It shall be the responsibility of each Owner to maintain and keep in good and safe condition and repair his Lot and any improvements thereon, and, in the event the Owner does not, in the sole discretion of the Association to do so, the Association shall have the right to order any unsightly, unkempt, poorly maintained, unrepaired or dangerous condition to be corrected within ten (10) days from the date of written notice, return receipt requested, mailed to the Owner. Should the required action not be taken by said Owner within the ten (10) day period, the Association may enter upon the Lot and correct the unsightly, unkempt, poorly maintained, unrepaired, or dangerous condition and then shall have the right to charge the said Owner for the actual cost of correcting said condition, plus administrative charges, such right of the Association to be in addition to all other remedies existing under this Declaration or the Bylaws, and all legal and equitable remedies. Any such charge shall become a part of the regular assessment due from such Owner, collectible in the same manner as other assessments levied hereunder, including the foreclosure of liens as described herein and/or in the Bylaws.

ARTICLE 3
PROPERTY RIGHTS

Section 3.1 Members' Easement of Enjoyment. Every Owner shall have a right and non-exclusive easement of use and enjoyment in and to the Common Property and such rights and easements shall be appurtenant to and shall pass with the title to every Lot subject to the following provisions:

(a) The right of the Association to charge reasonable admissions or other fees for the use of any recreational facilities hereafter situated upon the Common Property, or elsewhere if contractual rights or fee interests are acquired in remote property.

Section 3.2 No Partition. The Common Property shall remain undivided and no right to partition the same in any part shall exist, unless approved by a three-fourths (3/4) vote of the Association, once the Common Property has been deeded to the Association.

ARTICLE 4
THE SUNSET PLACE PROPERTY OWNERS' ASSOCIATION

Section 4.1 Organization. Prior to the recording of any conveyances or leases of any Lot or any other lands or improvements within the Property, Association shall cause to be incorporated, under the laws of South Carolina, a non-profit corporation called "THE SUNSET PLACE PROPERTY OWNERS' ASSOCIATION, INC." (hereinafter sometimes referred to as the "Association"). Should Lots be transferred prior to incorporation of the Association, the Association may function hereunder as an unincorporated Association until the time of incorporation.

The Association is a non-profit South Carolina corporation charged with the duties and vested with the powers prescribed by law as set forth in the Articles, the Bylaws and this Declaration. Neither the Articles nor the Bylaws shall, for any reason, be amended or otherwise changed or interpreted so as to be inconsistent with the Declaration. In the event of such inconsistency, the provisions of the Declaration shall prevail. The officers and directors of the Association shall be required to be either (I) members of the Association or (II) Directors of the Association, and such officers as the Board may elect or appoint, shall conduct the affairs of the Association in accordance with the Declaration, Articles, and Bylaws, as the same may be amended and supplemented from time to time.

Section 4.2 Membership.

(a) Qualifications. Each Owner shall automatically become a member of the Association and shall be entitled to one membership

for each Lot owned. Ownership of a Lot shall be the sole qualification for membership in the Association.

(b) Member's Rights and Duties. Each member shall have the rights, duties and obligations set forth in this Declaration, the Articles, the Bylaws, the Association Rules, as the same may from time to time be established and amended.

(c) Transfer of Membership. The Association membership of each Owner shall be appurtenant to the Lot giving rise to such membership, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way, except upon the transfer of title to said Lot and then only to the transferee of title to such Lot. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Lot shall operate automatically to transfer the membership in the Association appurtenant thereto to the new Owner thereof.

Section 4.3 Voting.

(a) Number of Votes. The Association Members shall be all Owners including the Association and shall be entitled to one vote for each Lot owned. In no event shall more than one vote be cast with respect to any Lot.

(b) Joint Owner Disputes. The vote for each Lot must be cast as a single vote, and fractional votes shall not be allowed. In the event that joint owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Owner or Owners cast a vote representing a certain Lot and the Association has not been notified in writing prior to the time of such vote of a dispute among owners of such Lot, it will thereafter be conclusively presumed for all purposes that he or they were acting with the authority and consent of all Owners of the same Lot. In the event more than one vote is cast for a particular Lot, none of said votes shall be counted and said votes shall be deemed void.

(c) Voting. In any election of the members of the Board of Directors, members shall not have the right to cumulative voting. The Candidates receiving the highest number of votes, up to the number of the Board members to be elected, shall be deemed elected whether or not each such candidate receives a majority of the votes cast. Any run-off shall be between all candidates tying for the last position(s) on the Board.

Section 4.4 Duties of the Association. In the addition to the powers delegated to it by its Articles, and without limiting the generality thereof, the Association shall have the obligation to perform each of the following duties:

(a) Operation and Maintenance of Common Property, if any, and Easement Area. To operate, maintain and otherwise manage or provide for the operation maintenance and management of the Common Property including, the Exterior Privacy Wall and Landscaping, Easement Area, together with all easements for operation and maintenance purposes, for the benefit and enjoyment of the Association and its members over and within the Common Property; and to keep all improvements of whatever kind and for whatever purpose from time to time located thereon in good order, condition and repair; and to maintain any common signage areas free and clear of obstructions and in good condition.

(b) Water and Other Utilities. To acquire, provide and/or pay for water, sewer, garbage disposal, electrical, telephone and gas and other necessary utility services for the Common Property as, if and when applicable. Regarding individual Lots, all utilities are the sole responsibility of the individual Owner, unless otherwise provided; however, that the Association may contract services such as landscaping installation and maintenance, garbage disposal, pest control, etc., on behalf of all individual Owners as a Common Expense, at the discretion of the Association.

(c) Damage by Easement Holder. If any part of the Common Property or any Lot or any improvement on any of them is damaged or destroyed by the holder of any easement to which this Declaration is subject, which is granted in this declaration, or which is granted pursuant to the provisions of this Declaration, and such damage or destruction is not repaired or replaced by the holder of such easement, to do so, and the expense of such repair or replacement shall be a Common Expense.

(d) Taxes and Assessments. To pay all real and personal property taxes and assessments (if any) separately levied upon or assessed against the Association and/or any property owned by the Association. Such taxes and assessments may be contested or compromised by the Association; provided, however, that they are paid or a bond insuring the payment is posted prior to the sale or other disposition of any property to satisfy the payment of such taxes. It is the intent of this Declaration that in as much as the interest of each Owner in the Common Property through his membership in the Association is in the interest of each Owner in such Common Property shall be included in the assessment for each such Lot and as a result any assessment directly against such Common Property shall be of a nominal nature reflecting that the full value of the same has been included in the several assessments of the various Lots.

(e) Insurance. To obtain from reputable insurance companies qualified to do business in the State of South Carolina and maintain in force at all times the following policies of insurance:

(I) Fire and appropriate extended coverage and other appropriate physical loss and damage insurance on all improvements if any when any shall be located in or upon the Common Property. The Board shall have exclusive and sole discretion in determining appropriate insurance coverage consistent with reasonable premiums.

(II) Comprehensive liability insuring the Board, the Association and members of the Association, against liability to and claims of the public, the members of the Association and any other person, firm or entity, occurring in and upon the Common Property, or based upon, incident to or arising out of (a) the ownership or use of the Common Property, or (B) the activities of the Association. Such coverage shall provide to the extent the same is available at reasonable rates for cross-liability endorsement wherein the right of named insured shall not be prejudiced with respect to actions by them against another named insured, together with, to the extent the same is available at reasonable rates, an express waiver of the right of subrogation against any named insured. Limits of liability on such coverage shall (to the extent possible) be at least as follows: not less than Five Hundred Thousand (\$500,000.00) Dollars per person and One Million (\$1,000,000.00) Dollars per occurrence with respect to bodily injury or death; not less than Five Hundred Thousand (\$500,000.00) Dollars per occurrence with respect to property damage; and correspondingly appropriate limits for defamation, false arrest, and other personal injury exposures. Such minimum shall from time to time be modified to reflect then current insurance practices.

(III) Such other insurance, including Workman's Compensation insurance, to the extent necessary to comply with any applicable law and then current insurance practices and indemnity, faithful performance, fidelity and other bonds as the board shall deem necessary, appropriate or required to carry out the Association functions or to insure the Association against any loss from malfeasance or dishonesty of any employee or other person charged with the management or possession of any Association funds or other property.

(f) Rule Making. To make, establish, promulgate, amend and repeal the Association Rules as required.

(g) Enforcement of Restrictions and Rules. To perform such other acts, whether or not expressly authorized by this Declaration, as may be reasonably necessary or appropriate to enforce or effectuate any of the provisions of this Declaration and the Association Rules.

Section 4.5 Powers and Authority of Association. The Association shall have all of the powers of a non-profit corporation organized under the laws of the State of South Carolina subject only to such limitations upon the exercise of such powers

as are expressly set forth in the Articles, or this Declaration. The Association shall have the power to do any and all lawful things which may be authorized, required or permitted to be done by the Association under this Declaration, the Articles and the Bylaws, and to do and perform any and all acts which may be necessary, proper or incidental to the exercise of any of the express powers of the Association, including, without limitation:

(a) Assessments. To levy assessments on the Owners of Lots and to enforce payment of such assessments, all in accordance with the provisions of this Declaration.

(b) Right of Enforcement. The Association shall also have the power and authority from time to time, in its own name, on its own behalf, or on behalf of any Owner or Owners who consent thereto, to commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of this Declaration or to enforce, by mandatory injunction or otherwise, all of the provisions hereof.

(c) Easements and Rights-of-Way. To grant and convey to any third party easements and rights-of-way or assign rights in easements, in, on, over or under the Common Property for the purposes of construction, erecting, operating or maintaining thereon, therein, or thereunder (I) underground lines, cables, wires, conduits or other devices for the transmission of electricity and for lighting, heating, power, telephone, neighborhood television, radio and audio antenna facilities and other purposes, (II) public sewers, water, heating and gas lines or pipes, and (III) any similar public or quasi-public improvements or facilities as may be considered necessary or appropriate for the common good of said neighborhood.

(d) Employment of Agents. To employ the services of any person or corporation as Manager, together with other employees, to, as may be directed by the board, to manage, conduct and perform the business, obligations and duties of the Association, and to enter into contracts for such purposes; provided, however, that no management shall exceed a term of one (1) year and such contract shall be cancelable for a good cause shown by either party upon thirty (30) days written notice. Such employee shall have the right to ingress and egress over such portions of the Property as is reasonably necessary for the purpose of performing such business, duties and obligations.

Section 4.6 The Association Rules. By a majority vote of the Board, the Association may from time to time adopt, amend and repeal such rules and regulations as it deems reasonable. Such rules and regulations are referred to herein as the "Association Rules." The Association Rules shall govern the use of the Common Property, by the Owners, by the families of Owners, or by any invitee, licensee, lessee, or contract purchaser of any Owner;

provided, however, that the Association Rules may not discriminate among Owners and shall not be inconsistent with this Declaration, the Articles or Bylaws. A copy of the Association Rules as they may from time to time be adopted, amended or repealed shall be mailed or otherwise delivered to each Owner. In the event of any conflict between the provisions of this Declaration, or the Articles or Bylaws, the provisions of such Association Rules shall be deemed to be separated by the provisions of this Declaration, the Articles or Bylaws by the extent of such inconsistency. In the event of any conflict between the provisions of this Declaration and the provisions of the Bylaws or Articles of Incorporation of the Association, the provisions of this Declaration shall prevail.

Section 4.7 No Personal Liability. No member of the Board, or any committee of the Association or any officer or employee of the Association, the Board, or the Manager, if any, or the Association, shall be personally liable to any Owner or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of any such member of the Board, any committee member, any officer of the Board, the Manager, if any, provided that such person has, upon the basis of such information as may be possessed by him, acted in good faith, without willful or intentional misconduct.

Section 4.8 Exercise of Association Powers by Board. The Board itself or through the Association's employees, officers, agents or other persons designated by the Board for such purpose shall exercise for and on behalf of the Association all powers, duties, and authority vested in or delegated to the Association and not otherwise requiring the consent or approval of the members of the Association, or a portion or percentage thereof by other provisions of this Declaration, the Articles or the Bylaws.

Section 4.9 Maintenance of Common Property. The Association is to take all necessary action regarding the governing, maintenance and repair of the Common Property and to make certain that no unsightly, dangerous, or badly repaired conditions exist. The Association shall have the power to order the Owners to keep in good repair and maintain their Lots and any improvements thereon and for failure to do so the Association may take the action described above in Article 2.

Section 4.10 Amenity Use Agreements. Any other provision of this Declaration notwithstanding, the Association by the action of its Board of Directors may enter into easements or other use agreements with the owners or the entity representing the owners of other residential areas within the section of Hilton Head Plantation generally known as The Village of Skull Creek providing for shared use of all or part of the Common Property and/or all or part of the common property or common elements of such other areas.

Such agreements may or may not be reciprocal, may or may not be for consideration, and may or may not require the sharing of costs. If any such agreement requires payments by way of sharing in costs or otherwise, such costs shall be Common Expenses.

Section 4.11 No Obligation to Incur Debt. The Association shall aggressively strive to carry out and put into effect the functions and services specified or reasonably implied in this Declaration; however, the functions and services to be carried out or offered by the Association at any particular time shall be determined by the Board of Directors of the Association with due consideration given to the amount of reserves and revenues available to the Association, and the relative demands upon the resources which the Association can utilize to maintain Common Property and to increase the use and enjoyment of the Property as a whole. The Association shall not be obligated to incur debt or deficits of expenditures over revenues in order to carry out its functions and services.

ARTICLE 5
COVENANT FOR MAINTENANCE ASSESSMENT

Section 5.1 Creation of Lien and Personal Obligation of Assessments. Each Owner of any Lot and improvements by acceptance of a Deed therefore whether or not it shall be so expressed in such Deed, is deemed to covenant and agree, for each Lot and improvements owned, to pay to the Association: (a) Regular Monthly Assessments and (b) Special Assessments. Such assessments shall be established, made and collected as herein provided. The Regular and Special Assessments, together with late charges thereon, costs of collection thereof, and reasonable attorneys' fees, shall be the personal obligation of each person, firm or entity who was an Owner if such Lot at the time when such assessment became due or payable and shall be an equitable charge and a continuing lien upon such Lot. Such charge and lien shall be of the same priority herewith except as specifically hereinafter provided, shall exist without any further notice or certificate, and shall be enforceable in the same manner as provided for other recorded contractual charges and liens. The personal obligation for delinquent assessments shall pass to an Owner's successors in title to the extent that the prior Owner and the grantee shall be jointly and severally liable for the payment of the assessments which have accrued against said Lot prior to the conveyance of said Lot without prejudice to the purchaser's or grantee's right to recover from the seller the amounts paid by the purchaser or grantee thereof, but no such assumption shall relieve any Owner personal obligated hereby for delinquent assessments from such Owner's personal liability therefore.

Section 5.2 Purpose of Assessment. The assessments levied by the Association shall be used to promote the recreation, health,

safety and welfare of the residents of the Property and in particular for the acquisition, improvement and maintenance of the Property, service and facilities devoted to this purpose or for the use and enjoyment of the Common Property, including but not limited to the cost of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the payment of taxes assessed against common area, the procurement and maintenance of insurance, the payment of charges for garbage service, water furnished and water and sewer services rendered to the Common Property, the payment of garbage services, landscaping or other services to the Lots, if authorized by the Board of Directors, the employment of attorneys, accountants, and other professionals, the Manager, if any, and any other needs as may arise and be allowed by the provisions hereof.

Section 5.3 Regular Assessment. Beginning immediately following the conveyance of any Lot to any Owner, the Regular Assessment may be levied by the Board or Association to fund Common Expenses in accordance with this Declaration and the Bylaws. Regular Assessments shall be established annually and payable in monthly installments, unless otherwise provided by the Board.

Section 5.4 Special Assessments for Capital Improvements. In addition to the Regular Assessments authorized above, the Association may levy, in any calendar year, a Special Assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement, including fixtures, recreational facilities and personal property related thereto, or the acquisition of any such properties or rights, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of members who are voting in person or by proxy at the meeting duly called for this purpose. All Special Assessments may be collected on a monthly basis.

Section 5.5 Notice and Quorum for any Action Authorized Under Section 5.4. Written notice of any meeting called for the purpose of taking any action authorized under Section 5.4 shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members and of proxies entitled to cast sixty (60%) percent of all the votes in the membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the date set for the first meeting.

Section 5.6 Uniform Rate of Assessment. All Regular and Special Assessments shall be fixed at a uniform rate for all Lots;

provided, however, that any special charge applicable to any one Lot or group of Lots pursuant to the terms of this Declaration, may be billed to such Lot or Lots and collected as a part of the Regular Assessment, including, without limitation, any charge pursuant to Article 3; provided further, any charges for Common Expenses incurred.

Section 5.7 Date of Commencement of Regular Assessments: Due Dates. The Regular Assessments: Due Dates. The Regular Assessments provided for herein shall commence as to any Lot on the day following transfer of the Lot from Association to any Owner. The first Regular Assessment shall be adjusted according to the number of days remaining in the month. By January 31 of each year, the Board of Directors shall fix the amount of the Regular Assessment to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

Section 5.8 Effect of Non-Payment of Assessments: Remedies of the Association. Each Owner, on becoming an Owner of any Lot, does and shall be deemed to covenant and agree to pay to the Association each and every one of the assessments provided for in this Declaration; and agrees to the enforcement of all such assessments in the manner specified in this Declaration. In the event an attorney or attorneys are employed for collection of any assessment, whether by suit or otherwise, or to enforce compliance with or specific performance of the terms and conditions of this Declaration, each Owner agrees to pay reasonable attorneys' fees and costs thereby incurred in addition to any other amounts due or any other relief or remedy obtained against said Owner. Any assessment not paid when due shall be deemed to be delinquent. Any assessment not paid within thirty (30) days after the date on which it becomes due shall thereafter be subject to a late charge of one and one-half (1.5%) percent per month until the assessment and accrued late charges are paid in full. In addition to any other remedies herein provided, the Board, or its authorized representative, may enforce the obligations to pay the assessments provided for in this Declaration, in any manner provided by law or in equity, if any, and any such suit shall be maintained in the name of the Association. Any judgment rendered in any action shall include the amount of the delinquency, together with late charges thereon as provided for by this Section, costs of collection, court costs and reasonable attorneys' fees in such an amount as the Court may adjudge. Suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving the lien herein provided for. The Association reserves the rights it may have under pertinent law to attach and execute against any realty or personally of an Owner in order to receive satisfaction of any Association dues in addition to enforcement of any liens

created hereby.

Section 5.9 Subordination to Certain Mortgages. The lien for the assessments provided for herein in connection with a Lot shall not be subordinate to the lien of any mortgage except the lien of a first mortgage given and made in good faith and for value that is or record as an encumbrance against such Lot prior to the recordation of a claim or lien for the assessments provided for in this declaration against such Lot (such mortgage being hereinafter referred to as a "Prior Mortgage"). The sale or transfer of any Lot shall not affect the obligation to pay assessments provided for herein nor the lien for the collection thereof either by this Declaration or by the recordation of a judgment an account of assessments becoming due whether prior to, on or after the date of such sale or transfer, nor shall such sale or transfer diminish or defeat the personal obligation of any Owner for delinquent assessments against the Owner as provided for in Section 5.1.

Section 5.10 Exempt Property. The following property subject to this Declaration shall be exempt from the assessments created herein:

- (a) Portions of the Property dedicated to and accepted by any local public authority; and
- (b) The Common Property.

Section 5.11 Mortgage Protection Clause. No breach of the covenants, conditions or restrictions herein contained nor the enforcement of any lien provisions herein shall defeat or render invalid the lien of any Prior Mortgage made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or other judicial sale or conveyance in lieu of foreclosure of or judicial sale pursuant to any such Prior Mortgage.

ARTICLE 6 EXTERIOR MAINTENANCE

Exterior Maintenance of Lots or Dwelling Units. Each Owner shall be responsible for exterior maintenance upon his Lot, Dwelling Unit, Patio Wall, and Privacy Wall.

ARTICLE 7 EASEMENTS

Section 7.1 Common Property. Any of the Common Property which is conveyed to the Association in the future shall then be owned by the Association for the use, enjoyment and convenience of all Owners. Each Lot is hereby declared to have, subject to the

provisions of this Declaration, a non-exclusive easement over all of the Common Property, for the benefit of such Lot, the Owners of such Lot and for their respective families, guests, invitees, tenants and contract purchasers, for recreational purposes and used without limiting this generality of the foregoing, for ingress and egress over and through the Common Property; provided, however, with respect to any Common Property intended for a limited purpose, the foregoing sentence does not create any rights to uses beyond such intended uses. In furtherance of this establishment of this easement, the individual deeds and mortgages to each Lot or Dwelling Unit may, but shall not be required to, set forth the foregoing easement.

Section 7.2 Encroachment. Each Lot or Dwelling Unit and the Common Property is hereby declared to have an easement over all adjoining Lots and Dwelling Units and the Common Property for the purpose of accommodating any encroachment due to engineering or surveying errors, errors in original construction, settlement or shifting of any building, or any other similar cause, and any encroachment due to building overhang or projection. There shall be valid easements for the continuance and maintenance of said encroachments so long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, providing Lots and Dwelling Units and Common Property an easement for the purpose of accommodating any encroachment due to engineering or surveying errors, errors in original construction, settlement or shifting of any building, or any other similar cause, and any encroachment due to building overhang or projection. Provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful act or acts with full knowledge of said Owner or Owners or for an encroaching element that is of a temporary nature or that could be removed without substantial cost, impairment of use, or adverse aesthetic impact. In the event a structure on any Lot or Dwelling Unit is partially or totally destroyed, and then repaired or rebuilt, the Owners of each Lot or Dwelling Unit agree that minor encroachments over adjoining Lots or Dwelling Units shall be permitted for the reconstruction thereof, and that there shall be valid easements for the continuance and maintenance of said encroachments so long as they shall exist.

Section 7.3 Covenants Running with Land. Each of the easements provided for in this Declaration shall be deemed to be established upon the recordation of this Declaration, reserved upon conveyance of any portion of the Property, and shall henceforth and thenceforth be deemed to be covenants running with the land for the use and benefit of the Lots, or the Common Property, as the case may be, superior to all other encumbrances applies against or in favor of any portion of the Property which is the subject of this Declaration. The Lots and Common Property shall be likewise subject

to the covenants and restrictions as to use set forth elsewhere in this Declaration.

Section 7.4 Subject to Prior and Subsequent Utility Easements. Notwithstanding anything herein expressly or impliedly to the contrary, this Declaration shall be subject to all easements heretofore granted by Association or its predecessors in title and to all easements hereafter granted by Association for the installation and maintenance of utilities, sewers, community television, drainage and similar facilities that are necessary or appropriate for the development of the Property or other real property in Hilton Head Plantation.

ARTICLE 8
PATIO WALLS

Section 8.1 Dwelling Units must be constructed so as to construct and utilize a patio wall ("Patio Wall".) and Privacy Wall indicated on the recorded plat described in EXHIBIT B called "Building Guidelines". Recorded 8/23/93, in Book 47, Page 36, as such plat may be amended in accordance with this Declaration. Said Patio Wall and Privacy Wall shall be constructed simultaneously with the Dwelling Unit and shall be located so that the exterior of the same shall be on the designated lot line on the recorded subdivision plat. Care should be taken to match existing Wall colors. Construction Specifications are shown on EXHIBIT B.

Section 8.2 The Dwelling Unit shall utilize a portion of the Patio Wall as one of its exterior walls (unless an alternative location of the dwelling is approved) and shall be constructed so that neither the Patio Wall nor the Dwelling Unit provides any window or view openings looking into or over-viewing the adjacent Lot and provides no access way or entry way into said adjacent Lot.

Section 8.3 Should an Owner desire to locate his Dwelling Unit on a portion of the Lot other than contiguous to the Patio Wall, he may apply to the Architectural Review Board for approval of the alternative location. A site plan showing the proposed alternative location shall accompany such application. The approval of the alternative location shall not relieve the Owner's responsibility to construct a Patio Wall required by Section 8.1.

Section 8.4 A ten (10') foot easement is further reserved along the boundary line of each Lot, on the opposite side of the boundary line along which the Patio Wall is to be constructed on the adjacent Lot for the construction, maintenance, and repair of the Patio Wall and/or Dwelling Unit on the adjacent Lot. The use of said easement area by an adjacent Lot Owner shall not exceed a reasonable period of time during construction not shall it exceed a period of thirty (30) days each year for essential maintenance. Any shrubbery or planting in the easement area that is removed or

damaged by the adjoining Lot Owner during the construction, maintenance or repair of his Patio Wall/Dwelling Unit, shall be repaired or replaced at the expense of the said adjoining Lot Owner causing such damage.

Section 8.5 The cost on construction, maintenance and repair of Patio Walls and Privacy Walls shall be the sole responsibility of the Owner on whose Lot the same is situated.

Section 8.6 Said easement area and the exterior of the Patio Wall and/or Dwelling Unit may be used by an adjacent Lot Owner only for the planting and care of shrubbery and other landscaping, providing the same does not interfere with the structural integrity of the Patio Wall and/or Dwelling Unit or substantially interfere with the ordinary maintenance thereof.

Section 8.7 Each Dwelling Unit shall be constructed with gutters to insure that no excessive rain water is discharged upon the adjoining Lot.

ARTICLE 9

DAMAGE AND DESTRUCTION AFFECTING COMMON PROPERTY

Section 9.1 If all or any portion of the Common Property is damaged or destroyed by fire or other casualty, then neither the Board, the Association, or any agent or employees thereof, shall be required or permitted to take any action to repair or rebuild the damaged portions, or to cause the damaged portions to be repaired or rebuilt without the written consent of the members have the right to cast at least fifty-one (51%) percent of the votes as to the manner for repair or reconstruction and the payment therefore.

Section 9.2 Notwithstanding anything contained in this Declaration to the contrary, if the cost of repairing or rebuilding not exceed the amount of insurance proceeds available to the Association plus the amount of a reasonable deductible, the Board shall be authorized and required without the consent and approval of the members, to contract to repair or rebuild the damaged portions of the Common Property substantially in accordance with the original plans and specifications therefore.

ARTICLE 10

USE RESTRICTIONS

Section 10.1 Nothing contained herein is intended to or shall limit the Hilton Head Plantation Company, Inc., its successors or assigns ("HHPPOA"), or the Hilton Head Plantation Property Owner's Association, Inc., its successors or assigns ("HHPPOA"), with the respect to any rights, powers, or authority granted or delegated to the Company and/or the HHPPOA under the applicable covenants and restrictions of record in the Office of Register of Mesne

Conveyances for Beaufort County, South Carolina. In addition to the Class "A" Residential Covenants and Restrictions and the Class "C" Declaration of Covenants, Condition and Restrictions, referred to herein under Article 10, the Property shall be subject to all provisions of the amended and Restated Declaration of Covenants and Restrictions of the Hilton Head Plantation Property Owners Association and Hilton Head Plantation Company, Inc. dated March 28, 1983, as amended, which Declaration is recorded in the Office of the Register of Mesne Conveyances for Beaufort County in South Carolina in Miscellaneous Book 367 at Page 658.

Section 10.2 Land Use, Building Type and Architectural Review. No Lot shall be used except for private residential purposes of a single family. No building shall be erected, altered, placed or permitted to remain on any Lot other than one single-family dwelling.

Section 10.3 Architectural Review.

(a) No building, patio, deck, pool, fence, driveway, sign, mailbox, landscaping or other structure or improvement shall be erected, placed or altered on any Lot in this subdivision until the plans and specifications, including the location, shall have been approved in writing as to conformity and harmony of external design, roof material, exterior colors, front elevation, materials including plant materials and general quality with the standards of the neighborhood, and as to location with respect to the topography and finish ground elevations, by the Hilton Head Plantation Architectural Review Board.

(b) Any additions or alterations to dwellings or landscaping in the Property must be submitted for approval to the Architectural Review Board, and must be completed expeditiously in accordance with such approved plans and specifications.

Section 10.4 Building Location. No building shall be located nearer to the front line or nearer to the side street line than the building setback line shown on the plat referenced in EXHIBIT B referred to as " Building Guidelines ". All building locations must be approved by the Architectural Review Board. Garages and carports shall be considered building for the purpose of this section. The interior of carports or garages without doors shall not be open to view from the street.

Section 10.5 Outside Structures. No trailer, tent, barn, tree house or other outbuilding or structure shall be placed or erected on any of the Property subject to these covenants at any time, either temporarily or permanently. No fuel tanks or similar storage receptacles may be exposed to view, and the same may be installed only within the main Dwelling Unit, within any approved accessory building, or within a screened area built in accordance

with the plans approved by the Architectural Review Board.

Section 10.6 Clothes Drying. No drying or airing of any clothing, towels, bedding or other item shall be permitted outdoors on any Lot within the Property except within the enclosed utility areas or in another place not visible from the Common Property.

Section 10.7 Nuisance. No noxious or offensive activities shall be carried on, on any lot nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance, or nuisance to the neighborhood. There shall not be maintained any plants, animals, device or thing of any sort whose normal activities or existence is in any way noxious, dangerous, unsightly, unpleasant, or of a nature an may diminish or destroy the enjoyment of other property in the neighborhood by the Owners thereof. The assembly or disassembly of motor vehicles or other mechanical devices, which tend to cause disorderly, unsightly or unkempt conditions, shall not be permitted in the yard of any Lot or in any driveway, garage or carport, or other place where such condition is visible from any street or adjoining Lot.

Section 10.8 Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any Lot or Dwelling Unit, except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes, and provided, further, that they shall not, in the sole discretion of the Association, constitute a nuisance or cause any unsanitary condition. Any such animals may not be permitted outside of any Lot or Dwelling Unit except on a leash and accompanied by the Owner or some other responsible person.

Section 10.9 Garbage or Refuse Disposal. No Lot shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be kept except in sanitary containers. All equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition and either underground or screened from view. Grass and weeds shall be kept mowed to prevent unsightly appearances. Dead, diseased or damaged trees which might create a hazard to property or person on any Lot or adjacent Lot shall be promptly removed or repaired.

Section 10.10 Occupancy. No house shall be occupied until it is completely finished on the exterior in accordance with the plans approved by the Architectural Review Board and until all the yard which is visible from the street is planted with grass or other suitable ground cover and the driveway surface either paved or provided with other surface approved by the Architectural Review Board.

Section 10.11 Interval Ownership, Timesharing and Devices to Effect Interval Ownership Prohibited. Association herein subjects

the Property to the further limitation and restriction that it shall be used and occupied for single-family dwelling units and such dwelling units shall not be utilized for purposes of timesharing or interval ownership, timesharing or interval licenses, or similar plans as those items are currently generally utilized in the real estate industry or as those or similar terms are expressed or defined in Chapter 32, Code of Laws of South Carolina, 1976, as amended.

Section 10.12 Signs. No commercial signs, including "for rent", "for sale", and similar signs, shall be erected or maintained on any Lot except with the written permission of the Board of Directors of the Association, except as may be required by legal proceedings, it being understood that the Association will not grant permission for said signs unless their erection is reasonably necessary to every serious hardship to the property Owner. If such permission is granted, the Association reserves the right to restrict size, color and content of such signs.

Section 10.13 Laws and Ordinances. Each Owner shall promptly comply with all laws, statutes, ordinances, rules and regulations of federal, state, county and municipal governments or authorities applicable to use, occupancy, construction and maintenance of improvements upon any Lot.

Section 10.14 Drainage. Each Owner hereby covenants and agrees for himself, his heirs, successors, assigns, and successors in title that he will refrain from interference with the established drainage pattern over his Lot from adjoining or other Lots, and will make adequate provision for proper drainage from any such other Lot in the event the established drainage over his Lot is changed or altered. For the purpose hereof, "established" drainage is defined as the drainage which will occur at the time the overall grading of the Property, including the landscaping of each Lot, is completed.

Section 10.15 Restrictions Run with Land. Association hereby declares and affirms that the restrictions described in this Article II shall be deemed restrictive covenants running with the land and are imposed as a limitation and burden upon each Lot and Dwelling Unit, the Common Property, Association, and all future Owners.

Section 10.16 Enforcement of Use Restrictions. Enforcement of these use restrictions shall be at law or in equity against any person or persons violating or attempting to violate any covenant of this Article either to restrain violation or to recover damages. Association, its successors and assigns, is hereby granted a right of entry upon each Lot without committing a trespass and shall have the right to charge the expense of preventing and/or terminating any violation to the violator plus twenty (20%) percent of the

costs for overhead expenses, which charge shall carry eight (8%) percent per annum interest until paid and shall be collectible in the same manner as an assessment.

ARTICLE 11
SALE OF UNITS

Section 11.1 No Severance of Ownership. No Owner shall execute any deed, mortgage or other instrument conveying or mortgaging title to his Lot without including therein the appurtenant interests, it being the intention hereof to prevent any severance of such combined ownership. Any such deed, mortgage, or other instrument purporting to affect one or more such interests, without including all such interests, shall be deemed and taken to include the interest or interests so omitted, even though the latter shall not be expressly mentioned or described therein. No part of the appurtenant interests of any Lot may be sold, transferred to, or otherwise disposed of, except as part of a sale, transfer or other disposition of such part of the appurtenant interests of all Lots.

Section 11.2 Payment of Assessments. No Owner shall convey, mortgage, pledge, hypothecate, sell or lease his Lot unless and until he shall have paid in full to the Property Owners' Association all unpaid assessments theretofore assessed by the Board of Directors against his Lot and dwelling he shall have satisfied all unpaid assessments against such Lot.

ARTICLE 12
GENERAL PROVISIONS

Section 12.1 Enforcement. The Association, or any Owner, shall have the right to enforce, by proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges, now or hereafter imposed by the provisions of this Declaration. Failure to enforce any covenants or restrictions herein contained shall in no event be deemed a waiver of the right to do so thereafter. A waiver of such right shall be only pursuant to an instrument in writing signed by the party to be charged with such waiver and shall be limited to the particular covenant, condition or restriction contained herein which is expressly set forth as being waived.

Section 12.2 Severability. Invalidation of any one of the provisions of this Association by judgment or court order shall in no way affect any other provision hereof, and all such other provisions shall remain in full force and effect.

Section 12.3 Violation and Nuisance. Every act or omission whereby any provision of this Declaration is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or

abated, whether or not the relief sought is for negative or affirmative action, the Association or any Owner or Owner of Lots.

Section 12.4 Violation Of Law. Any Violation of any federal, state, Municipal or local law, ordinance or regulation, pertaining to the ownership, occupation or use of any of the Property is hereby declared to be a violation of this Declaration and subject to any and all of the enforcement procedures set forth herein.

Section 12.5 Remedies Cumulative. Each remedy set forth in this Declaration shall be in addition to all other remedies whether available at law or in equity, and all such remedies, whether or not set forth in this Declaration, shall be cumulative and not exclusive.

Section 12.6 Delivery of Notice and Documents.

(a) Any written notice or other documents addressed to the Board, or Association, relating to or required or permitted by this Declaration may be delivered either personally or by registered or certified mail return receipt requested. If by registered or certified mail, it shall be deemed to have been given, delivered and received seventy-two (72) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to the address made known for such purpose by such prospective addressee. Any such address may be changed at any time by the party concerned by recording a written notice of change of address and delivering a copy thereof to the Association.

b) Any written notice or other documents relating to or required or permitted by this Declaration may be delivered to an Owner either personally or by mail. If by mail, it shall be deemed to have been given, delivered and received seventy-two (72) hours after a copy of same has been deposited in the United States mail, postage prepaid, to such Owner, to the address of any Lot owned, whether in whole or in part, by such Owner, or to any other address last furnished by such Owner to the Association. Each Owner of a Lot shall file his correct mailing address with the Association and shall promptly notify the Association in writing of any subsequent change of address.

Section 12.7 Reference and Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine and neuter, single and plural as the identity of the person or persons or entities may require.

Section 12.8 Declaration. By acceptance of a deed or by acquiring any ownership interest in any of the real property subject to this Declaration, each person or entity, for himself, his heirs, personal representatives, successors, transferees and assigns, is subjected to all of the provisions, restrictions,

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covenants, conditions, rules and regulations now or hereafter imposed by this Declaration and any amendment thereto. In addition, each such person by so doing thereby acknowledges that this Declaration sets forth a general scheme for the improvement and development of the real property covered hereby, and hereby evidence his intent that all the restrictions, conditions, covenants, rules and regulations contained herein shall run with the land and shall be binding upon all subsequent and future Owners, grantees, purchasers, assignees and transferees thereof. Furthermore, each such person fully understands and acknowledges that this Declaration shall be mutually beneficial to and enforceable by the various subsequent and future Owners.

Section 12.9 Utility Easements. Each Lot shall be conveyed to owners, other than Association, and thereafter held by such Owners, their successors and assigns, subject to any and all easements of record at the time of the initial conveyances of the particular Lot involved to a Owner other than Association for the use and benefit of the several authorized public and/or other utilities, including, but not limited to, cable television, sanitary sewers, water, gas, and electrical and drainage easements, and no Owner of a Lot shall damage or interfere with the installation, purpose or maintenance of such utilities, or in any manner change the direction or flow of drainage channels in any such easements, or in any manner obstruct or retard the flow of water through drainage channels in any such easements.

Section 12.10 Headings. The headings introducing the text of the several sections of this Declaration are solely for convenience or reference and shall constitute part of this Declaration or affect its meaning in any way.

Section 12.11 Incorporation of Exhibits. All Exhibits mentioned or referred to herein are by reference incorporated herein.

Section 12.12 Duration and Amendments. The covenants and restrictions of this Declaration shall run with and bind the land, and shall insure to the benefit of and be enforceable by the Association, or Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns for a term of twenty (20) years from the date of this Declaration, after which time said Declaration shall be automatically extended for successive periods of ten (10) years unless the Owners entitled to cast three-fourths (3/4) of the votes of the Association approves in writing a change in the covenants or restrictions. This Declaration may be amended during the first twenty (20) year period, or thereafter, as provided in section 6.4 or by an instrument signed by the Owners then entitled to cast three-fourths (3/4) of the votes of the Association. Provided, however, that no such agreement to change shall be effective unless

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made and recorded sixty (60) days in advance of the effective date of such change, and unless written notice of the proposed agreement is sent to every member of which the Association has notice; provided, further, that no amendment which changes the ratio of assessments against a Lot or Dwelling Unit Owner shall be allowed without the prior written approval of any Owners.

Section 12.13 Disposition of Assets Upon Dissolution of Association. Subject to the reservation by Association pertaining to properties donated by Association, upon dissolution of the Association, its real and personal assets, including the Common Property, shall be dedicated to one or more appropriate public agencies or utilities or to any non-profit corporation, association, trust or other organization to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association. No such disposition of the Association properties shall be effective to divest or diminish any right or title to any member vested in him under the licenses, covenants and easements of this Declaration, or under any subsequently recorded covenants and deeds applicable to the Property, unless made in accordance with the provisions of this Declaration or said covenants and deeds.

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IN WITNESS WHEREOF, Association has caused this Instrument to be executed this 15th day of September, 1993, by Stephen D. Halpern, its President.

WITNESSES:

SUNSET PLACE PROPERTY OWNERS' ASSOCIATION, INC. THE VILLAGES OF SKULL CREEK GARDEN HOMES

Juanita G. Willmore

Stephen D. Halpern
By: STEPHEN D. HALPERN
Its President

Connie Wagner

STATE OF SOUTH CAROLINA)
COUNTY OF BEAUFORT)

PROBATE

PERSONALLY appeared before me Juanita G. Willmore who on oath says that (s)he saw the within named SUNSET PLACE PROPERTY OWNERS' ASSOCIATION, THE VILLAGES OF SKULL CREEK, GARDEN HOMES, by Stephen D. Halpern, its President sign, seal and, as its act and deed, deliver the witnessed the execution thereof.

Juanita G. Willmore

SWORN to before me this 15th day of September, 1993.

Connie Wagner
Notary Public for South Carolina
My Commission Expires: 10-28-01

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EXHIBIT A
DESCRIPTION OF EXISTING PROPERTY

ALL that certain piece, parcel or tract of land lying and being in the Town of Hilton Head Island, Beaufort County, South Carolina, and being a portion of the Village of Skull Creek in Hilton Head Plantation and being more particularly shown and described as containing a total area of 3.897 Acres on that certain plat entitled "PLAT OF SUBDIVISION/THE VILLAGES OF SKULL CREEK/ GARDEN HOMES/prepared by Sea Island Engineering, Inc., E.S. Dunham, P.L.S. S.C. 11546 dated August 7, 1987, last revised on August 12, 1987, and recorded in Plat Book 35 at page 7 in the Office of the Registrar of Mesne Conveyance for Beaufort County, South Carolina, and later revised on May 5, 1993, on that certain plat entitled "SUNSET PLACE SUBDIVISION, a resubdivision of lots 3-17, THE VILLAGES OF SKULL CREEK, GARDEN HOMES", Hilton Head Plantation, Hilton Head Island, Beaufort County, South Carolina", and recorded in Plat Book 46, at Page 91, dated May 20, 1993, in the Office of the Registrar of Mesne Conveyance for Beaufort County, South Carolina.

EXHIBIT B
PLAT OF BUILDING GUIDELINES

Providing conformity to Hilton Head Plantation Class "A" Residential Covenants and Restrictions and including Class "C" Declaration of Covenants, Conditions and Restrictions (Zero Lot Line), showing typical building setbacks and privacy wall detail, recorded in Plat Book 47, at page 36, dated 8/23/93, in the Office of the Registrar of Mesne Conveyance for Beaufort County, South Carolina.

EXHIBIT C
BYLAWS
OF
THE SUNSET PLACE PROPERTY OWNERS' ASSOCIATION, INC.

I.
NAME AND LOCATION

The name of the Association is THE SUNSET PLACE PROPERTY OWNERS' ASSOCIATION, INC., hereinafter referred to as the "Association." The principal office of the Association shall be located at Hilton Head Island, Beaufort County, South Carolina, but meetings of Members and Directors may be held at such place within the State of South Carolina, as may be designated by the Board of Directors.

II.
DEFINITIONS

Section 2.1 "Member" shall mean and refer to those persons entitled to membership as provided in the Declaration.

Section 2.2 All capitalized terms herein shall have the same meaning as in the Declaration of Covenants, Conditions and Restrictions Applicable to the Sunset Place Subdivision, The Villages of Skull Creek, Garden Homes and The Sunset Place Property Owners' Association, Inc. made by the owners of The Sunset Place Subdivision The Villages of Skull Creek Property Owners' Association, as amended from time to time (the "Declaration").

III.
MEETING OF MEMBERS

Section 3.1 Annual Meetings. The first annual meeting of the Members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held on the same day of the same month each year thereafter, unless otherwise established by the Board of Directors. If the day of the annual meeting of the Members is a legal holiday, the meeting will be held the same hour on the first day following which is not a legal holiday.

Section 3.2 Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote twenty-five (25%) percent of all of the votes of the membership.

Section 3.3 Notice of Meeting. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting to each member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 3.4 Quorum. The presence at the meeting of the Members entitled to cast, or of proxies entitled to cast fifty-one (51%) percent of the votes, of the membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration of these Bylaws. If, however, such quorum shall not be present and represented at any meeting, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty days following the preceding meeting.

Section 3.5 Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

IV.

BOARD OF DIRECTORS: SELECTION, TERM OF OFFICE

Section 4.1 Number. The affairs of the Association shall be managed by a Board of Directors, who need not be Owners. The Board shall consist of two (2) Directors until the first election and three (3) Directors thereafter.

Section 4.2 Term of office. At the first annual meeting the Members shall elect one Director for a term of one (1) year, one (1) Director for a term of two (2) years and one (1) Director for a term of three (3) years; and at each annual meeting thereafter the Members shall elect one Director for a term of three(3) years.

Section 4.3 Removal. Any Director may be removed from the Board, with or without cause, at a Regular or Special Meeting of the Members by a vote of a majority of a quorum of members present or by proxy. In the event of death, resignation of, removal of a Director, his successor shall be elected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4.4 Compensation. No Director shall receive compensation for any service he may render to the Association. any Director may be reimbursed for his actual expense incurred in the performance of his duties. Section 4.5 Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

V.

NOMINATION AND ELECTION OF DIRECTORS

Section 5.1 Nomination. Nomination for the election to the Board of Directors shall be made by written petition signed by the Owner(s) of at least two (2) Lots within the subdivision, such petition to be filed with the secretary prior to any meeting called for the purpose of electing Directors.

Section 5.2 Election. Election to the Board of Directors shall be by secret ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. cumulative voting is not permitted.

VI.

MEETING OF DIRECTORS

Section 6.1 Regular Meetings. Regular meetings of the Board of Directors shall be held at least annually, without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 6.2 Special Meetings. Special meetings of the Board of Directors shall be held when called by Director, after not less than three (3) days notice of each Director.

Section 6.3 Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

VII.

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 7.1 Powers. The Board of Directors shall have the power to:

(a) Adopt and publish rules and regulations governing the use of the Common Property and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) Suspend the voting rights and right to use of the recreational facilities of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

(c) Exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration;

(d) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive, regular meetings of the Board of Directors; and

(e) Employ a manager, an independent contractor, or such other employees or agents as they deem necessary or appropriate for the exercise of their duties.

Section 7.2 Duties. It shall be the duty of the Board of Directors to:

(a) Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by Members entitled to cast one-fourth of the vote at such meeting;

(b) Supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;

(c) As more fully provided in the Declaration to:

- (I) Fix the amount of annual assessments against each Lot;
- (II) Send written notice of each assessment to every Owner subject thereto;

(III) Foreclosure the lien against any Lot or Dwelling Unit for which assessments are not paid and/or to bring an action at law against the Owner personally obligated to pay the same;

(IV) Issues, or to cause an appropriate officer to issue, upon demand of any person, a certificate setting forth whether or not an Assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment to any person except a person liable for the payment;

(V) Procure and maintain adequate liability and hazard insurance on the property owned by the Association; (VI) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

(VII) Cause the Common Property to be maintained.

VIII.

OFFICERS AND THEIR DUTIES

Section 8.1 Enumeration of Offices. The election of this Association shall be a President and a Secretary who shall at all times be members of the Board of Directors, a Treasurer, and such other officers as the Board may from time to time by resolution create.

Section 8.2 Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 8.3 Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed or otherwise disqualified to serve.

Section 8.4 Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 8.5 Resignation and Removal. Any officer may be removed from office with or without cause by the Board or by a vote of a majority of a quorum of members present in person or by proxy. Any officer may resign at any time giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 8.6 Multiple Offices. More than one office may be held by the same person, except no person shall simultaneously hold the offices of President and Secretary.

Section 8.7 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall service for the unexpired term of his predecessor.

Section 8.8 Duties. The duties of the officers are as follows:

(a) President. The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co sign all checks and promissory notes.

(b) Vice President. The Vice President, if any shall act in the place and stead of the President and in the event of his absence, inability or refusal to act, and shall exercise and discharge such duties as may be required of him by the Board.

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses; and shall perform such other duties as required by the Board.

(d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall co-sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year if required by the Board of Directors or the Members; and shall prepare an annual budget and statement of income and expenditures to be presented to the membership at its regular meeting, and deliver a copy of each to the Members.

IX. COMMITTEES

The Board of Directors may appoint committees as deemed appropriate in carrying out its purposes.

X.
BOOKS AND RECORDS

The books, records and papers of the Association shall, during reasonable business hours and upon reasonable notice, be subject to inspection by any Member. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association.

XI.
ASSESSMENTS

As more fully provided in the Declaration, each Member may be obligated from time to time to pay to the Association Regular and Special Assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall incur late charges from the date of delinquency at the rate of one and one-half (1.5%) percent per month and in no event less than Twenty (\$20.00) Dollars, and the Association may bring an action at law against the Owner personally obligated to pay the same and/or foreclose the lien against the property, and late charges, costs, and reasonable attorneys' fees of any such action shall be added to the amount of such assessment and be secured and collected in the same manner. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Property or abandonment of his Lot.

XII.
CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: "THE SUNSET PLACE PROPERTY OWNERS' ASSOCIATION, INC." or an appropriate abbreviation thereof.

XIII.
MERGER WITH ANOTHER PROPERTY OWNERS' ASSOCIATION

The Board of Directors of the Association may, by resolution adopted by a two-thirds (2/3) favorable vote of the Board, initiate a Mail Referendum in which Members of the Association shall collectively have the power to approve or reject any merger of the Association with another property owners' association serving an adjoining or nearby tract. Any Mail Referendum mailing shall include a statement prepared by the Directors of the Association stating the reasons that two-thirds (2/3) of the Directors are for passage of the Referendum, together with a statement prepared by the Directors dissenting from such proposed action; provided, however, that neither of such statements may exceed a maximum length of five (5) pages on each proposed action.

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Such Mail Referendum shall be deemed to be "Approved" and shall be deemed to be authorized by the Members in the event that fifty-one (51%) percent or more of the votes actually returned to the Association within the specified time shall be in favor of such action.

In order to be counted, any Mail Referendum ballots must be returned to the Association within thirty (30) days of the date the ballot was post marked as mailed by the Association.

No Mail Referendum shall be effective unless a statement of the results thereof is signed by the President and Secretary of the Association in their respective capacities, the statement is mailed to the Property Owners, and said statement is recorded in the real property records of Beaufort County, South Carolina, in the name of the association as the grantor. Said statement shall include the effective date of the merger, the date at which a mailing of the Mail Referendum was made, the total number of votes needed to adopt the merger and the total votes cast for and against the merger.

XIV.
AMENDMENTS

Section 14.1 These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy.

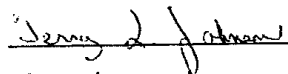
Section 14.2 In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. Nothing herein shall be deemed to limit the rights of the Association under the Declaration.

XV.
MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

XVI.
ADOPTION

The foregoing Bylaws were adopted at a meeting of the Members of the Association on Sept. 15, 1983.


Secretary

Johnson
Holman
Partnership
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