

MASTER DEED  
OF  
BEACHWALK VILLAS  
Horizontal Property Regime

Shipyard Plantation, Hilton Head Island  
Beaufort County, South Carolina

Developer:

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TO

MASTER DEED

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BEACHWALK VILLAS HORIZONTAL PROPERTY REGIME

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MASTER DEED

for

BEACHWALK VILLAS

410

Horizontal Property Regime

Shipyards Plantation, Hilton Head Island  
Beaufort County, South Carolina

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I.

HORIZONTAL PROPERTY REGIME CREATED

JUSTICE BUILDERS, INC., a South Carolina corporation ("the Developer"), having its principal office at Myrtle Beach, Horry County, South Carolina, as the sole owner in fee simple of the land and improvements hereinafter described, does hereby make, declare and publish its intention and desire to submit, and does hereby submit, the lands and buildings hereinbelow described, together with all other improvements thereon, including all easements, rights and appurtenances thereto belonging, to a Horizontal Property Regime to be known as Beachwalk Villas Horizontal Property Regime, ("the Regime") in the manner provided for by the South Carolina Horizontal Property Act, as amended, S.C. Code Ann., §§27-31-10 et seq. (1976) ("the Act"). By the execution and recording of this Master Deed, the Developer further states that:

(1) The Developer proposes to create and does hereby create, with respect to the property described above, the Regime containing not less than two (2) phases nor more than four (4) phases to be governed by and to be subject to the provisions of this Master Deed and of the Act;

(2) The Regime, and all property and/or interests in property contained therein, shall be owned, occupied, used, conveyed, encumbered, leased, improved in phases, maintained and governed in accordance with the provisions of the Act and in accordance with the covenants, restrictions, encumbrances, and obligations set forth or incorporated by reference in this Master Deed, all of which shall be deemed to be covenants, restrictions, encumbrances and obligations running with the land.

In conformity with Sections 27-31-30 and 27-31-100 of the Act, the Developer sets forth the following particulars with respect to the Regime:

II.

GENERAL DESCRIPTION OF PLAN OF DEVELOPMENT

The Developer intends to develop the property hereinafter described as a phased horizontal property regime containing not less than two (2) phases nor more than four (4) phases. The maximum number of Apartments in each phase shall be twenty-eight (28). The Developer hereby submits Phases I and II to the Regime. The Developer shall elect on or before December 31, 1982, whether to submit Phase III to the Regime. The Developer shall elect on or before December 31, 1982, whether to submit Phase IV to the Regime, but only if Phase III has been submitted to the Regime. A chart showing the percentage interest in the common elements of each Apartment owner at each stage of development (if the Developer elects to proceed with Phases III or IV) is attached hereto as Exhibit "C" and made a part hereof by reference.

LEGAL DESCRIPTION

The land ("the Real Property") which is hereby submitted to the Regime is described as Phases I and II on Exhibit "A" attached hereto and made a part hereof by reference. The land comprising Phases III and IV, which may be submitted to the Regime, is also described in said Exhibit "A" and shall be a part of the Real Property when submitted to the Regime. The Real Property as so described has an area set forth on said Exhibit "A".

## IV.

SURVEY AND DESCRIPTION OF IMPROVEMENTS

Attached hereto at the time this Master Deed is filed for record and incorporated herein by reference as if set forth in full herein is a survey and site plan showing the location of all buildings and other improvements, a set of floor plans of the buildings which show graphically the dimensions, area and location of each Apartment therein and the dimensions, area, and location of the Common Elements and Limited Common Elements affording access to each Apartment. Each Apartment is identified thereon by specific number and no Apartment bears the same designation as any other Apartment. Said survey, site plan and set of floor plans (hereinafter collectively called "the Regime Plans") is recorded as a separate Horizontal Property Regime plat in the office of the Clerk of Court for Beaufort County in Plat Book 28 at page 211. The buildings containing the Apartments have the areas set forth on said Exhibit "B".

## V.

APARTMENTS, GENERAL COMMON ELEMENTSAND LIMITED COMMON ELEMENTS

The Regime consists of Apartments, General Common Elements and Limited Common Elements, as said terms are hereinafter defined.

Apartments, as the term is used herein, shall mean and comprise the separate and numbered Apartments which are designated in Exhibit "B" to this Master Deed, excluding, however, all spaces and improvements lying beneath the undecorated and/or unfinished inner surfaces of the perimeter walls and floors, and above the undecorated and/or unfinished inner surfaces of the ceilings of each Apartment, and further excluding all spaces and improvements lying beneath the undecorated and/or unfinished inner surfaces of all interior loadbearing walls and/or unfinished bearing partitions, and further excluding all pipes, ducts, wires, conduits and other facilities running through any interior wall or partition for the furnishing of utility services to Apartments and General Common Elements. The general description and number of each Apartment, expressing its area, general location and any other data necessary for its identification, also appears in Exhibit "B". Each Apartment has a direct access, through one or more of the General Common Elements and Limited Common Elements as shown on the Regime Plans and described herein, to a public street or highway.

General Common Elements means and includes:

- (1) The Real Property (excluding the Limited Common Elements and the Apartments), including but not limited to the land on which the buildings containing the Apartments are constructed;
- (2) The foundations, main walls, roofs, halls, lobbies, stairways, and entrance and exit or communication ways;
- (3) The basements, flat roofs, yards and gardens, except as otherwise provided or stipulated;

(4) The premises for the lodging of janitors or persons in charge of the property, except as otherwise provided or stipulated;

(5) The compartments or installations of central services such as power, light, gas, cold and hot water, refrigeration, reservoirs, water tanks and pumps, and the like;

(6) The elevators, garbage incinerators and, in general, all devices and installations existing for common use;

(7) All other elements of the property rationally of common use or necessary to its existence, upkeep and safety, including but not necessarily limited to the following:

(a) The additional improvements designated as General Common Elements on Exhibit "B" attached hereto;

(b) All swimming pools and related and supporting facilities, all parking areas, roads, walkways, paths, trees, shrubs, yards, gardens, bodies of water, bridges, gazebos, and Regime entrance signs and lighting on the Real Property (outside of the Apartments);

(c) A non-exclusive easement and right-of-way for access, egress and ingress to and from the Regime and each Apartment and improvement contained therein across the private roads and streets of Shipyard Plantation to and from U.S. Highway 278, Pope Avenue, and any other public streets or highways adjoining or abutting such private roads and streets of Shipyard Plantation;

(d) A non-exclusive easement and right-of-way for access, egress and ingress to and from the Regime and each Apartment and improvement contained therein across the private roads and streets of Shipyard Plantation to and from all amenities and facilities of Shipyard Plantation (including access points to the Atlantic Ocean) to the use of which owners of Apartments and/or the Developer may now or hereafter be entitled.

Limited Common Elements means and includes:

(1) Those common elements which are agreed upon by all the Apartment owners to be reserved for the use of a certain number of Apartments to the exclusion of the other Apartments, such as special corridors, stairways, elevators, sanitary services common to the Apartments of a particular floor, and the like;

(2) The additional improvements designated as Limited Common Elements on Exhibit "B" attached hereto.

The General Common Elements and the Limited Common Elements are hereinafter occasionally collectively referred to as "the Common Elements".

VI.

OWNERSHIP OF APARTMENTS AND APPURTENANT

INTEREST IN COMMON ELEMENTS

Once the Real Property and Common Elements are submitted to the Regime, an Apartment in the Regime may be individually conveyed and encumbered and may be the subject of ownership, possession or sale and of all types of juridic acts inter vivos or mortis causa, as if it were sole and entirely independent of the other Apartments in the Regime of which it forms a part, and the corresponding individual titles and interests shall be recordable.

Any Apartment may be held and owned by more than one person as tenants in common or in any other recognized form of real property ownership.

An Apartment owner shall have the exclusive ownership of his Apartment and shall have a common right to a share, with the other co-owners, in the Common Elements of the Regime, equivalent to the percentage representing the value of the individual Apartment, with relation to the value of the whole Regime. This percentage is set forth on Exhibit "C" attached hereto and made a part hereof by reference, shall have a permanent character, shall not be altered without the acquiescence of the co-owners representing all the Apartments of the Regime, but will change (decrease) as additional phases may be submitted to the Regime.

The basic value, (identified as the "Value of or Statutory Purposes on said Exhibit "C") which shall be fixed for the sole purpose of this Master Deed and irrespectively of the actual value, shall not prevent each co-owner from fixing a different circumstantial value to his Apartment in all types of acts and contracts.

#### VII.

#### RESTRICTION AGAINST FURTHER SUBDIVIDING OF APARTMENTS AND SEPARATE CONVEYANCE OF APPURTENANT COMMON ELEMENTS, ETC.

No Apartment may be divided or subdivided into a smaller Apartment or smaller Apartments than as described in Exhibit "B" attached hereto, nor shall any Apartment, or portion thereof, be added to or incorporated into any other Apartment. The undivided interest in the Common Elements declared to be an appurtenance to each Apartment shall not be conveyed, devised, encumbered or otherwise dealt with separately from said Apartment, and the undivided interest in the Common Elements appurtenant to each Apartment shall be deemed conveyed, devised, encumbered, or otherwise included with the Apartment even though such undivided interest is not expressly mentioned or described in the instrument conveying, devising, encumbering, or otherwise dealing with such Apartment. Any conveyance, mortgage, or other instrument which purports to affect the conveyance, devise or encumbrance, or which purports to grant any right, interest or lien in, to, or upon, an Apartment, shall be null, void and of no effect insofar as the same purports to affect any interest in an Apartment and its appurtenant undivided interest in the Common Elements, unless the same purports to convey, devise, encumber or otherwise trade or deal with the entire Apartment. Any instrument conveying, devising, encumbering or otherwise dealing with any Apartment which describes said Apartment by the Apartment Number assigned thereto in Exhibit "B" without limitation or exception, shall be deemed and construed to affect the entire Apartment and its appurtenant undivided interest in the the Common Elements. Nothing herein contained shall be construed as limiting or preventing ownership of any Apartment and its appurtenant undivided interest in the the Common Elements by more than one person or entity as tenants in common, joint tenants, or any other recognized form of real property ownership.

#### VIII.

#### REGIME SUBJECT TO RESTRICTIONS

Each and every Apartment and the Common Elements shall be, and the same are hereby declared to be, subject to the restrictions, easements, conditions and covenants prescribed and established herein, governing the use of said Apartment and the Common Elements, and setting forth the obligations and responsibilities incident to ownership of each Apartment and its appurtenant undivided interest in the Common Elements and said Apartments and the Common Elements are further declared to be subject to the restrictions, easements, conditions, and limitations now of record affecting the Real Property and/or the improvements thereon.

IX.

PERPETUAL NON-EXCLUSIVE EASEMENT

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IN COMMON ELEMENTS

The General Common Elements shall be, and the same are hereby declared to be subject to a perpetual non-exclusive easement in favor of all of the co-owners of Apartments in the Regime for their use and the use of their immediate families, tenants, lessees, licensees, guests, and invitees, for all proper and normal purposes, and for the furnishing of services and facilities for which the same are reasonably intended, for the enjoyment of said co-owners of Apartments. Notwithstanding anything above provided in this article, Beachwalk Villas Condominium Association, Inc. (a South Carolina eleemosynary corporation, hereinafter called "the Association"), shall have the right to establish the rules and regulations pursuant to which the co-owner or co-owners of any Apartment may be entitled to the exclusive use of any parking space or spaces as well as any other Common Elements (whether General or Limited).

X.

EASEMENT FOR UNINTENTIONAL AND

NON-NEGLIGENT ENCROACHMENTS

In the event that any portion of the Common Elements now or hereafter encroaches upon any Apartment, or vice versa, or in the event that any portion of one Apartment now or hereafter encroaches upon another Apartment, a valid easement for the encroachment and for the maintenance of the same, so long as it stands, does and shall exist.

XI.

RESTRAINT UPON SEPARATION AND PARTITION

OF COMMON ELEMENTS

The Common Elements, both General and Limited, shall remain undivided and shall not be the object of an action for partition or division of the co-ownership. Any covenant to the contrary shall be void.

All the co-owners or the sole owner of the Regime may waive the Regime and regroup or merge the records of the individual Apartments with the Real Property, provided that the individual Apartments are unencumbered, or if encumbered, that the creditors in whose behalf the encumbrances are recorded agree to accept as security the undivided portions of the property owned by the debtors.

Subject to the other provisions of this Article XI, unless all of the first mortgagees (based upon one vote for each first mortgage owned), and owners (other than the Developer) of the Apartments have given their prior written approval, the Association shall not be entitled to:

- (a) by act or omission, seek to abandon or terminate the Regime;
- (b) change the pro rata interest or obligations of any Apartment for the purpose of: (i) levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or (ii) determining the pro rata share of ownership of each Apartment in the common elements;
- (c) partition or subdivide any Apartment;



(d) by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Regime shall not be deemed a transfer within the meaning of this subparagraph (d).

XII.

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PERCENTAGE OR UNDIVIDED INTEREST IN

COMMON ELEMENTS APPURTENANT TO EACH APARTMENT

The undivided interest in the Common Elements appurtenant to each Apartment is that percentage of undivided interest which is set forth and assigned to each Apartment in Exhibit "C" attached hereto and made a part hereof by reference.

XIII.

RESIDENTIAL USE RESTRICTION APPLICABLE TO APARTMENTS

Each Apartment is hereby restricted to residential use by the co-owner or co-owners thereof, their immediate families, guests, tenants, lessees, licensees and invitees; provided, however, that so long as the Developer shall retain any interest in the Regime, it may utilize an Apartment or Apartments of its choice owned by Developer from time to time, for a sales office, model, or other usage for the purpose of selling Apartments in said Regime. Developer may assign this commercial usage right to such other persons or entities as it may choose; provided, however, that when all Apartments have been sold, this right of commercial usage shall immediately cease. All draperies or other window coverings on a window facing the exterior of any apartment and visible from any Common Element or public or private street or area shall be lined with a white lining with the white lining exposed to the exterior of the Apartment. No "For Sale" signs or the like shall be permitted on any Common Element or in any Apartment so as to be visible from any Common Element or public or private street or area.

XIV.

USE OF COMMON ELEMENTS SUBJECT

TO RULES OF ASSOCIATION

The use of the Common Elements by the co-owner or co-owners of the Apartments, and all other parties authorized to use the same, shall be at all times subject to such reasonable rules and regulations as may be prescribed and established governing such use, or which may hereafter be prescribed and established by the Association.

XV.

REGIME TO BE USED FOR LAWFUL PURPOSES,

RESTRICTION AGAINST NUISANCES, ETC.

No immoral, improper, offensive or unlawful use shall be made of any Apartment or of the Common Elements, nor any part thereof, and all laws, zoning ordinances and regulations of all governmental authorities having jurisdiction of the Regime shall be observed. No co-owner of any Apartment shall permit or suffer any thing to be done or kept in his Apartment, or on the Common Elements, which will increase the rate of insurance on the Regime, or which will obstruct or interfere with the rights of other occupants of the building or annoy them by unreasonable noises, nor shall any such co-owner undertake any use or practice which shall create and constitute a nuisance to any other co-owner of an Apartment, or which interferes with the peaceful possession and proper use of any other Apartment or the Common Elements.

XVI.

RIGHT OF ENTRY INTO APARTMENTS IN EMERGENCIES

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In case of any emergency originating in or threatening any Apartment, regardless of whether the co-owner is present at the time of such emergency, the Board of Directors of Association or any other person or firm authorized by it, or the building superintendent or managing agent, shall have the right to enter such Apartment for the purpose of remedying or abating the cause of such emergency, and such right of entry shall be immediate, and to facilitate entry in the event of any such emergency, the co-owner of each Apartment if required by the Association, shall deposit under the control of the Association a key to such Apartment.

XVII.

RIGHT OF ENTRY FOR MAINTENANCE OF COMMON ELEMENTS

Whenever it is necessary to enter any Apartment for the purpose of performing any maintenance, alteration or repair to any portion of the Common Elements, the co-owner of each Apartment shall permit other co-owners or their representatives, or the duly constituted and authorized agent of Association, to enter such Apartment, provided that such entry shall be made only at reasonable times and with reasonable advance notice.

XVIII.

LIMITATION UPON RIGHT OF CO-OWNERS  
TO ALTER AND MODIFY APARTMENTS

No co-owner of an Apartment shall permit there to be made any structural modifications or alterations therein without first obtaining the written consent of the Association, which consent may be withheld in the event that a majority of the Board of Directors of the Association determine, in its sole discretion, that such structural modifications or alterations would affect or in any manner endanger any building in part or in its entirety. If the modification or alteration desired by the co-owner of any Apartment involves the removal of any permanent interior partition, the Association shall have the right to permit such removal so long as the permanent interior partition to be removed is not a load-bearing partition, and so long as the removal thereof would in no manner affect or interfere with the provision of utility services constituting Common Elements located therein. No co-owner shall cause any balcony or deck abutting his Apartment to be enclosed, or cause any improvements or changes to be made on the exterior of the building, including painting or other decoration, or the installation of electrical wiring, television antennae, machines or air conditioning units which may protrude through the walls or roof of the building, or in any manner change the appearance of any portion of the building not within the walls of such Apartment, nor shall storm panels or awnings be affixed, without the written consent of the Association being first obtained.

XIX.

RIGHT OF ASSOCIATION TO ALTER AND IMPROVE  
COMMON ELEMENTS AND ASSESSMENT THEREFOR

The Association shall have the right to make or cause to be made such alterations, modifications and improvements to the Common Elements, provided such alterations, modifications or improvements are first approved in writing by the Board of Directors of the Association and also by the co-owners of sixty percent (60%) or more of the Common Elements of the entire Regime; and the cost of such alterations, modifications or improvements shall be assessed as common expenses and collected from the co-owners of all Apartments according to their percentage of ownership of the Common Elements.

XX.

MAINTENANCE AND REPAIR BY CO-OWNERS OF APARTMENTS

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Every co-owner must perform promptly all maintenance and repair work within his Apartment which, if omitted, would adversely affect the Regime in its entirety or in a part belonging to other co-owners, being expressly responsible for the damages and liability which his failure to do so may engender. The co-owner of each Apartment shall be liable and responsible for the maintenance, repair and replacement, as the case may be, of all air conditioning and heating equipment, stoves, refrigerators, fans, or other appliances or equipment, including any fixtures and/or their connections required to provide water, light, power, telephone, sewage and sanitary service to his Apartment and which may now or hereafter be situated in his Apartment. Such co-owner shall further be responsible and liable for maintenance, repair and replacement of any and all window glass, wall, ceiling and floor exterior surfaces, painting, decorating and furnishings, and all other accessories which such co-owner may desire to place or maintain in his Apartment. Whenever the maintenance, repair and replacement of any items for which the co-owner of an Apartment is obligated to maintain, repair or replace at his own expense is occasioned by any loss or damage which may be covered by any insurance maintained in force by Association, the proceeds of the insurance received by Association, or the insurance trustee hereinafter designated, shall be used for the purpose of making such maintenance, repair and replacement as shall, by reason of the applicability of any deductibility provision of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement. The floor and interior walls of any balcony or deck attached to his Apartment shall be maintained by the co-owner at his expense. - Reference is made to S.C. Code Ann., §27-31-250 (1976), which code section is controlling of insurance proceeds when said code section is applicable by its terms.

XXI.

MAINTENANCE AND REPAIR OF

COMMON ELEMENTS BY THE ASSOCIATION

The Association, at its expense, shall be responsible for the maintenance, repair and replacement of all of the Common Elements, including those portions thereof which contribute to the support of any building, and all conduits, ducts, plumbing, wiring and other facilities located in the Common Elements for the furnishing of utility services to the Apartments and the Common Elements, and should any incidental damage be caused to any Apartment by virtue of any work which may be done or caused to be done by Association in the maintenance, repair, or replacement of any Common Elements, the Association shall, at its expense, repair such incidental damage.

XXII.

PERSONAL LIABILITY AND RISK OF LOSS OF CO-OWNER

OF APARTMENT AND SEPARATE INSURANCE COVERAGE

The co-owner of each Apartment may, at his own expense, obtain insurance coverage for loss of or damage to any furniture, appliances, plumbing, fixtures, furnishings, carpet, floor, and ceiling, and wall coverings, personal effects and other personal property belonging to such co-owner and may, at his own expense and option, obtain insurance coverage against personal liability for injury to the person or property of another while within such co-owner's Apartment or upon the Common Elements. All such insurance obtained by the co-owner of each Apartment shall, where available, provide that the insurer waives its right of subrogation as to any claims against other co-owners of Apartments, the Association, and the respective servants, agents and guests of said other co-owners and Association. Risk

of loss of or damage to any furniture, appliances, furnishings, personal effects and other personal property (other than such furniture, appliances, furnishings and personal property constituting a portion of the Common Elements) belonging to or carried on the person of the co-owner of or in, to or upon the Common Elements shall be borne by the co-owner of each such Apartment. All furniture, appliances, furnishings, carpet, floor, ceiling, and wall coverings and personal property constituting a portion of the Common Elements and held for the joint use and benefit of all co-owners of all Apartments shall be covered by such insurance as shall be maintained in force and effect by Association as hereinafter provided. The co-owner of an Apartment shall have no personal liability for any damages caused by the Association or in connection with the use of the Common Elements. The co-owner of an Apartment shall be liable for injuries or damage resulting from an accident in his own Apartment, to the same extent and degree that the co-owner of a house would be liable for an accident occurring within the house.

XXIII.

EMINENT DOMAIN

(1) Whenever any proceeding is instituted that could result in the temporary or permanent taking, injury, or destruction of all or part of the Common Elements or one or more Apartments or portions thereof by the exercise of the power of or power in the nature of eminent domain or by an action or deed in lieu of condemnation, the Board of Directors of the Association and each Apartment owner shall be entitled to notice thereof and the Board of Directors shall, and the Apartment owners at their respective expense may, participate in the proceedings incident thereto.

(2) With respect to Common Elements, any damages or awards shall be determined for such taking, injury or destruction as a whole and not for each Apartment owner's interests therein. After such determination, each Apartment owner shall be entitled to a share in the damages in the same proportion as his percentage of undivided interest in the common elements and facilities. This provision does not prohibit a majority of Apartment owners from authorizing the Board of Directors to use such damages or awards for replacing or restoring the common areas and facilities so taken on the remaining land, or on other acquired land, provided that this Master Deed and Regime Plans are duly amended.

(3) With respect to one or more Apartments or portions thereof, the damages or awards for such taking shall be deemed to be proceeds from insurance on account of damage or destruction and pursuant to the By-Laws of the Association, and shall be deposited with the Insurance Trustee as defined therein. Even though the damage or awards may be payable to one or more Apartment owners, the Apartment owners shall deposit the damages or awards with the Insurance Trustee, and in the event of failure to do so, at the option of the Board of Directors, either a special assessment shall be made against a defaulting Apartment owner in his unit in the amount of this award or the amount of such award shall be set off against the sums hereafter made payable to such Apartment owner. The proceeds of the damages or awards shall be distributed or used in the manner provided for in the By-Laws of the Association and the owners of affected Apartments shall have the rights provided in the By-Laws of the Association for insurance proceeds provided the property is removed from the Regime and from the provisions of the Act as may be allowed by applicable law. If the property is not removed from the Regime and from the provisions of the Act, and one or more Apartments are taken, in whole or in part, the taking shall have the following effects:

(a) If the taking reduces the size of a Apartment and the remaining portion of the unit may be made tenantable, the Apartment shall be made tenantable. If the cost of such work exceeds the amount of the award, the additional funds required shall be assessed against the owner of the Apartment. The balance of the award, if any, shall be distributed to the mortgagee (if any) of the Apartment to the extent of the unpaid balance of

its mortgage and the excess, if any, shall be distributed to the Apartment owner. If there is a balance of the award distributed to the Apartment owner or a mortgagee, the Apartment owner's percentage of undivided interest in the common elements and facilities shall be equitably reduced to the extent allowed by law. This reduction shall be done by reducing such interest in the proportion by which the floor area of the Apartment is reduced by the taking, and then recomputing the percentages of undivided interests of all Apartment owners in the Common Elements.

(b) If the taking destroys or so reduces the size of an Apartment that it cannot be made tenable, the award shall be paid to the mortgagee (if any) of the Apartment to the extent of the unpaid balance of its mortgage and the excess, if any, shall be distributed to the Apartment owner, and the remainder of the Apartment shall become a part of the Common Elements and shall be placed in condition for use by all Apartment owners in the manner approved by the Board of Directors. If the cost of such work shall exceed the balance of the fund from the award for the taking, such work shall be done only if approved by a majority of the Apartment owners. The percentages of undivided interests in the common areas and facilities appurtenant to the Apartment that continue as part of the property shall, to the extent allowed by law, be equitably adjusted to distribute the ownership of the Common Elements among the reduced number of Apartment owners.

(c) Changes in Apartments, in the Common Elements, and in the ownership of the Common Elements that are affected by the taking referred to in this Article XXIII shall be evidenced by an appropriate amendment to this Master Deed and Regime plans, which must be approved by a majority of the owners of the Apartments.

#### XXIV.

#### INSURANCE

The Association shall insure the Regime against risks, as is set forth in the By-Laws of the Association attached hereto (as the same may be amended from time to time), without prejudice to the right of each co-owner to insure his Apartment on his own account or for his own benefit.

#### XXV.

#### APPORTIONMENT OF TAX OR SPECIAL ASSESSMENT IF LEVIED AND ASSESSED AGAINST THE REGIME AS A WHOLE

In the event that any taxing authority having jurisdiction over the Regime shall levy or assess any tax or special assessment against the Regime as a whole, as opposed to levying and assessing such tax or special assessment against each Apartment and its appurtenant undivided interest in the Common Elements as now provided by law, then such tax or special assessment so levied shall be paid as a common expense by the Association, and any taxes or special assessments which are to be levied shall be included, wherever possible, in the estimated annual budget of the Association, or shall be separately levied and collected as an assessment by the Association, against all of the co-owners of Apartments and said Apartments if not included in said annual budget. The amount of any tax or special assessment paid or to be paid by Association in the event that such tax or special assessment is levied against the Regime, as a whole, instead of against each separate Apartment and its appurtenant undivided interest in the Common Elements shall be apportioned among the co-owners of all Apartments so that the amount of such tax or special assessment so paid or to be paid by Association and attributable to and to be paid by the co-owner or co-owners of each Apartment shall be that portion of such total tax or special assessment which bears the same ratio to said total tax or special assessment as the undivided interest in the Common Elements appurtenant to each Apartment bears to the total undivided interest in the Common Elements appurtenant to all Apart-

ments. In the event that any tax or special assessment shall be levied against the Regime in its entirety, without apportionment by the taxing authority to the Regime and appurtenant undivided interests in the Common Elements, then the assessment by Association, which shall include the proportionate share of such tax or special assessment attributable to each Apartment and its appurtenant undivided interest in the Common Elements, shall separately specify and identify the amount of such assessment attributable to such tax or special assessments, and the amount of such tax or special assessment so designated shall be and constitute a lien prior to all mortgages and encumbrances upon any Apartment and its appurtenant undivided interest in the Common Elements, regardless of the date of the attachment and/or recording of such mortgage or encumbrance, to the same extent as though such tax or special assessment had been separately levied by the taxing authority upon each Apartment and its appurtenant undivided interest in the Common Elements.

XXVI.

AMENDMENT OF MASTER DEED

Subject to the provisions of Article XI of this Master Deed, neither this Master Deed nor any of its provisions shall be revoked or amended without the approval of the co-owners owning at least two-thirds of the Apartments and at least two-thirds of the total interest in the Common Elements and the record holders of encumbrances affecting at least two-thirds of the Apartments and at least two-thirds of the total interest in the Common Elements, except that the system of administration as set forth in the Charter and By-Laws of the Association may be amended and modified from time to time in accordance with the provisions of the Act and other applicable law, the Charter, Articles of Incorporation and By-Laws of the Association. Any such amendment or revocation shall be executed and subscribed with the same formalities required in South Carolina for the making of deeds, and recorded in the public records of Beaufort County.

XXVII.

REMEDIES IN EVENT OF DEFAULT

The co-owner or co-owners of each Apartment shall be governed by and shall comply with the provisions of this Master Deed, and the Charter and Articles of Incorporation and the By-Laws of the Association and its rules and regulations as any of the same are now constituted or as they may be adopted and/or amended from time to time. The following described defaults by the co-owner or co-owners of any Apartment shall entitle the Association or the co-owner or co-owners of other Apartment or Apartments to the following relief:

A. Failure to comply with any of the terms of this Master Deed or other restrictions and regulations contained in the Charter, Articles of Incorporation or By-Laws of the Association, or its rules and regulations, shall be grounds for relief which may include, but not be limited to, an action to recover sums due for damages, injunctive relief, foreclosure of lien or any combination thereof and which relief may be sought by Association, or, if appropriate, by an aggrieved co-owner of an Apartment, or both.

B. The co-owner or co-owners of each Apartment shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, or by that of any member of his family, or his or their guests, employees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by Association. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of an Apartment or its appurtenances. Nothing herein contained, however, shall be construed so as to modify any waiver by insurance companies of rights of subrogation.

C. In any proceeding arising because of any such alleged default by the co-owner of any Apartment, the Association, if successful, shall be entitled to recover against the Apartment and have a lien for the costs of the proceedings, and such reasonable attorney's fees as may be determined by the Court, but in no event shall the co-owner of any Apartment be entitled to such attorney's fees.

D. The failure of the Association or of the co-owner of an Apartment to enforce any right, provision, covenant, or condition which may be granted by this Master Deed or other above mentioned documents shall not constitute a waiver of the right of the Association or of the co-owner of an Apartment to enforce such right, provision, covenant or condition in the future.

E. All rights, remedies and privileges granted to Association or the co-owner or co-owners of an Apartment pursuant to any terms, provisions, covenants, or conditions of this Master Deed or other above mentioned documents, shall be deemed to be cumulative and the exercise of any one or more shall not be deemed to constitute an election of remedies nor shall it preclude the party thus exercising the same from exercising such other and additional right, remedies, or privileges as may be available to such party at law or in equity.

F. The failure of the Developer, or of any mortgagee to enforce any right, privilege, covenant or condition which may be granted to them, or either of them, by this Master Deed or other above mentioned document shall not constitute waiver of the right of either of said parties to thereafter enforce such right, provision, covenant or condition in the future.

XXVIII.

USE OR ACQUISITION OF INTEREST IN THE  
REGIME TO RENDER USER OR ACQUIRER SUBJECT  
TO PROVISIONS OF MASTER DEED, RULES AND REGULATIONS

All present or future co-owners, tenants, or any other person who might use the facilities of the Regime in any manner, are subject to the provisions of this Master Deed and all documents appurtenant hereto and incorporated herewith, and the mere acquisition or rental of any Apartment, or the mere act of occupancy of any Apartment, shall signify: (1) that the provisions of this Master Deed are accepted and ratified in all respects; and (2) that the owner(s) of such Apartment acquiesces in the decreasing percentage set forth in Article VI of this Master Deed.

XXIX.

RIGHT OF DEVELOPER TO REPRESENTATION ON BOARD  
OF DIRECTORS OF ASSOCIATION

So long as the Developer is the co-owner of Five (5) or more Apartments in the Regime, the said Developer shall have the right to designate and select all of the persons who shall serve as members of each Board of Directors of the Association; and so long as the Developer is the co-owner of at least One (1) but not more than Four (4) Apartments, the Developer shall have the right to designate and select a majority of the persons who shall serve as a member of each Board of Directors of the Association. Whenever the Developer shall be entitled to designate and select any person or persons to serve on any Board of Directors of Association the manner in which such person or persons shall be designated shall be as provided in the Charter, Articles of Incorporation and/or By-Laws of the Association, and the Developer shall have the right to remove any person or persons selected by it to act and serve on said Board of Directors and to replace such person or persons with another person or other persons to act and serve in the place of

any director or directors so removed from the remainder of the unexpired term of any director or directors so removed. Any director designated and selected by the Developer need not be a resident in the Regime. Anything to the contrary notwithstanding, the power in the Developer to designate directors shall terminate on December 31, 1981.

Any representative of the Developer serving on the Board of Directors of the Association shall not be required to disqualify himself upon any vote upon any management contract or other matter between Developer and Association where the Developer may have a pecuniary or other interest. Similarly, Developer as a member of Association, shall not be required to disqualify itself in any vote which may come before the membership of the Association upon any management contract or other matter between the Developer and the Association where the Developer may have a pecuniary or other interest.

XXX.

ANNUAL REPORTS TO BE PROVIDED TO LENDER

So long as the lender to be selected by the Developer is the co-owner or holder of mortgages encumbering five (5) or more Apartments in the Regime, the Association shall furnish said lender with at least one copy of the annual financial statement and report of the Association audited satisfactorily to such lender and setting forth such details as the said lender may reasonably require, including a detailed statement of annual carrying charges or income collected, and operating expenses, such financial statement and report to be furnished within ninety (90) days following the end of each fiscal year.

Such statement shall be prepared in accordance with generally accepted accounting principles and shall contain the certificate of the accountant or accounting firm to that effect. Further, the accountant or accounting firm shall include as a special item(s) any information to which a reasonable man would attach importance in the management of his own financial affairs, should said information not appear readily from the face of the statement.

XXXI.

SEVERABILITY

In the event that any of the terms, provisions or covenants of this Master Deed are held to be partially or wholly invalid or unenforceable for any reason whatsoever, such holding shall not affect, alter, modify or impair in any manner whatsoever any of the other terms, provisions or covenants hereof or the remaining portions of any terms, provisions or covenants held to be partially invalid or unenforceable.

XXXII.

MASTER DEED BINDING UPON DEVELOPER, ITS SUCCESSORS

AND ASSIGNS, AND SUBSEQUENT CO-OWNERS

The restrictions and burdens imposed by the covenants of this Master Deed are intended to and shall constitute covenants running with the land, and shall constitute an equitable servitude upon each Apartment and its appurtenant undivided interest in the Common Elements and this Master Deed shall be binding upon the Developer, its successors and assigns, and upon all parties who may subsequently become co-owners of Apartments in the Regime, and their respective heirs, legal representatives, successors and assigns.

XXXIII.

DEVELOPER'S EASEMENTS AND RESERVATIONS

Developer, its successors and assigns, shall have the right of ingress and egress over, upon, and across the Common Elements, and/or any





EXHIBIT "A"

TO MASTER DEED OF

BEACHWALK VILLAS HORIZONTAL PROPERTY REGIME

424

DESCRIPTION OF REAL PROPERTY

A. Legal Description of Real Property Submitted to Regime by the Execution and Recording of the Master Deed:

PHASE I:

All that certain piece, parcel or tract of land, together with the improvements thereon, situate, lying and being on the northwest side of South Shipyard Drive, in Shipyard Plantation, Hilton Head Island, Beaufort County, South Carolina, Containing 3.705 acres and being shown as "Phase I" on Survey Plat prepared for Justice Builders, Inc. by Freiesleben-Yerkes, Inc. dated April 30, 1980, recorded in the office of the Clerk of Court for Beaufort County in Plat Book 28 at page 211, and being more particularly described as shown on said plat, which plat is incorporated herein and made a part hereof by reference.

PHASE II:

All that certain piece, parcel or tract of land, together with the improvements thereon, situate, lying and being northwest of South Shipyard Drive in Shipyard Plantation, Hilton Head Island, Beaufort County, South Carolina, containing 2.462 acres and being shown as "Phase II" on Survey Plat prepared for Justice Builders, Inc. by Freiesleben-Yerkes, Inc. dated April 30, 1980, recorded in the office of the Clerk of Court for Beaufort County in Plat Book 28 at page 211, and being more particularly described as shown on said plat, which plat is incorporated herein and made a part hereof by reference. This tract lies immediately adjacent to and northwest of the tract described as Phase I above.

B. Legal Description of Real Property Which Developer May Elect to Submit to the Regime by the Execution and Recording of a Subsequent Appropriate Instrument, but Which Is Not Submitted by the Master Deed:

PHASE III:

All that certain piece, parcel or tract of land, together with the improvements thereon, situate, lying and being northwest of South Shipyard Drive in Shipyard Plantation, Hilton Head Island, Beaufort County, South Carolina, containing 2.479 acres and being shown as "Phase III" on Survey Plat prepared for Justice Builders, Inc. by Freiesleben-Yerkes, Inc. dated April 30, 1980, recorded in the office of the Clerk of Court for Beaufort County in Plat Book 28 at page 211, and being more particularly described as shown on said plat, which plat is incorporated herein and made a part hereof by reference. This tract lies immediately adjacent to and northwest of the tract described as Phase II above.

PHASE IV:

All that certain piece, parcel or tract of land, together with the improvements thereon, situate, lying and being northwest of South Shipyard Drive in Shipyard Plantation, Hilton Head Island, Beaufort County, South Carolina, containing 2.642 acres and being shown as "Phase IV" on Survey Plat prepared for Justice Builders, Inc. by Freiesleben-Yerkes, Inc. dated April 30, 1980, recorded in the office of the Clerk of Court for Beaufort County in Plat Book 28 at page 211, and being more particularly described as shown on said plat, which plat is incorporated herein and made a part hereof by reference. This tract lies immediately adjacent to and northwest of the tract described as Phase III above.

DERIVATION OF TITLE: Phases I, II, III and IV above together comprise the same property conveyed to Justice Builders, Inc. by deed of Edwin O. Place, Jr., Trustee, dated November 7, 1979, recorded in said Clerk's office on November 14, 1979, in Deed Book 291 at page 1890.

EXHIBIT "B"

TO MASTER DEED OF

BEACHWALK VILLAS HORIZONTAL PROPERTY REGIME

425

Apartment Description and Numbers

Exhibit "B" incorporates into the Master Deed a boundary survey, an as-built survey and site plan (attached to the Master Deed at the time of recording) showing the location of the buildings and other improvements, and a set of floor plans of the buildings which show graphically the dimensions, area and location of the Common Elements appurtenant to and affording access to each Apartment.

The aforementioned survey and plans (hereinafter collectively called "the Regime Plans") were prepared by Richard E. Martin, A.I.A., Architects and Land Planners, and are recorded in the office of the Clerk of Court for Beaufort County in Plat Book 28 at page 211, and are hereby incorporated herein and made a part hereof by reference.

The Regime Plans show that there are four (4) phases which are or may be submitted to the Regime, each of which phases contains twenty-eight (28) Apartments in four (4) buildings. Sheet 1 of the Regime Plans shows that the 28 Apartments in Phase I (numbered 101 through 128 inclusive) are located in buildings numbered 1 through 4; that the 28 Apartments in Phase II (numbered 129 through 156 inclusive) are located in buildings numbered 5 through 8; that the 28 Apartments in Phase III (numbered 157 through 184 inclusive) are to be located in buildings numbered 9 through 12; that the 28 Apartments in Phase IV (numbered 185 through 212 inclusive) are to be located in buildings numbered 13 through 16. The following table shows which units are contained within which buildings:

<u>Phase</u>	<u>Building Number</u>	<u>Area Of Building (sq. ft.)</u>	<u>Apartments Contained in Building (numbers inclusive)</u>
I	1	8,214	101-106
I	2	10,019	115-121
I	4	11,595	107-114
I	3	10,381	122-128
II	5	9,195	129-135
II	6	10,200	136-142
II	7	10,381	150-156
II	8	9,195	143-149
III	9	10,200	163-169
III	10	10,381	157-162
III	11	11,595	170-177
III	12	9,195	178-184
IV	13	10,200	192-198
IV	14	9,195	185-191
IV	15	10,200	199-205
IV	16	9,195	206-212

Preceding each unit number on sheet 1 is the prefix A, B, C, D or E. This prefix identifies the Apartment type (more fully described below), is for descriptive purposes only, and is not part of the identifying number of any Apartment. The Apartment type for each Apartment number is also set forth on Exhibit "C" to the Master Deed.

Sheet 1 also shows the location of swimming pools, pool (swim club) house and deck, and related facilities, all situate entirely within Phase I between buildings 3 and 7 near the northeast boundary of the Real Property. Sheet 1 also shows the location of other improvements such as roadways (private drives), parking areas, lagoons and other water areas, bridges and footpaths, entry sign and two (2) gazebos. All of the improvements described in this paragraph are General Common Elements.

EXHIBIT "B" (continued)

426

Apartment type A is a downstairs, two-bedroom, two-bath flat (all on one floor) Apartment containing 1,272 heated square feet (exclusive of decks and exterior stairways). Apartment type B is an upstairs, two-bedroom, two-bath flat Apartment containing 1,272 heated square feet (exclusive of decks and exterior stairways). Apartment type C is an upstairs, one-bedroom, two-bath flat Apartment containing 1,116 heated square feet (exclusive of decks and exterior stairways). Apartment type D is a two-bedroom, two and one-half bath townhouse (on two floors) Apartment containing 1,308 heated square feet (exclusive of decks and exterior stairways). Apartment type E is a three-bedroom, three and one-half bath townhouse Apartment containing 1,733 heated square feet (exclusive of decks and exterior stairways).

On the Regime plans, detailed plans of Apartment type A appear on sheet 2; detailed plans of Apartment type B appear on sheet 3; detailed plans of Apartment type C appear on sheet 4; detailed plans of Apartment type D appear on sheet 5; detailed plans of Apartment type E appear on sheet 6.

Sheet 1 also shows the instances in which the combination of Apartment type A (downstairs) with Apartment type B (upstairs) occurs; this combination occurs with the following Apartments:

<u>Phase</u>	<u>Building</u>	<u>Type A Apartment Number</u>	<u>Type B Apartment Number</u>
I	4	107	108
I	3	122	123
II	5	134	135
II	6	136	137
II	8	143	144
II	7	150	151
II	7	155	156
III	10	161	162
III	9	168	169
III	11	176	177
III	12	178	179
IV	13	197	198
IV	14	190	191
IV	15	199	200
IV	16	211	212

Sheet 1 also shows the instances in which the combination of Apartment type A (downstairs) with Apartment type C (upstairs) occurs; this combination occurs with the following Apartments:

<u>Phase</u>	<u>Building</u>	<u>Type A Apartment Number</u>	<u>Type C Apartment Number</u>
I	1	101	102
I	1	105	106
I	4	113	114
I	2	115	116
I	2	120	121
II	5	129	130
II	6	141	142
II	8	148	149
III	10	157	158
III	9	163	164
III	11	170	171
III	12	183	184
IV	14	185	186
IV	13	192	193
IV	15	204	205
IV	16	206	207

EXHIBIT "B" (continued)

All kitchen and other electrical appliances, air-conditioning and heating units and hot water heaters located within each Apartment are neither General Common Elements nor Limited Common Elements, but are the personal property of the Apartment owner(s).

Included in the General Common Elements are asphalt parking areas, concrete and wood walks, a pool, wood and concrete sundeck around the pool, and landscaping. Specific designations of General Common Elements contained herein are for clarification only and are to be read in conjunction with the definitions of such elements contained elsewhere in the Master Deed and also in conjunction with the Regime plans.

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EXHIBIT "C"

TO MASTER DEED OF  
BEACHWALK VILLAS HORIZONTAL PROPERTY REGIME

428

Schedule of Percentage of Undivided Interest in the Common Elements Appurtenant to Apartments in Beachwalk Villas Horizontal Property Regime, pursuant to S. C. Code Ann., §27-31-60 (1976):

Phase and Apartment Number	Type of Apt.	Value for Statutory Purposes	Apartment's Percentage of Undivided Interest in the Common Elements upon Submission to the Regime of:		
			Phases I & II	Phase III	Phase IV
PHASE I:					
101	A	\$ 84,914.76	1.62082	1.08243	.81041
102	C	74,202.58	1.41635	.94587	.70817
103	D	91,577.20	1.74799	1.16736	.87399
104	E	118,880.76	2.26915	1.51540	1.13457
105	A	84,914.76	1.62082	1.08243	.81041
106	C	74,202.58	1.41635	.94587	.70817
107	A	84,914.76	1.62082	1.08243	.81041
108	B	84,914.76	1.62082	1.08243	.81041
109	D	91,577.20	1.74799	1.16736	.87399
110	E	118,880.76	2.26915	1.51540	1.13457
111	E	118,880.76	2.26915	1.51540	1.13457
112	D	91,577.20	1.74799	1.16736	.87399
113	A	84,914.76	1.62082	1.08243	.81041
114	C	74,202.58	1.41635	.94587	.70817
115	A	84,914.76	1.62082	1.08243	.81041
116	C	74,202.58	1.41635	.94587	.70817
117	D	91,577.20	1.74799	1.16736	.87399
118	E	118,880.76	2.26915	1.51540	1.13457
119	E	118,880.76	2.26915	1.51540	1.13457
120	A	84,914.76	1.62082	1.08243	.81041
121	C	74,202.58	1.41635	.94587	.70817
122	A	84,914.76	1.62082	1.08243	.81041
123	B	84,914.76	1.62082	1.08243	.81041
124	D	91,577.20	1.74799	1.16736	.87399
125	E	118,880.76	2.26915	1.51540	1.13457
126	E	118,880.76	2.26915	1.51540	1.13457
127	A	84,914.76	1.62082	1.08243	.81041
128	B	84,914.76	1.62082	1.08243	.81041
PHASE II:					
129	A	84,914.76	1.62082	1.08243	.81041
130	C	74,202.58	1.41635	.94587	.70817
131	D	91,577.20	1.74799	1.16736	.87399
132	E	118,880.76	2.26915	1.51540	1.13457
133	E	118,880.76	2.26915	1.51540	1.13547
134	A	84,914.76	1.62082	1.08243	.81041
135	B	84,914.76	1.62082	1.08243	.81041
136	A	84,914.76	1.62082	1.08243	.81041
137	B	84,914.76	1.62082	1.08243	.81041
138	E	118,880.76	2.26915	1.51540	1.13457
139	E	118,880.76	2.26915	1.51540	1.13547
140	D	91,577.20	1.74799	1.16736	.87399
141	A	84,014.76	1.62082	1.08243	.81041
142	C	74,202.58	1.41635	.94587	.70817
143	A	84,914.76	1.62082	1.08243	.81041

## EXHIBIT "C" (continued)

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144	B	84,914.76	1.62082	1.08243	.81041
145	E	118,880.76	2.26915	1.51540	1.13457
146	E	118,880.76	2.26915	1.51540	1.13457
147	D	91,577.20	1.74799	1.16736	.87399
148	A	84,914.76	1.62082	1.08243	.81041
149	C	74,202.58	1.41635	.94587	.70817
150	A	84,914.76	1.62082	1.08243	.81041
151	B	84,914.76	1.62082	1.08243	.81041
152	E	118,880.76	2.26915	1.51540	1.13457
153	E	118,880.76	2.26915	1.51540	1.13457
154	D	91,577.20	1.74799	1.16736	.87399
155	A	84,914.76	1.62082	1.08243	.81041
156	B	84,914.76	1.62082	1.08243	.81041
TOTAL		<u>\$5,238,981.08</u>	<u>99.99964</u>	<u>66.78252</u>	<u>49.99966</u>

(Phases I &amp; II)

## PHASE III

157	A	84,914.76	---	1.08243	.81041
158	C	74,202.58	---	.94587	.70817
159	D	91,577.20	---	1.16736	.87399
160	E	118,880.76	---	1.51540	1.13457
161	A	84,914.76	---	1.08243	.81041
162	B	84,914.76	---	1.08243	.81041
163	A	84,914.76	---	1.08243	.81041
164	C	74,202.58	---	.94587	.70817
165	D	91,577.20	---	1.16736	.87399
166	E	118,880.76	---	1.51540	1.13457
167	E	118,880.76	---	1.51540	1.13457
168	A	84,914.76	---	1.08243	.81041
169	B	84,914.76	---	1.08243	.81041
170	A	84,914.76	---	1.08243	.81041
171	C	74,202.58	---	.94587	.70817
172	D	91,577.20	---	1.16736	.87399
173	E	118,880.76	---	1.51540	1.13457
174	E	118,880.76	---	1.51540	1.13457
175	D	91,577.20	---	1.16736	.87399
176	A	84,914.76	---	1.08243	.81041
177	B	84,914.76	---	1.08243	.81041
178	A	84,914.76	---	1.08243	.81041
179	B	84,914.76	---	1.08243	.81041
180	E	118,880.76	---	1.51540	1.13457
181	E	118,880.76	---	1.51540	1.13457
182	D	91,577.20	---	1.16736	.87399
183	A	84,914.76	---	1.08243	.81041
184	C	74,202.58	---	.94587	.70817
TOTALS		<u>\$7,844,820.84</u>	<u>99.99964</u>	<u>99.99976</u>	<u>74.86920</u>

(Phases I, II  
and III)

## PHASE IV:

185	A	84,914.76	---	---	.81041
186	C	74,202.58	---	---	.70817
187	D	91,577.20	---	---	.87399
188	E	118,880.76	---	---	1.13457
189	E	118,880.76	---	---	1.13457
190	A	84,914.76	---	---	.81041
191	B	84,914.76	---	---	.81041
192	A	84,914.76	---	---	.81041
193	C	74,202.58	---	---	.70817
194	D	91,577.20	---	---	.87399

EXHIBIT "C" (continued)

195	E	118,880.76	---	---	1.13457
196	E	118,880.76	---	---	1.13457
197	A	84,914.76	---	---	.81041
198	B	84,914.76	---	---	.81041
199	A	84,914.76	---	---	.81041
200	B	84,914.76	---	---	.81041
201	E	118,880.76	---	---	1.13457
202	E	118,880.76	---	---	1.13457
203	D	91,577.20	---	---	.87399
204	A	84,914.76	---	---	.81041
205	C	74,202.58	---	---	.70817
206	A	84,914.76	---	---	.81041
207	C	74,202.58	---	---	.70817
208	D	91,577.20	---	---	.87399
209	E	118,880.76	---	---	1.13457
210	E	118,880.76	---	---	1.13457
211	A	84,914.76	---	---	.81041
212	B	84,914.76	---	---	.81041
TOTALS					
(Phases I, II, III & IV)		\$10,477.962.15	99.99964	99.99976	99.99932

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EXHIBIT "D"

TO MASTER DEED OF  
BEACHWALK VILLAS HORIZONTAL PROPERTY REGIME

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Architect's Certificate\*

Pursuant to S. C. Code Ann., §27-31-110 (1976), I certify that the Regime Plans described in the attached Exhibit "B" of Beachwalk Villas Horizontal Property Regime (situate upon real estate described in the attached Exhibit "A"), fully depict (within reasonable construction tolerances) the layout, location, number identification, and dimensions of the buildings and improvements contained in Phases I and II of the Regime, said plans being dated July 23, 1980.

/s/ Richard E. Martin, AIA

License No. 2174  
Architect, Registered South Carolina

Myrtle Beach, South Carolina

July 23, 1980

\*(For original Architect's Certificate, see title page of Regime Plans)

APPENDIX "A"

BY-LAWS

OF

BEACHWALK VILLAS CONDOMINIUM ASSOCIATION, INC.

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1. IDENTITY

These are the By-Laws of Beachwalk Villas Condominium Association, Inc., an eleemosynary corporation organized and existing under the laws of the State of South Carolina (hereinafter called "the Association"), which has been organized for the purpose of administering Beachwalk Villas Horizontal Property Regime, a horizontal property regime established pursuant to S. C. Code Ann. §§27-31-10 et seq. (1976) (hereinafter called "the Regime"). The Regime is identified by the name Beachwalk Villas and is located upon the real property in Beaufort County, South Carolina, described on Exhibit "A" attached hereto and made a part hereof by reference.

(a) The provisions of these By-Laws are applicable to the Regime, and the terms and provisions hereof are expressly subject to the effect of the terms, provisions, conditions, and authorizations contained in the Charter and Articles of Incorporation of the Association and in the Master Deed which has been recorded in the public records of Beaufort County, South Carolina, at the time portions of said property and the improvements now or hereafter situate thereon were submitted to the plan of condominium ownership. The terms and provisions of said Charter, Articles of Incorporation and Master Deed shall be controlling wherever the same may be in conflict with these By-Laws.

(b) All present or future co-owners, tenants, future tenants, or their employees, or any other person that might use the Regime or any of the facilities thereof in any manner, are subject to the regulations set forth in these By-Laws and in said Charter, Articles of Incorporation and Master Deed (and any amendments thereto).

(c) The office of the Association shall be at Beachwalk Villas Condominiums, South Shipyard Drive, Shipyard Plantation, Hilton Head Island, South Carolina, or such other place as the Board of Directors of the Association may designate from time to time.

(d) The fiscal year of the Association shall be the calendar year.

(e) The seal of the Association shall bear the name of the Association and the word "South Carolina".

2. MEMBERSHIP, VOTING, QUORUM, PROXIES

(a) The qualification of members, the manner of their admission to membership and termination of such membership, and voting by members, shall be as set forth in Article III of the Articles of Incorporation of the Association, the provisions of which said Article III of the Articles of Incorporation are incorporated herein by reference.

(b) The quorum at members' meetings shall consist of persons entitled to cast a majority (51% of the value of the property) of the votes of the entire membership. The joinder of a member in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purpose of determining a quorum.

(c) The vote of the co-owners of an Apartment owned by more than one person or by a corporation or other entity shall be cast by the person named in a certificate signed by all of the co-owners of the Apartment and filed with the Secretary of the Association, and such certificate shall be

valid until revoked by subsequent certificate. If such a certificate is not on file, the vote of such co-owners shall not be considered in determining the requirement for a quorum, nor for any other purpose.

(d) Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of the meeting for which their use is sought.

(e) Approval or disapproval of an Apartment co-owner upon any matters, whether or not the subject of an Association meeting, shall be by the same person who casts the vote of such co-owner if in an Association meeting.

(f) Except where otherwise required under the provisions of the Charter or Articles of Incorporation of the Association, these By-Laws, the Master Deed, or where the same may otherwise be required by law, the affirmative vote of the co-owners of a majority of the Apartments represented at any duly called members' meeting at which a quorum is present shall be binding upon the members.

### 3. ANNUAL AND SPECIAL MEETINGS OF MEMBERSHIP

(a) The annual members' meeting shall be held at the office of the Association or such other place as may be designated by the Board of Directors, at 10:00 a.m., Eastern Standard Time, on the first Saturday in March of each year for the purpose of electing directors and of transacting any other business authorized to be transacted by the members; provided, however, that if that day is a legal holiday, the meeting shall be held at the same hour on the next succeeding Saturday. The first annual meeting shall be held in 1981.

(b) Special members' meetings shall be held whenever called by the President or Vice President or by a majority of the Board of Directors, and must be called by such officers upon receipt of a written request from the members of the Association owning a majority of the Apartments.

(c) Notice of all members' meetings, regular or special, shall be given by the President, Vice President or Secretary of the Association, or other officers of the Association in the absence of said officers, to each member, unless waived in writing, such notice to be written or printed and to state the time and place and object for which the meeting is called. Such notice shall be given to each member not less than ten (10) days nor more than sixty (60) days prior to the date set for such meeting, which notice shall be mailed or presented personally to each member within said time. If presented personally, receipt of such notice shall be signed by the member, indicating the date on which such notice was received by him. If mailed, such notice shall be deemed properly given when deposited in the United States mails addressed to the member at his post office address as it appears on the records of the Association, the postage thereon prepaid. Proof of such mailing shall be given by the affidavit of the person giving the notice. Any member may, by written waiver of notice signed by such member, waive such notice, and such waiver, when filed in the records of the Association, whether before or after the holding of the meeting, shall be deemed equivalent to the giving of such notice to such member. If any members' meeting cannot be organized because a quorum has not been attended, or because the greater percentage of the membership required to constitute a quorum for particular purposes has not attended, wherever the latter percentage of attendance may be required as set forth in the Article 3 of Incorporation, these By-Laws or the Master Deed, the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum, or the required percentage of attendance if greater than a quorum, is present.

(d) At meetings of membership, the President shall preside or, in the absence of him, the membership present shall select a chairman.

(e) The order of business at annual members' meetings, and, as far as practical, at any other members' meeting, shall be:

- i) Calling of the roll and certifying proxies
- ii) Proof of notice of meeting or waiver of notice
- iii) Reading of minutes
- iv) Reports of officers
- v) Reports of committees
- vi) Appointment by chairman of inspectors of election
- vii) Election of directors
- viii) Unfinished business
- ix) New business
- x) Adjournment

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#### 4. BOARD OF DIRECTORS

(a) The first Board of Directors of the Association and succeeding Boards of Directors, shall consist of five (5) persons. At least a majority of the Board of Directors shall be members of the Association, or shall be authorized representatives, officers, or employees of a corporate member of the Association. So long as Justice Builders, Inc., hereinafter referred to as the "Developer", is the co-owner of five (5) or more Apartments in the Regime, the Developer shall have the right to designate and select all of the persons who shall serve as members of each Board of Directors of the Association; and so long as the Developer is the co-owner of at least one, but not more than four (4) Apartments, the Developer shall have the right to designate and select a majority of the persons who shall serve as a member of each Board of Directors of the Association. The power of the Developer to designate directors as above referred to shall terminate on December 31, 1981. The Developer has heretofore (in the Articles of Incorporation of the Association) designated the initial Board of Directors and Officers of the Association.

(b) Election of directors shall be conducted in the following manner:

i) The Developer, as Sponsor of the Regime, shall, at the beginning of the election of the Board of Directors, designate and select that number of the members of the Board of Directors which it should be entitled to designate and select in accordance with the provisions of these By-Laws, and upon such designation and selection by the Developer by written instrument presented to the meeting at which such election is held, said individuals so designated and selected by the Developer shall be deemed and considered for all purposes directors of the Association, and shall thenceforth perform the offices and duties of such directors until their successors shall have been selected or elected in accordance with the provisions of these By-Laws.

ii) All members of the Board of Directors whom the Developer shall not be entitled to designate and select under the terms and provisions of these By-Laws, shall be elected by a plurality of the votes cast at the annual meeting of the members of the Association immediately following the designation and selection of the members of the Board of Directors whom the Developer shall be entitled to designate and select.

iii) Vacancies in the Board of Directors may be filled until the date of the next annual meeting by the remaining directors, except that should any vacancy in the Board of Directors be created in any directorship previously filled by any person designated and selected by the Developer, such vacancy shall be filled by Grantor designating and selecting, by written instrument delivered to any officer of the Association, the successor director to fill the vacated directorship for the unexpired term thereof.

iv) At the first annual meeting of the members held after the property identified herein has been submitted to the plan of condominium ownership and the Master Deed has been recorded in the public records of Beaufort County, South Carolina, the term of office of the three (3) directors receiving the highest plurality of votes shall be established at two (2) years,

and the term of office of the other two (2) directors shall be established at one year. Thereafter, as many directors of the Association shall be elected at the annual meeting as there are regular terms of office of directors expiring at such time, and the term of the directors so elected at the annual meeting of the members each year shall be for two (2) years expiring at the second annual meeting following their election, and thereafter until their successors are duly elected and qualified or until removed in the manner elsewhere provided or as may be provided by law for the removal of directors of South Carolina corporations for profit. If at the time of the first annual meeting, the Developer is the co-owner of at least one (1), but not more than four (4) Apartments, then the Developer shall have the right to designate and select two (2) directors whose term of office shall be established at two (2) years, and one director whose term of office shall be established at one year.

v) In the election of directors, there shall be appurtenant to each Apartment as many votes for directors as there are directors to be elected (regardless of the percentage interest in common elements appurtenant to such Apartment); provided, however, that no member or co-owner of any Apartment may cast more than one vote for any person nominated as director, it being the intent hereof that voting for directors shall be non-cumulative.

vi) In the event that the Developer, in accordance with the privilege granted unto it, selects any person or persons to serve on any Board of Directors of the Association, the Developer shall have the absolute right at any time, in its sole discretion, to replace any such person or persons with another person or persons to serve on said Board of Directors. Replacement of any person or persons designated by the Developer to serve on any Board of Directors of the Association shall be made by written instrument delivered to any officer of the Association, which instrument shall specify the name or names of the person or persons designated as successor or successors to the person or persons so removed from said Board of Directors. The removal of any director and designation of his successor shall be effective immediately upon delivery of such written instrument by the Developer to any officer of the Association.

(c) The organizational meeting of newly elected Board of Directors shall be held within ten (10) days of its election, at such time and at such place as shall be fixed by the directors at the meeting at which they were elected, and no further notice of the organization meeting shall be necessary provided a quorum shall be present.

(d) Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors. Notice of regular meetings shall be given to each director, personally or by mail, telephone or telegram, at least three (3) days prior to the day named for such meeting, unless notice is waived.

(e) Special meetings of the directors may be called by the President, and must be called by the Secretary at the written request of one-third (1/3) of the votes of the Board. Not less than three (3) days' notice of a meeting shall be given to each director, personally, or by mail, telephone or telegram, which notice shall state the time, place and purpose of the meeting.

(f) Any director may waive notice of a meeting before or after the meeting, and such waiver shall be deemed equivalent to the giving of notice.

(g) A quorum at a directors' meeting shall consist of the directors entitled to cast a majority of the votes of the entire Board. The acts of the Board approved by a majority of the votes present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors except as specifically otherwise provided in the Articles of Incorporation, these By-Laws or the Master Deed. If any director's meeting cannot be organized because a quorum has not attended, or because the greater percentage of the directors required to constitute a quorum for particular purposes has not attended, wherever the latter percentage of attendance may be required as

set forth in the Articles of Incorporation, these By-Laws or the Master Deed, the directors who are present may adjourn the meeting from time to time until a quorum, or the required percentage of attendance if greater than a quorum, is present. At any adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a director in the action of a meeting by signing and concurring the minutes thereof shall constitute the presence of such director for the purpose of determining a quorum.

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(h) The presiding officer of directors' meetings shall be the President. In the absence of the President, the directors present shall designate one of their number to preside.

(i) Directors' fees, if any, shall be determined by the members.

(j) The Board of Directors shall manage and direct the affairs of the Association and subject to any restrictions imposed by law, by the Master Deed, or these By-Laws, may exercise all of the powers of the Association subject only to approval by the co-owners when such is specifically required of these By-Laws. The Board of Directors shall exercise such duties and responsibilities as shall be incumbent upon it by law, the Master Deed or these By-Laws, if it may deem necessary or appropriate in the exercise of its powers and shall include, without limiting the generality of the foregoing, the following:

(i) To make, levy and collect assessments against members and members' Apartments to defray the cost of the common areas and facilities of the Regime, and to use the proceeds of said assessments in the exercise of the powers and duties granted unto the Association;

(ii) To carry out the maintenance, care, upkeep, repair, replacement, operation, surveillance and the management of the general and limited elements, services and facilities of the Regime wherever the same is required to be done and accomplished by the Association for the benefit of its members;

(iii) To carry out the reconstruction of improvements after casualty and the further improvement of the property, real and personal;

(iv) To make and amend regulations governing the use of the property, real and personal, in the Regime so long as such regulations or amendments thereto do not conflict with the restrictions and limitations which may be placed upon the use of such property under the terms of the Master Deed;

(v) To acquire, operate, lease, manage and otherwise trade and deal with property, real and personal, including Apartments in the Regime, as may be necessary or convenient in the operation and management of the Regime, and in accomplishing the purposes set forth in the Master Deed; provided, however, that any agreement for professional management of the Regime, or any other contract providing for services of the Grantor, may not exceed three years. Any such agreement must provide for termination by either party without cause and without payment of a termination fee on ninety (90) days or less written notice;

(vi) Subject to the provisions of subparagraph (v) above, to contract for the management of the common areas and facilities in the Regime and to designate to such contractor all of the powers and duties of the Association, except those which may be required by the Master Deed to have approval of the Board of Directors or membership of the Association;

(vii) To enforce by legal means the provisions of the Articles of Incorporation and By-Laws of the Association, the Master Deed and the regulations hereinafter promulgated governing use of the property in the Regime;

(viii) To pay all taxes and assessments which are liens against any party of the Regime other than Apartments and the appurtenances thereto, and to assess the same against the members and their respective Apartments subject to such liens;

(ix) To carry insurance for the protection of the Regime, members and the Association against casualty, liability and other risks;

(x) To pay all costs of power, water, sewer and other utility services rendered to the condominium and not billed to the owners of the separate Apartments; and

(xi) To employ personnel for reasonable compensation to perform the services required for proper administration of the purposes of the Association as well as to dismiss said personnel.

(k) The first Board of Directors of the Association shall be comprised of the five (5) persons designated to act and serve as directors in the Articles of Incorporation, which said persons shall serve until their successors are elected at the first meeting of the members of the Association called after Phases I and II of the property identified herein have been submitted to the plan of condominium ownership and the Master Deed has been recorded in the public records of Beaufort County, South Carolina. Should any member of said first Board of Directors be unable to serve for any reason, a majority of the remaining members of the Board of Directors shall have the right to select and designate a party to act and serve as a director for the unexpired term of said director who is unable to serve.

(l) The undertakings and contracts authorized by said first Board of Directors shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by the first Board of Directors duly elected by the membership after the property identified herein has been submitted to the plan of condominium ownership and said Master Deed has been recorded in the Beaufort County public records, so long as any undertakings and contracts within the scope of powers and duties which may be exercised by the Board of Directors of the Association in accordance with all applicable Regime documents.

(m) Directors may be removed from office in the manner provided by law for the removal of directors of South Carolina corporations for profit.

#### 5. ADDITIONAL PROVISIONS ABOUT MEETINGS OF MEMBERS & DIRECTORS

(a) Notwithstanding anything contained in these By-Laws to the contrary any meeting of members or directors may be held at any place within or without the State of South Carolina of which notice is waived by any person otherwise entitled thereto at, during or after any such meeting.

(b) To the extent now or from time to time hereafter permitted by the law of South Carolina the directors may take any action which they might take at a meeting of directors without a meeting, a record of any such action so taken, signed by each director, to be retained in the Association's minute book and given equal dignity by all persons to the minutes of meetings duly called and held.

#### 6. OFFICERS

(a) The executive officers of the Association shall be a President, who shall be a director, a Treasurer and a Secretary, all of whom shall be elected annually by the Board of Directors and who may be peremptorily removed by vote of the directors at any meeting. No person may hold two (2) or more offices. The Board of Directors shall from time to time elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association.

(b) The President shall be the chief executive officer of the Association. He shall have all the powers and duties which are usually vested in the office of the President of an association, including, but not limited to, the power to appoint committees from among the members from time to time, as he may in his discretion determine appropriate, to assist in the conduct of the affairs of the Association.

(c) Any Vice President shall, in the absence or disability of the President, exercise the powers and perform the duties of President. He shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the directors.

(d) The Secretary shall keep the minutes of all proceedings of the directors and the members. He shall attend to the giving and serving of all notices to the members and directors, and such other notices required by law. He shall have custody of the seal of the Association and affix the same to instruments requiring a seal when duly signed. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of Secretary of an association and as may be required by the directors or President. The Assistant Secretary shall perform the duties of Secretary when the Secretary is absent.

(e) The Treasurer shall have custody of all of the property of the Association, including funds, securities and evidences of indebtedness. He shall keep the assessment rolls and accounts of members; he shall keep the books of the Association in accordance with good accounting practices; and he shall perform all other duties incident to the office of Treasurer.

(f) The compensation of all officers and employees of the Association shall be fixed by the directors. This provision shall not preclude the Board of Directors from employing a director as an employee of the Association, nor preclude the contracting with a director from management of the Regime.

## 7. FISCAL MANAGEMENT

The provisions for fiscal management of the Association set forth in the Master Deed and Articles of Incorporation shall be supplemented by the following provisions:

(a) The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each Apartment. Such an account shall designate the name and address of the co-owner or co-owners, the amount of each assessment against the co-owners, the dates and amount in which assessments come due, the amounts paid upon the account and the balance due upon assessments.

(b) The Board of Directors shall adopt a budget for each calendar year which shall contain estimates of the cost of performing the function of the Association, including, but not limited to, the following items:

(i) Common expense budget, which shall include without limiting the generality of the foregoing, the estimated amounts necessary for maintenance and operation of General Common Elements, landscaping, street and walkways, office expense, swimming pool, utility services, casualty insurance, liability insurance, administration and reserves (operating and replacement); and

(ii) Proposed assessments against each member. Copies of the proposed budget and proposed assessments shall be transmitted to each member on or before January 1st of the year for which the budget is made. If the budget is subsequently amended before the assessments are made, a copy of the amended budget shall be furnished each member concerned. Delivery of a copy of any budget or amended budget to each member shall not affect the liability of any member for any such assessment, nor shall delivery of a copy of such budget or amended budget be considered as a condition precedent to the effectiveness of said budget and assessments levied pursuant



thereto, and nothing herein contained shall be construed as restricting the right of the Board of Directors to at any time in their sole discretion levy an additional assessment in the event that the budget originally adopted shall appear to be insufficient to pay costs and expenses of operation and management, or in the event of emergencies.

(c) The Board of Directors shall determine the method of payment of such assessments and the due dates thereof and shall notify the members thereof. The assessments will initially be on a quarterly basis unless changed by a vote of the majority of the Board of Directors.

(d) The depository of the Association shall be such bank or banks as shall be designated from time to time by the directors and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such persons as are authorized by the directors.

(e) An audit of the accounts of the Association shall be made annually and a copy of the report shall be furnished to each member not later than April 1st of the year following the year for which the report is made.

(f) Fidelity bonds may be required by the Board of Directors from all officers and employees of the Association and from any contractor handling or responsible for Association funds. The amount of such bonds shall be determined by the directors, but shall be at least the amount of the total annual assessments against members for common expenses. The premiums on such bonds shall be paid by the Association.

#### 8. PARLIAMENTARY RULES

Roberts Rules of Order (latest edition) shall govern the conduct of corporate proceedings when not in conflict with the Articles of Incorporation and these By-Laws or with the statutes of the State of South Carolina.

#### 9. AMENDMENTS TO BY-LAWS

Amendments to these By-Laws shall be proposed and adopted in the following manner:

(a) Amendments to these By-Laws may be proposed by the Board of Directors of the Association acting upon vote of the majority of the directors, or by members of the Association owning a majority of the total value of the property in the Regime, whether meeting as members or by instrument in writing signed by them.

(b) Upon any amendment or amendments to these By-Laws being proposed by said Board of Directors or members, such proposed amendment or amendments shall be transmitted to the President of the Association, or other officer of the Association in absence of the President, who shall thereupon call a special joint meeting of the members of the Board of Directors of the Association and the membership for a date not sooner than twenty (20) days or later than sixty (60) days from receipt by such officer of the proposed amendment or amendments, and it shall be the duty of the Secretary to give to each member written or printed notice of such meeting in the same form and in the same manner as notice of the call of a special meeting of the members if required as herein set forth.

(c) In order for such amendment or amendments to become effective, the same must be approved by an affirmative vote of the members owning not less than two-thirds (2/3) of the total value of the property in the Regime. Thereupon, such amendment or amendments to these By-Laws shall be transcribed, certified by the President and Secretary of the Association, and a copy thereof shall be recorded in the public records of Beaufort County, South Carolina, within ten (10) days from the date on which any amendment or amendments have been affirmatively approved by the directors and members.

(d) At any meeting held to consider such amendment or amendments to the By-Laws, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association at or prior to such meeting.

(e) Notwithstanding the foregoing provisions of this Article 9, no amendment to these By-Laws which shall abridge, amend or alter the right of the Developer to designate and select members of each Board of Directors of the Association, as provided in Article 4 hereof, may be adopted or become effective without the prior written consent of the Developer.

## 10. INSURANCE

Section 1. Insurance Required. The Board of Directors shall obtain and maintain, to the extent available, at least the following insurance:

A. Hazard Insurance. The Association shall insure all Apartments and all Common Elements against all hazards and risks normally covered by a standard hazard policy, including fire and lightning, the hazards and risks covered by "extended coverage", and vandalism and malicious mischief. All Apartments and all Common Elements shall be insured for the full replacement cost thereof (without deduction or allowance for depreciation), and the policy of insurance shall have a full replacement cost rider. Such insurance shall cover only the Apartments and the Common Elements. The hazard insurance obtained by the Association may provide that an amount not to exceed one thousand dollars (\$1,000.00) shall be deductible from any indemnity payable on account of a single loss, but any such deductible portion shall be borne by the Association as a Common Expense regardless of the number of co-owners or Apartments directly affected by the loss. The hazard insurance obtained by the Association shall provide coverage for common expenses with respect to the Apartments and Common Elements during any period of repair or reconstruction.

B. Liability Insurance. The Association shall also obtain premises liability insurance on all Apartments and Common Elements and the Association providing for a single-limit indemnity of not less than one million dollars (\$1,000,000.00) and covering bodily and personal injury and property damage. Such liability insurance shall cover claims of one or more Co-Owners against one or more other Co-Owners as well as claims of third parties against one or more Co-Owners. The Association shall not be required, however, to obtain public liability insurance covering accidents occurring within the limits of an Apartment or off the Regime Property. If available at a reasonable cost, the Association shall cause to be included within the policy of liability insurance premises medical payment coverage.

C. The Association shall also obtain and maintain workmen's compensation insurance to the extent necessary to comply with any applicable law.

D. The Association shall also obtain and maintain such other policies of insurance, including insurance for other risks of a similar or dissimilar nature, as are or shall hereafter be considered appropriate by the Board of Directors.

Section 2. Limitations. Any insurance obtained pursuant to the requirements of this article shall be subject to the following provisions:

A. General Provisions. All insurance obtained on the Apartments and General Common Elements by the Association shall be written in the name of the Association as trustee for the Owners, and the cost of such insurance shall be a Common Expense. All such insurance shall be obtained from a company or companies licensed to do business in the State of South Carolina (South Carolina admitted carriers) and rated "A+" or better and classified "10" or better by the most recent issue of Best's Insurance Reports. No such insurance shall be permitted to expire except upon resolution of a majority of the Co-Owners to that effect. Duplicate originals or copies of all

policies of hazard insurance obtained on the Regime by the Board of Directors, together with proof of payment of the premiums thereon, shall be delivered upon request to any Co-Owner or any entity holding a lien upon or security interest in any Apartment.

B. Hazard Policy Provisions. All policies of hazard insurance on the Apartments and the Common Elements obtained by the Board of Directors shall provide as follows:

1. The indemnity payable on account of any damage to or destruction of the Apartments or the Common Elements shall be payable to any mortgagees holding mortgages in any damaged Apartments as their interests may appear;

2. The policy shall not be cancelled without thirty (30) days' prior written notice to the Board of Directors and to every holder of a security interest in any Apartment who is named in the policy or an endorsement thereto;

3. No Co-Owner shall be prohibited from insuring his own Apartment for his own benefit;

4. No insurance obtained by a Co-Owner on his own Apartment shall be brought into contribution with the insurance obtained by the Board of Directors.

5. If the Board of Directors determines that it is possible to obtain such a provision, no right of subrogation shall exist against any Owner or members of his household or his social guests;

6. The insurer shall not be entitled to reconstruct in lieu of paying the indemnity in cash if the Owners determine in the manner provided in the Master Deed not to repair or restore the damaged property; and

7. The policy shall not be cancelled on account of the actions of one or more, but fewer than a majority, of the Co-Owners.

If a policy of insurance containing all of the foregoing provisions cannot be obtained at a reasonable cost, one or more of such provisions (except provisions 1 and 2 above) may be waived by unanimous resolution of the Board of Directors preceded by ten (10) days' notice to every Co-Owner or by resolution of a majority of the Co-Owners.

C. Claims. The Board of Directors of the Association shall have exclusive authority to negotiate and settle on behalf of the Owners all claims arising under policies of hazard insurance obtained on the Property by the Board of Directors. In the event of damage to or destruction of any portion of the Apartments or the Common Elements, the Board of Directors shall promptly file claim for any indemnity due under any such policies. The Board of Directors shall simultaneously notify the holders of any security interests in the Property who may be entitled to participate in such claim of the filing of the same.

D. Insurance Proceeds. The net proceeds received by or due to the Board of Directors from any indemnity paid under a policy of hazard insurance obtained on the Property by the Board of Directors shall promptly be paid by the Board of Directors or the appropriate insurer to an Insurance Trustee as trustee for the Co-Owners as hereinafter provided. The Insurance Trustee shall be a state or federally chartered bank selected by the Board of Directors and having trust powers and capital and surplus of five million dollars (\$5,000,000.00) or more. The Insurance Trustee shall hold the insurance proceeds in trust and disburse said proceeds, after deduction of all reasonable fees and expenses of the Insurance Trustee, as follows:

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1. If the Co-Owners determine in the manner provided in the Master Deed not to reconstruct the damaged property, the Insurance Trustee shall distribute the insurance proceeds among all the Owners and/or mortgagees with liens upon the Apartments, as their respective interests may appear, in proportion to their respective undivided interests in the portion or portions of the property damaged or destroyed.

2. If the Board of Directors is required to provide for the reconstruction of the damaged property, the Insurance Trustee shall disburse the insurance proceeds to the person or persons employed by the Board of Directors to effect such reconstruction in accordance with written authorizations submitted to the Insurance Trustee by the architect supervising the reconstruction or by the Board of Directors. Any portion of the insurance proceeds remaining after all the costs of reconstructing the Property have been paid shall be disbursed to the Co-Owners in proportion to their interests in the portion or portions of the Property repaired or restored.

In making disbursements of the insurance proceeds, the Insurance Trustee shall be entitled to rely without further inquiry upon the written authorizations submitted as provided above or upon any written certification of facts submitted to the Insurance Trustee by the Board of Directors as hereinafter provided. The Insurance Trustee shall in no event be responsible for obtaining insurance on the Property, paying the premiums on any such insurance or filing claims for any payments due under any such insurance.

E. Insurance by Owners. Each Co-Owner shall be responsible for obtaining such amounts of the following types of insurance as he deems necessary or desirable:

1. Hazard insurance on his Apartment for his own benefit;
2. Hazard insurance on the contents of his Dwelling and on improvements made to his Apartment; and
3. Liability insurance covering accidents occurring within the boundaries of his Apartment.

Any Owner who obtains hazard insurance on his Apartment for his own benefit shall within thirty (30) days of obtaining the same deliver to the Board of Directors a copy of the policy of insurance.

G. Where the insurance proceeds are insufficient to cover the cost of reconstruction, the rebuilding costs shall be paid by all the co-owners directly affected by the damage, in proportion to the value of their respective apartments, or as may be provided in the By-Laws; and if any one or more of those composing the minority shall refuse to make such payments, the majority may proceed with the reconstruction at the expense of all the co-owners benefited thereby, upon proper resolution setting forth the circumstances of the case and the cost of the works, with the intervention of the Association.

#### 11. ASSESSMENTS: LIABILITY, LIEN AND ENFORCEMENT

The Association is given the authority to administer the operation and management of the Regime, it being recognized that the delegation of such duties to one entity is in the best interests of the co-owners of all Apartments. To properly administer the operation and management of the project, the Association will incur, for the mutual benefit of all of the co-owners of Apartments, costs and expenses which will be continuing or non-recurring costs, as the case may be, which costs and expenses are sometimes herein referred to as "common expense". To provide the funds necessary for such proper operation and management, the said Association has heretofore been

granted the right to make, levy and collect assessments against the co-owners of all Apartments and said Apartments. In furtherance of said grant of authority to Association to make, levy and collect assessments to pay the costs and expenses for the operation and management of the Regime, the following provisions shall be operative and binding upon the co-owners of all Apartment, to wit:

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(a) All assessments levied against the co-owners of Apartments and said Apartments shall, unless specifically otherwise provided for in these By-Laws, be in the same proportion that the amount of assessment levied against each co-owner of an Apartment and his Apartment shall bear the same ratio to the total assessment made against all co-owners of Apartments and their Apartments as does the undivided interest in General Common Elements appurtenant to each Apartment bear to the total undivided interest in Association be the co-owner of any Apartment or Apartments, the assessment which would otherwise be payable to Association by the co-owner of such Apartment or Apartments, reduced by and Apartment or Apartments by the Association, shall be apportioned and assessment therefor levied ratably among the co-owners of all Apartments which are not owned by the Association, based upon their proportionate interests in the General Common Elements exclusive of interests therein appurtenant to any Apartment or Apartments owned by Association.

(b) The assessment levied against the co-owner of each Apartment and his Apartment shall be payable in annual, quarterly or monthly installments, or in such other installments and at such times as may be determined by the Board of Directors of the Association.

(c) The Board of Directors of the Association shall establish an annual budget in advance for each fiscal year which shall correspond to the calendar year, and such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the Regime, including a reasonable allowance for contingencies and reserves, such budget to take into account projected anticipated income which is to be applied in reduction of the amount required to be collected as an assessment each year. Upon adoption of such annual budget by the Board of Directors of Association, copies of said budget shall be delivered to each co-owner of an Apartment and the assessment for said year shall be established based upon such budget, although the delivery of a copy of said budget to each co-owner shall not affect the liability of any co-owner for such assessment. Should the Board of Directors at any time determine, in the sole discretion of said Board of Directors, that the assessments levied are or may prove to be insufficient to pay the costs of operation and management of the Regime, or in the event of emergencies, said Board of Directors shall have the authority to levy such additional assessment or assessments as it shall deem to be necessary.

(d) The Board of Directors of Association, in establishing said annual budget for operation, management and maintenance of the project shall include therein a sum to be collected and maintained as reserve fund for replacement of General Common Elements, which reserve fund shall be for the purpose of enabling the Association to replace structural elements and mechanical equipment constituting a part of the General Common Elements as well as the replacement of personal property which may constitute a portion of the General Common Elements held for the joint use and benefit of all of the co-owners of all Apartments. The amount to be allocated to such reserve fund for replacements shall be established by said Board of Directors so as to accrue and maintain at all times a sum reasonably necessary to anticipate the need for replacements of said General Common Elements. The amount collected and allocated to the reserve fund for replacements from time to time shall be maintained in a separate account by Association, although nothing herein contained shall limit Association from applying any monies in such reserve fund for replacements to meet other needs or requirements of Association in operating or managing the project in the event of emergencies, or in the event the sums collected from the co-owners of Apartments are insufficient to meet the then fiscal financial requirements of Association, but

it shall not be a requirement that these monies be used for such latter purposes, as a separate assessment may be levied therefor if deemed to be preferable by the Board of Directors of the Association in the sole discretion of said Board of Directors.

(e) The Board of Directors of the Association, in establishing said annual budget for operation, management and maintenance of the project, shall include therein a sum to be collected and maintained as a general operating reserve which shall be used to provide a measure of financial stability during periods of special stress when such sums may be used to meet deficiencies from time to time existing as a result of delinquent payment of assessments by co-owners of Apartments, as a result of emergencies or for other reason placing financial stress upon the Association.

(f) All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the said Association to the payment of any expense of operating and managing the Regime, or to the proper undertaking of all acts and duties imposed upon it by virtue of these By-Laws and Master Deed of said Association and as the monies for any assessment are paid unto the Association by any co-owner of an Apartment the same may be commingled with the monies paid to the Association by the other co-owners of Apartments. Although all funds and other assets of the Association, and any increments thereto or profits derived therefrom, or from the leasing or use of General Common Elements, shall be held for the benefit of the members of the Association, who shall own any common surplus in the proportions of their percentage of undivided interest in the Regime, no member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer this membership interest therein, except as an appurtenance to his Apartment.

(g) The payment of any assessment or installment thereof due to the Association shall be in default if such assessment, or any installment thereof, is not paid unto Association, on or before the due dates for such payment. When in default, the Board of Directors may accelerate the remaining installments of the annual assessment upon notice thereof to the Apartment co-owner, whereupon the entire unpaid balance of the annual assessment shall become due upon the date stated in the notice, which shall not be less than ten (10) days after the date of the notice. In the event any assessment, installment, or accelerated assessments are not paid within twenty (20) days after their due date, the Association, through its Board of Directors, may proceed to enforce and collect the said assessments against the Apartment co-owner owing the same in any manner provided for by the Act, including the right of foreclosures and sale. When in default, the delinquent assessment or delinquent installment thereof due to Association shall bear interest at the rate of eight percent (8%) per annum until such delinquent assessment or installment thereof, and all interest due thereon, has been paid to Association.

(h) The co-owner or co-owners of each Apartment shall be personally liable to Association for the payment of all assessments, regular or special, which may be levied by Association while such party or parties are co-owner or co-owners of an Apartment in the Regime. In the event that any co-owner or co-owners are in default in payment of any assessment or installment thereof owed to the Association, such co-owner or co-owners of any Apartment shall be personally liable for interest on such delinquent assessment or installment thereof as above provided, and for all costs of collecting such assessment or installment thereof and interest thereon, including a reasonable attorney's fee, whether suit be brought or not.

(i) No co-owner or an Apartment may exempt himself from liability for any assessment levied against such co-owner and his Apartment by waiver of the use or enjoyment of any of the General Common Elements, or by abandonment of the Apartment, or in any other manner.

(j) Recognizing that the necessity for providing proper operation and management of the project entails the continuing payment of costs and

expenses therefor, which results in benefit to all of the co-owners of Apartments, and that the payment of such common expense represented by the assessments levied and collected by Association is necessary in order to preserve and protect the investment of the co-owner of each Apartment, Association is hereby granted a lien upon such Apartment and its appurtenant undivided interest in General Common Elements, which lien shall secure and does secure the monies due for all assessments now or hereafter levied against the co-owner of each Apartment, which lien shall also secure interest, if any, which may be due on the amount of any delinquent assessments owing to the Association, and which lien shall also secure all costs and expenses, including a reasonable attorney's fee, which may be incurred by the Association in enforcing this lien upon said Apartment and its appurtenant undivided interest in the General Common Elements. The lien granted to Association may be foreclosed in the same manner as mortgages may be foreclosed in the State of South Carolina, and in any suit for the foreclosure of said lien, the Association shall be entitled to rental from the co-owner of any Apartment from the date on which the payment of any assessment or installment thereof became delinquent and shall be entitled to the appointment of a receiver for said Apartment. The rental required to be paid shall be equal to the rental charged on comparable type of Apartments in Hilton Head Island, South Carolina. The lien granted to the Association shall further secure such advances for taxes, and payments on account of superior mortgages, liens, or encumbrances which may be required to be advanced by the Association in order to preserve and protect its lien, and the Association shall further be entitled to interest at the rate of eight percent (8%) per annum on any such advances made for such purpose.

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(k) The lien herein granted unto Association shall be effective from and after the time or recording in the public records of Beaufort County, South Carolina, a claim of lien stating the description of the Apartment encumbered thereby, the name of the record co-owner, the amount due and the date when due, and the lien shall include only assessments which are due and payable when the claim of lien is recorded, plus interest, costs, attorney's fees, advances to pay taxes and prior encumbrances and interest thereon, all as above provided. Such claims of lien shall be signed, and verified by an officer or agent of the Association. Upon full payment of all sums secured by such claim of lien, the same shall be satisfied of record. The claim of lien filed by the Association shall be subordinate to the lien of any mortgage encumbering the Apartment.

In the event that any person, firm or corporation shall acquire title to any Apartment and its appurtenant undivided interest in General Common Elements by virtue of any foreclosure, judicial sale or deed in lieu of foreclosure, such person, firm or corporation so acquiring title shall only be liable and obligated for assessments as shall accrue and become due and payable for said Apartment and its appurtenant undivided interest in General Common Elements subsequent to the date of acquisition of such title, and shall not be liable for the payment of any assessments which were in default and delinquent at the time it acquired such title subject to the lien of any assessment by Association representing an apportionment of taxes or special assessment levied by taxing authorities against the Regime in its entirety. In the event of the acquisition of title to an Apartment by foreclosure, judicial sale or deed in lieu of foreclosure, any assessment or assessments as to which the party so acquiring title shall not be liable shall be absorbed and paid by all co-owners of all Apartments as a part of the common expense, although nothing herein contained shall be construed as releasing the party liable for such delinquent assessment from the payment thereof or the enforcement of collection of such payment by means other than foreclosure.

(l) Whenever any Apartment may be sold by the co-owner thereof, which sale shall be concluded only upon compliance with other provisions of these By-Laws, the Association upon written request of the co-owner of such Apartment shall furnish to the proposed purchaser a statement verifying the status of payment of any assessment which shall be due and payable to Association by the co-owner of such Apartment. Such statement shall be executed by an officer of the Association and any purchaser may rely upon such statement in concluding the proposed purchase transaction, and Association shall

be bound by such statement. Any holder of any mortgage on any Apartment shall have the right at all reasonable times and frequency to inquire as to the past due status of any assessment payments, and the Association shall, upon request, promptly notify any such mortgagee when any assessment payment becomes more than sixty (60) days past due, or when any default in the performance of any obligation required by the Master Deed or these By-Laws as to such Apartment is not cured within sixty (60) days.

In the event that an Apartment is to be sold at the time when payment of any assessment against the co-owner of said Apartment and such Apartment due to Association shall be in default (whether or not a claim of lien has been recorded by the Association) then the proceeds of such purchase shall be applied by the purchaser first to payment of any then delinquent assessment or installment thereof due to Association before the payment of any proceeds of purchase to the co-owner of any Apartment who is responsible for payment of such delinquent assessment.

In any voluntary conveyance of an Apartment (other than a deed in lieu of foreclosure as set forth above), the Grantee shall be jointly and severally liable with the Grantor for all unpaid assessments against Grantor made prior to the time of such voluntary conveyance, without prejudice to the rights of the Grantee to recover from the Grantor the amounts paid by the Grantee therefor.

Institution of a suit at law to attempt to effect collection of the payment of any delinquent assessment shall not be deemed to be an election by Association which shall prevent its thereafter seeking enforcement of the collection of any sums remaining owing to it by foreclosure, nor shall proceeding by foreclosure to attempt to effect such collection be deemed to an election precluding the institution of suit at law to attempt to effect collection of any sums then remaining owing to it.

Notwithstanding anything in these By-Laws to the contrary, it is declared that until December 31, 1982, each Apartment shall be exempt from the assessment created herein until such time as the Apartment is conveyed by the Developer to a Grantee owner. Except as expressly provided herein, no Apartment and its appurtenant percentage interest shall be exempt from said assessment. Moreover, until such time as an Apartment is conveyed by the Developer to a Grantee, the Developer shall be assessed and pay to the Association in lieu of an assessment thereof a sum equal to the actual amount of actual operating expenditures made by the Association against co-owners of Apartments other than those owned by the Grantor. The actual operating expenditures for this purpose shall also include any reserve for replacements or operating reserves. Commencing January 1, 1983, the Grantor shall be subject to assessments as provided for in these By-Laws so that it will pay assessments on the same basis provided for under these By-Laws as the same are paid by Apartment co-owners.

#### 12. DEFINITIONS

The definitions contained in S.C. Code Ann., §27-31-20 (1976), are hereby incorporated herein and made a part hereof by reference.

#### 13. CONFLICTS

In the event of any conflict between the provisions of the Master Deed and the provisions of these By-Laws, the provisions of the Master Deed shall control.