

MASTER DEED
OF
HARBOR ISLAND INN & OCEAN VILLAS
Horizontal Property Regime
Harbor Island, Beaufort County, South Carolina

JUL 8 PM 12 15

BEAUFORT COUNTY

Developer:
HARBOR DEVELOPMENT ASSOCIATES, A General Partnership
Harbor Island, South Carolina 29920

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BEAUFORT COUNTY TAX MAP REFERENCE				
Dist	Map	Submap	Parcel	Block
300	20	A	121A	

MASTER DEED
for
HARBOR ISLAND INN & OCEAN VILLAS
Horizontal Property Regime
Harbor Island
Beaufort County, South Carolina

HARBOR DEVELOPMENT ASSOCIATES, A General Partnership, having an office at Harbor Island, County of Beaufort, State of South Carolina, hereinafter referred to as the Grantor, as the sole owner in fee simple of the land and improvements hereinafter described, does hereby make, publish and declare this MASTER DEED, (1) to establish a Horizontal Property Regime to be known as Harbor Island Inn & Ocean Villas Horizontal Property Regime (hereinafter called the "Regime"), (2) to commit the property described and designated herein as Phase I of Harbor Island Inn & Ocean Villas Horizontal Property Regime (hereinafter the "Real Property") to condominium ownership, (3) to set forth the proposed general plan of development for Phases I through III of Harbor Island Inn & Ocean Villas Horizontal Property Regime, and (4) to provide for future additions of such proposed Phase or Phases to the Regime, all in accordance with the Horizontal Property Act of South Carolina, Section 27-31-10 et. seq. of the Code of Laws of South Carolina, 1976, as amended (the "Act").

I.

GENERAL

1. The purpose of this Master Deed is to establish, pursuant the Act, a phased horizontal property regime to be known as Harbor Island Inn & Ocean Villas Horizontal Property Regime. The land and improvements to be submitted to the provisions of the Act and to the terms of this Master Deed are described in their totality herein. The Grantor by filing of record this Master Deed publishes and declares that the condominium Property shall be owned, occupied, used, conveyed, encumbered, and improved by phases in accordance with the provisions of the Act, and in accordance with the covenant, restrictions, encumbrances, and obligations set forth or incorporated by reference in this Master Deed, all of which shall be deemed to be covenants and obligations running with the land.

2. The Grantor intends to develop the property hereinafter described as a phased condominium regime. The maximum number of units in Phase I shall be 36 units, the maximum number of units in Phase II shall be 18 units, the maximum number of units in Phase III shall be 84. The units in Phase I are under construction and are herewith being submitted to condominium ownership by the recording of this Master Deed. The Grantor hereby reserves the right in its sole discretion whether or not to elect to develop as a part of this Regime and to submit to condominium ownership, as provided in Section VI, all or portions of Phase II and Phase III and further reserves the right to determine in its sole discretion to develop and submit any other phases or portions of this Regime to condominium ownership without regard to the development and submission of any other phase or portion thereof should the Grantor so decide. The Grantor may elect to so develop and commit to condominium ownership Phase II and Phase III or any part of each phase or additions thereto by the execution by the Grantor of appropriate amendments to this Master Deed which shall be filed for record in the office of the Clerk of Court for Beaufort County, South Carolina. The Common Elements associated with or constructed solely with Phase I should not under normal circumstances or in the normal course of events be reasonably expected to

substantially increase the proportionate amount of the common expenses payable by owners of apartments in any other phase. A chart showing the percentage interest in the Common Elements of each Apartment owner at each state of development, if the Grantor elects to proceed with any phase or part or portion thereof, is submitted hereto as Exhibit D. The Grantor further reserves the sole right to itself, its successors and assigns, to change or modify the type, order, number, value, and proportionate interest of each Apartment set forth herein and in Exhibit D, upon execution by it of amendments to this Master Deed which shall be filed for record in the office of the Clerk of Court for Beaufort County, South Carolina.

3. The Grantor hereby acknowledges its obligation to submit the within described Phase I property to condominium ownership and hereby reserves its right to elect to proceed with any or all or portions of the remaining Phases any part or addition thereto as permitted herein. The Apartment owners of Phase I and any additional phases dedicated to the Regime by the Grantor as provided herein shall have full legal rights and be obligated as allowed or required by South Carolina law. The Owners by purchasing and accepting a unit of Phase I hereby acknowledge that construction and dedication by the Grantor of any other Phases or any portion or addition thereto, contemplated hereby, shall diminish the percentage of ownership in the common property as described and provided herein and in other applicable portions of this Master Deed. The Grantor shall add the remaining phases or any portions thereof or additions thereto to the provisions hereof by filing of record an appropriate amendment to this Master Deed signed by the Grantor. Upon the proper recordation thereof, the added Phase shall become an integral portion thereof as provided by the Act and by this document.

II.

LEGAL DESCRIPTION

1. The Grantor is the sole owner of that Real Property on Harbor Island, Beaufort County, South Carolina, designated on a plat prepared by Antoine Vinel, R.L.S., dated May 6, 1985, as Phase I of Harbor Island Inn & Ocean Villas which plat is attached hereto as Exhibit "B". Parcel I as shown on such plat as containing 1.648 acres, does not include the single story reception building and the real property upon which it is situate, nor the single story conference building and the real property upon which it is situate. Such property, with the exception therefrom, will be used for and dedicated as Phase I of Harbor Island Inn & Ocean Villas Horizontal Property Regime.

2. The lands (the "Real Property") which are hereby submitted to the Regime are described as Parcel I, containing 1.648 acres, save and excepting the single story reception building and the real property upon which it is situate, and the single story conference building and the real property upon which it is situate, as shown on plat attached hereto as Exhibit "B"; such real property being more particularly described in Exhibit "A" attached hereto and made a part hereof by reference.

III.

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. 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 33 at Page 51. The building containing the Apartments has the area set forth on said Exhibit "B".

The Grantor has completed or will cause to be completed on the property described hereinabove certain improvements, more particularly shown and delineated on the land survey and plot plan shown in Exhibit "B" and the building floor plans attached hereto as Exhibit "C", said exhibits being incorporated herein by reference. The said improvements include 36 Apartments (sometimes referred to as Units or Villas) and adjacent parking areas. Together with this Master Deed, said Exhibit "B" and "C" constitute a graphic description of all Apartments, including their identification numbers, locations, areas and dimensions, and all General Common Elements, their relative locations and approximate dimensions.

IV.

DESCRIPTION OF APARTMENTS

The Regime shall be comprised of thirty-six (36) separate parcels of property, being the thirty-six (36) Apartments, together with the shares in the General Common Elements appurtenant to each Apartment. Each of the Apartments consists of:

- a. the volumes or cubicles of space enclosed by the unfinished interior surfaces of perimeter walls and unfinished surfaces of interior walls, ceilings and floors of the Apartment, and by any vents, chimneys, doors, windows and such other structural elements that are ordinarily regarded as enclosures of space; and
- b. All interior dividing walls and partitions (including the space occupied by such walls or partitions) excepting, however, load bearing walls and those interior walls and partitions enclosing the common pipe chases and other common facilities; and
- c. the decorated interior surfaces of perimeter walls and the decorated surfaces of interior walls (including load bearing walls, chimneys, and walls enclosing the common pipe chases), floors and ceilings, consisting of, as the case may be, wallpaper, paint, plaster, carpeting, tiles and any and all other finishing materials affixed or installed as a part of the physical structure of the Apartment; and
- d. all fixtures, appliances, mechanical systems and equipment installed in said apartment which are intended for the sole and exclusive use of the Apartment. No pipes, wires, conduits or other public utility lines or installations constituting a part of the overall systems designated for the service of any other Apartment, nor any of the structural members or portions of the apartment building, nor any other property of any kind, including fixtures and appliances within the Apartment, which are not removable without jeopardizing the soundness, safety or usefulness of the remainder of the building, shall be deemed to be a part of any individual Apartment. The word "Apartment" when used throughout this instrument shall be deemed to refer to each of the aforesaid Apartments as herein described, and shall have the same meaning as set forth in the Act; and
- e. all decks, stoops, porches, entryways and storage areas designed to serve such Apartment.

V.

DESCRIPTION OF COMMON ELEMENTS

The General Common Elements of the Regime shall consist of:

1. The parcel of land described and shown in Exhibit "A" attached hereto; and
2. Community laundry rooms, linen storage areas and other storage or public areas; and
3. Those portions of the apartment building not otherwise herein defined as being embraced within the individual apartments, including but not limited to the foundations, roofs, floors, ceilings, perimeter walls of apartments, load bearing interior

walls and partitions, walls enclosing common pipe chases and other common facilities, slabs, pipes, wires, conduits, air ducts and public utility lines, including the space actually occupied by the above.

4. All improvements to the premises constructed or to be constructed, such as utilities, walkways, plants, trees, shrubbery, yards, lawns, gardens, playgrounds, etc., located on said parcel of land; and
5. Parking facilities as shown in Exhibit "B" attached hereto; and
6. All other elements of the buildings, not included within the apartments, constructed or to be constructed on the aforesaid parcel of land, rationally of common use or necessary to their existence, upkeep and safety and, in general, all other devices or installations existing for common use; and
7. All other property of the Regime, whether land, building, improvements, personal property, or otherwise, except such as is included in the apartments as more particularly described in the Section IV.
8. All assets of Harbor Island Inn & Ocean Villas Horizontal Property Regime, Inc. (a nonprofit corporation organized for the purpose of carrying out the powers, duties and obligations of the "Association of Co-Owners" as defined in the Act); and
9. Easements through apartments for conduits, ducts, plumbing, chimneys, wiring and other facilities for the furnishing of utility services to apartments and the General Common Elements; provided, however, such easements through an Apartment shall be only according to the plans and specifications for the apartment building, or as the building is constructed, unless approved in writing by the apartment owner; and
10. An easement of support in every portion of an apartment which contributes to the support of the building; and
11. Easements through the Apartments and General Common Elements for maintenance, repair and replacement of the apartments and General Common Elements; and
12. Installations for the furnishing of utility services to more than one Apartment or to the General Common Elements or to an Apartment other than the one containing the installations, which installation shall include conduits, ducts, plumbing, chimneys, wiring and other facilities for the rendering of such services; and
13. Those areas described and defined as General Common Elements in §27-31-20(f) of the Act.

VI.

ADDITIONS TO REGIME

1. The Grantor intends to construct additional apartments on properties contiguous to the Real Property (Phase I) which is the subject of this Master Deed. The additional properties shall be referred to as Phase II and Phase III and is generally shown on plats of the property attached hereto as Exhibits "F1" and "F2" as being Parcel II and Parcel III of such Exhibit. Phase II and Phase III property will become an integral part of Harbor Island Inn & Ocean Villas Horizontal Property Regime when appropriate amendments to this Master Deed have been filed as hereinafter provided. The proposed Phase II shall contain one (1) building containing 18 apartments, Phase III shall contain four (4) buildings containing 84 apartments. Provided, however, that each building in Phase III may be constructed separately and brought into the Regime as a separate phase at developers sole option, with the 4.86 acres, more or less, appropriately divided if this Phase is divided or

portions thereof developed. The buildings and Apartments of Phases II and Phase III shall be of a design similar to those shown on Exhibit "C", except that some Apartments shall contain three bedrooms, with Phase II consisting of a three story building containing six 2-bedroom Apartments on each floor for a total of 18 two-bedroom Apartments; and Phase III consisting of four buildings Building "C" being four stories in height and containing 16 two-bedroom Apartments and eight 3-bedroom Apartments; Building "D" being four stories in height and containing 24 three-bedroom Apartments; Building "E" being four stories in height and containing 16 two-bedroom Apartments and eight three-bedroom Apartments; and Building "F" being three stories in height and containing 12 two-bedroom Apartments. Grantor reserves the right to modify and change the plans, design and number of Apartments of Phase II and Phase III prior to construction or submitting them to this Master Deed by way of amendment.

2. The Grantor hereby reserves unto itself, its successors and assigns, the option, to be exercised at its sole discretion, to submit all or portions of Phase II and Phase III property or additional property to the provisions of this Master Deed and thereby cause such additional property to become a part of the Harbor Island Inn & Ocean Villas Horizontal Property Regime. This option may be exercised by the Grantor only upon execution by it of amendments to this Master Deed which shall be filed for record in the office of the Clerk of Court for Beaufort County, South Carolina. Such amendments shall expressly submit the subsequent phase or parts or additions thereto to all of the provisions of this Master Deed and the Bylaws of Harbor Island Inn & Ocean Villas Horizontal Property Regime, as either may be amended. Upon the exercise, if any, of these options, the provisions of this Master Deed and all exhibits thereto shall then be understood and construed as embracing Phase I property (the Real Property herein defined) and any and all portions of Phase II and Phase III or any part or additions thereto, together with all improvements then constructed. Should these options not be exercised within seven (7) years from the date of this Master Deed, they shall then in all respects expire and be of no further force and effect.

VII.

OWNERSHIP OF APARTMENTS AND APPURTENANT

INTEREST IN GENERAL COMMON ELEMENTS

Once the Real Property and General 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 interest 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 "D" attached hereto and made a part hereof by reference, shall have a permanent character, and shall not be altered without the acquiescence of the co-owners representing all the Apartments of the Regime, except as provided in Section VI herein with regard to the amendment of this Master Deed to admit all or portions of additions to Phase II and Phase III as contemplated future apartments into this Regime.

The basic value, which shall be fixed for the sole purpose of this Master Deed and irrespective of the actual value, shall not prevent the

developer and each co-owner from fixing a different circumstantial value to his Apartment in all types of acts and contracts.

VIII.

RESTRICTION AGAINST FURTHER SUBDIVIDING

OF APARTMENTS AND SEPARATE CONVEYANCE

OF APPURTENANT GENERAL COMMON ELEMENTS

No Apartment may be divided or subdivided into a smaller Apartment or smaller Apartments than as described in Exhibit "C" attached hereto. The undivided interest in the General 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 General 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 General 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 "C" without limitation or exception, shall be deemed and construed to affect the entire Apartment and its appurtenant undivided interest in the General Common Elements. Nothing herein contained shall be construed as limiting or preventing ownership of any Apartment and its appurtenant undivided interest in the General Common Elements by more than one person or entity as tenants in common, joint tenants, or any other recognized form of real property ownership.

IX.

REGIME SUBJECT TO RESTRICTIONS

A. Each and every Apartment and the General 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 General Common Elements, and setting forth the obligations and responsibilities incident to ownership of each Apartment and its appurtenant undivided interest in the General Common Elements and said Apartments and General Common Elements are further declared to be subject to the restrictions, easements, conditions, and limitations now of record affecting the land and improvements of the Apartment.

B. Phase III of this development, if added and made a part of the Regime by the Grantor, will contain primary ocean front dunes and a beach area both of which are defined as "critical areas" by the South Carolina Coastal Zone Act of 1977, Chapter 39, Title 48, Code of Laws of South Carolina, 1976, as amended. All activities on or over and all uses of such "critical areas" are subject to the jurisdiction of the South Carolina Coastal Council, including, but not limited to, the requirement that any activity or use must be authorized by the South Carolina Coastal Council. Each Co-owner may be liable to the extent of his or her ownership for any damages to, any inappropriate or unpermitted use and any duties or responsibilities concerning such "critical areas". This notice is given pursuant to §27-31-100(f), Code of Laws of South Carolina, 1976, as amended.

X.

PERPETUAL NON-EXCLUSIVE EASEMENT

IN GENERAL 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 Horizontal Property Regime for their use and the use of their immediate families, 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. The Association acting through its Board of Administration shall have the right to grant permits, licenses and easements over the Common Elements for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the Project. Notwithstanding anything above provided in this article, the Harbor Island Inn & Ocean Villas Horizontal Property Regime, 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.

XI.

EASEMENT FOR UNINTENTIONAL AND
NON-NEGLIGENT ENCROACHMENTS

In the event that any portion of the General 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.

XII.

RESERVATION OF TITLE IN GRANTOR
TO RECEPTION AND CONFERENCE BUILDINGS

The Grantor has reserved unto itself, title to the single story reception building and the real property upon which it is situate and the single story conference building and the real property upon which it is situate as shown on the plat attached hereto as Exhibit "B". The Grantor reserves the right to utilize such buildings in any manner deemed appropriate in its sole discretion. The Grantor may, at its option, deed and convey either or both buildings to the Harbor Island Inn and Ocean Villas Horizontal Property Regime, Inc. ("the Association") and, if so deeded or conveyed, shall be accepted by the Association and shall become part of the common elements of the Regime.

XIII.

SWIMMING POOL

Grantor has agreed by Deed recorded in Deed Book 385 at Page 1993, in the Office of the Clerk of Court for Beaufort County, that any swimming pool construction within the Regime shall also be made available to the owners of Cedar Reef Villas, Phase I through Phase IV. Provided, however, that Cedar Reef Villas Horizontal Property Regime pay a proportionate share of the costs of maintenance and operating such swimming pool.

XIV.

RESTRAINT UPON SEPARATION AND PARTITION
OF GENERAL COMMON ELEMENTS

The General Common Elements 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 XIII, unless all of the first mortgagees (based upon one vote for each first mortgage owned), and owners (other than the Grantor) 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).]

XV.

PERCENTAGE OR UNDIVIDED INTEREST IN GENERAL

COMMON ELEMENTS APPURTENANT TO EACH APARTMENT

The undivided interest in General Common Elements appurtenant to each Apartment is that percentage of undivided interest which is set forth and assigned to each Apartment in that certain schedule which is annexed hereto and expressly made a part hereof as Exhibit "D".

XVI.

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 Grantor shall retain any interest in the Regime, it may utilize an Apartment or Apartments of its choice owned by Grantor from time to time, for a sales office, model, or other usage for the purpose of selling Apartments in said Regime. Grantor 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 General Common Element or public 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 General Common Element or in any Apartment so as to be visible from any General Common Element or public street or area.

XVII.

USE OF GENERAL COMMON ELEMENTS SUBJECT
TO RULES OF ASSOCIATION

The use of General Common Elements by the co-owner or co-owners of all 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.

XVIII.

REGIME TO BE USED FOR LAWFUL PURPOSES

RESTRICTION AGAINST NUISANCES

No immoral, improper, offensive or unlawful use shall be made of any Apartment or of the General Common Elements, nor any part hereof, 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 General 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 General Common Elements.

a. Animals and Pets. The maintenance, keeping, breeding, boarding and/or raising of animals, livestock, or poultry of any kind, regardless of number, shall be and is hereby prohibited within any Apartment, Limited Common Elements or upon the Common Elements, except that this shall not prohibit the keeping of one small orderly dog, one cat and/or caged birds as domestic pets when authorized in writing by the Board provided that they are not kept or maintained for commercial or breeding purposes. Pets shall not be permitted upon the Common Areas unless accompanied by an adult and unless they are carried or leashed. Any Owner who keeps or maintains any pet upon any portion of the Property shall be deemed to have indemnified and agrees to hold the Association and each of its members free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the condominium project. The Board shall have the right to order any person whose pet is a nuisance, to remove such pet from the premises, or to charge such person for any extraordinary costs of maintaining the Common Elements caused by the presence of the pet. The determination, payment and collection of this charge shall be in accordance with the terms providing for payment and collection of annual assessments in this Master Deed, the Bylaws and the Rules of Conduct.

b. Clotheslines, Garbage Cans, Etc. No outside clotheslines or display of clothes shall be permitted. All garbage and similar items shall be disposed of through the chutes and/or dumpsters or any other system provided by the Association.

c. Exterior Antennas. No exterior television or radio antennas shall be placed on any apartment without prior written approval of the Board of the Association.

d. Bicycles, beach floats, surfboards and other similar equipment or articles shall be kept within each owners apartment or in areas designated by the Association.

XIX.

RIGHT OF ENTRY INTO APARTMENTS IN EMERGENCIES

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 Administration of the 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.

XX.

RIGHT OF ENTRY FOR MAINTENANCE OF

GENERAL 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 General Common Elements, co-owner of each Apartment shall permit other co-owners of 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.

XXI.

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 Association, which consent may be withheld in the event that a majority of the Board of Administration of said Association determine, in their sole discretion, that such structural modifications or alterations would affect or in any manner endanger the 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, 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 General Common Elements located therein. No co-owner shall cause the balcony 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 antenna, 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 Association being first obtained.

XXII.

RIGHT OF ASSOCIATION TO ALTER AND IMPROVE

GENERAL 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 General Common Elements, provided such alterations, modifications or improvements are first approved in writing by the Board of Administration of the Association. In the event that the cost of any alteration, modification or improvement is estimated to or shall exceed \$5,000.00, then in addition to approval by the Board of Administration, it must be approved by the co-owners of sixty (60%) percent or more of the General Common Elements of the entire Regime; 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 General Common Elements.

XXIII.

MAINTENANCE AND REPAIR BY CO-OWNERS OF APARTMENTS

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 of 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 the balcony attached to his Apartment shall be maintained by the co-owner at his expense. Reference is made to Title 27, Chapter 31, Code of Laws of South Carolina, 1976, which code section is controlling of insurance proceeds when said code section is applicable by its terms.

XXIV.

MAINTENANCE AND REPAIR OF

GENERAL COMMON ELEMENTS BY ASSOCIATION

The Association, at its expense, shall be responsible for the maintenance, repair and replacement of all of the General Common Elements, including those portions thereof which contribute to the support of the building, and all conduits, ducts, plumbing, wiring and other facilities located in the General Common Elements for the furnishing of utility services to the Apartments and said General 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 General Common Elements, the Association shall, at its expense, repair such incidental damage.

XXV.

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, furnishings, 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 General 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, furnishings, personal effects and other personal property (other than such furniture, furnishings and personal property constituting a portion of the General Common Elements) belonging to or carried on the person of the co-owner of or in, to or upon General Common Elements shall be borne by the co-owner of each such Apartment. All furniture, furnishings and personal property constituting a portion of the General 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 General 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.

XXVI.

CONDEMNATION

A. Rights of Co-Owners. If any portion of the Regime is condemned by any authority having the power of eminent domain, each Co-Owner shall be entitled to receive notice of such condemnation and to participate in the proceedings incident thereto unless otherwise prohibited by law. Each Co-Owner and/or Mortgagees, as their respective interests may appear, shall be entitled to an individual award to be determined by the value of his interest in the portion or portions of the Property condemned.

B. Duties of the Association. In the event that any award is received by the Association on account of condemnation of any portion or portions of the Common Elements, the Association shall promptly pay such award to the Insurance Trustee hereinafter identified as trustee for the Co-Owners to be disbursed in the same manner as if it were insurance proceeds. The Association shall also promptly call a special meeting of the Co-Owners to determine whether any condemned portion of the Common Elements shall be replaced. If the Co-Owner determine to replace any condemned portion of the Common Elements, the Association shall provide for the replacement of such portions in the same manner as if such portions had been destroyed by casualty.

XXVII.

INSURANCE

The Association shall insure the Regime against risks, as is set forth in the bylaws 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.

XXVIII.

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 General 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 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 General 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 General Common Elements appurtenant to each Apartment bears to the total undivided interest in General Common Elements appurtenant to all Apartments. 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 General 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 General 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 as designated shall be and constitute a lien prior to all mortgages and encumbrances upon any Apartment and its appurtenant undivided interest in General 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 General Common Elements.

XXIX.

AMENDMENT OF MASTER DEED

The Grantor shall have the right at its sole discretion to amend this Master Deed until July 1, 1988.

This Master Deed or any of its provisions shall not be revoked or amended, other than as set forth in the paragraph above, without the acquiescence of the co-owners owning at least two-thirds of the Apartments and at least two-thirds of the total interest in the General 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 General Common Elements, except that the system of administration as set forth in the Charter and bylaws may be amended and modified from time to time in accordance with the provisions of the South Carolina Horizontal Property Act and other applicable provisions of the Code of Laws of South Carolina, the Charter and bylaws 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.

XXX.

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 Articles of Incorporation and the bylaws 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. A default 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 Articles of Incorporation, bylaws of the Association, or its rules and regulations, shall be grounds for relief which may include without intending to limit the same, 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 an alleged default by the co-owner of any Apartment, the Association, if successful, shall be entitled to recover 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 any 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 Grantor, or the lender 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.

XXXI.

USE OR ACQUISITION OF INTEREST IN THE
REGIME TO RENDER USER OR ACQUIRERE 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 that the provisions of this Master Deed are accepted and ratified in all respects.

XXXII.

RIGHT OF GRANTOR TO REPRESENTATION ON BOARD
OF ADMINISTRATION OF ASSOCIATION

So long as Harbor Island Development Associates, a General Partnership, the Grantor, or their successors or assigns is the co-owner of not less than twenty-five (25%) percent of the Apartments in the Regime, the Grantor shall have the right to designate and select all of the persons who shall serve as members of the Board of Administration of the Association. The power of the Grantor to designate directors as above referred to, shall terminate on June 1, 1990. The Incorporators of the Association shall serve as the Board of Administration until such time as the Board is selected or elected as above provided.

Any representative of Grantor serving on the Board of Administration of the Association shall not be required to disqualify himself upon any vote upon any management contract or other matter between Grantor and Association where the said Grantor may have a pecuniary or other interest. Similarly, Grantor 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 Grantor and Association where Grantor may have a pecuniary or other interest.

XXXIII.

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.

XXXIV.

MASTER DEED BINDING UPON GRANTOR, 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 General Common Elements and this Master Deed shall be binding upon Grantor 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.

XXXV.

DEFINITIONS

The definitions contained in Title 27, Chapter 31, Code of Laws of South Carolina, 1976, as amended, are hereby incorporated herein and made a part hereof by reference.

XXXVI.

MISCELLANEOUS

Attached hereto as Exhibit "E" and made a part hereof by reference is the Architect's Certificate required by Title 27, Chapter 31, Code of Laws of South Carolina, 1976.

Attached hereto as an Appendix and made a part hereof by reference is a copy of the By-Laws of the Association, as required by Title 27, Chapter 31, Code of Laws of South Carolina, 1976.

Attached hereto as an Appendix and made a part hereof by reference is the Certificate of Incorporation of the Association.

IN WITNESS WHEREOF, the Grantor has executed this Master Deed this 20th day of June, 1985.

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF:

HARBOR DEVELOPMENT ASSOCIATES,
A General Partnership

Harbor Associates of South Carolina,
Inc., General Partner

WITNESSES:

Helen Gamble
Catherine C. Sweeney

BY: William D. Pender

Attest: Stan Barber
Secretary

Central Atlantic Mortgage and
Investment Company, Inc., General
Partner

BY: Fred M. Matney
President

Attest: Ellen P. Hamrich
Secretary

Ausan D. McElroy
Barbara J. Morris

PROBATE

Henri Gamble

PROBATE

Juan D. Melroy
Barbara J. Marsch

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**BYLAWS
OF
HARBOR ISLAND INN & OCEAN VILLAS
Horizontal Property Regime
Harbor Island, Beaufort County, South Carolina**

**Developer:
HARBOR DEVELOPMENT ASSOCIATES, A General Partnership
Harbor Island, South Carolina 29920**

**Law Offices of
Harvey & Battey, P.A.
1001 Craven Street
Post Office Drawer 1107
Beaufort, South Carolina 29902**

**FILED IN DEED - M BOOK 424 PAGE 75
FILED AT 12:15:00 ON 07/03/85**

BYLAWS
OF
HARBOR ISLAND INN & OCEAN VILLAS HORIZONTAL PROPERTY REGIME, INC.

1. IDENTITY

These are the bylaws of the Harbor Island Inn & Ocean Villas Horizontal Property Regime, 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 Harbor Island Inn & Ocean Villas Horizontal Property Regime, a horizontal property regime established pursuant to Section 27-31-10 of the Code of Laws of South Carolina, 1976, (hereinafter called "the Regime"). The Regime is identified by the name Harbor Island Inn & Ocean 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, together with any addition to or expansion of such Regime as provided for in the Master Deed.

(a) The provisions of these bylaws 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 Certificate 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 the property and the improvements now or hereafter situate thereon were submitted to the plan of condominium ownership. The terms and provisions of said Certificate of Incorporation and Master Deed shall be controlling wherever the same may be in conflict with these bylaws.

(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 bylaws and in said Certificate of Incorporation and Master Deed (and any amendments thereto).

(c) All Co-Owners and holders, insurers or guarantors of any first mortgage upon an Apartment shall be entitled to inspect, during normal business hours, current copies of the Master Deed, the Association Bylaws, all rules and regulations adopted for the management and operation of the Association and the Regime and the books, records and financial statements of the Association. Any holder of a first mortgage is entitled, upon written request, to a financial statement of the Association for the immediately preceding fiscal year. A Co-Owner who mortgages his dwelling or executes some other security instrument which may become a lien on his Apartment shall notify the Secretary of the Board of the name and address of his mortgagee, or the holder of the security instrument, and thereby authorize the Board to furnish such information as such mortgagees may from time to time request in writing respecting unpaid assessments, taxes, condemnation or casualty loss, insurance coverage or other reasonable information concerning such Apartment.

(d) The office of the Association shall be at Harbor Island, South Carolina 29920, or such other place as the Board of Administration of the Association may designate from time to time.

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

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

2. MEMBERSHIP, VOTING, QUORUM, PROXIES

(a) Membership. Each and every record owner or owners (Co-Owner) of a fee or undivided fee interest in any Condominium Unit located in Harbor Island Inn & Ocean Villas, Harbor Island, Beaufort County, South Carolina shall be a member of the Association, excluding persons who hold such interest under a deed to secure debt, mortgage or deed of trust. Membership in the Association shall be confined to such Co-Owner and shall be appurtenant to and inseparable from Apartment ownership. If the Co-Owner be other than an individual, the Co-Owner of each Condominium Apartment shall designate in writing and deliver to the Secretary from among such Co-Owner of such Apartment, the name and address of the person who shall represent the Co-Owner of such Apartment in connection with the activities of the Association and exercise the voting rights thereof. Such designation shall be valid until revoked in writing and delivered to the Secretary or until such Co-Owner sells his Condominium Apartment, whichever event shall first occur. No Apartment Co-Owner shall be required to pay any consideration whatsoever for his membership. The collective body of membership is designated the Association of Co-Owners (Association).

(b) Voting Rights. The Association shall have one class of voting membership which shall consist of all Co-Owners of Condominium Apartments in Harbor Island Inn & Ocean Villas Horizontal Property Regime. The total number of votes of all members of the Association shall total one hundred (100) and the person designated by the Co-Owner of each Condominium Apartment shall be entitled to cast the number of votes equal to the Percentage Interest appurtenant to the Apartment owned by such Co-Owner as set forth in the Master Deed. The percentage shall not be divisible nor may the vote thereof be cast in part.

(c) Quorum. At all meetings, regular or special, a quorum shall consist of the presence in person or by proxy, of members holding greater than fifty one per cent (51%) of the total value of the property in accordance with the values assigned in the Master Deed. If a quorum shall not be present at any meeting, a majority vote of that percentage present, in person or by proxy, may adjourn the meeting from time to time until a quorum can be obtained. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

(d) Majority Vote. Acts authorized, approved or ratified by the casting of a majority of the votes represented at a meeting at which a quorum is present, in person or by proxy, shall be the acts of the Association, except where a higher percentage vote is required by these Bylaws, the Master Deed, or by law, and shall be binding for all purposes.

(e) Proxy. Votes may be cast in person or by written proxy. Proxies must be filed with the Secretary before the designated time of each meeting.

(f) Suspension of Membership and Voting Rights. During any period in which a Co-Owner of a Condominium Apartment shall be in default of the payment of any annual or special Assessment levied by the Association, the voting rights of the Co-Owner and the rights of the Co-Owner and his tenants who reside in such Owner's Condominium Apartment to use and enjoy the Common Area and Facilities may also be suspended by the Board until such time as the Assessment has been paid. Such rights may also be suspended by the Board for the violation of the published rules and regulations with respect to the use of the Common Area and Facilities and the Limited Common Area and Facilities as published from time to time by the Board. Such rules shall be known as the Rules of Conduct and kept in the Office of the Association as a matter of record, and copies thereof shall be furnished to any Co-Owner on request.

3. ANNUAL AND SPECIAL MEETINGS OF MEMBERSHIP

(a) Place of Meeting. Meetings of the Association shall be held at the office of the Association or at such other place convenient to

the members in Beaufort County, South Carolina as shall be designated by written notice by the Board of Administrators.

(b) Annual Meeting. The annual meeting of members shall be held at 10:00 a.m. on the first Saturday in December of each year for the purpose of electing Directors and transacting any other business authorized to be transacted by the members. The first meeting shall be held in 1985.

(c) Special Meetings. Special meetings of the Association may be called at any time by (a) the President or the Vice President, (b) by a majority of the Board of Administrators, or (c) upon the receipt by the Secretary of a petition signed by members holding greater than twenty-five per cent (25%) of the total vote of the Association. The call of a special meeting shall be by notice stating the date, time, place, purpose and order of business of such special meeting. Only the business stated in the notice may be transacted at a special meeting except by a vote of seventy-five per cent (75%) of the Association membership.

(d) Notice of Meetings. The President, Vice President or Secretary shall mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each member at the last address of such member furnished to the Secretary. Such notice to be mailed at least fifteen (15) days but not more than forty-five (45) days prior to such meeting. Mailing notice as herein provided shall be deemed delivery thereof. Any member may waive notice of the meeting in writing either before or after the meeting. Attendance of a member at a meeting, either in person or by proxy, except for the purpose of stating, at the beginning of the meeting, any objection to the transaction of business, shall constitute waiver of notice and also waiver of any objection of any nature whatsoever as to the transaction of any business at such meeting. Notice given to one tenant in common, shall be deemed notice to all. It is the responsibility of each Co-Owner to maintain a current mailing address with the Secretary and to designate the voting member in the event of multiple owners.

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

(f) Order of Business. The order of business at each annual meeting, and as far as practical at any other council meeting shall be as follows, to-wit:

- a. Roll call and confirming of proxies.
- b. Proof of notice of meeting or waiver of notice.
- c. Reading of minutes of preceding meeting.
- d. Reports of officers.
- e. Reports of committees, if any.
- f. Election of Board.
- g. Unfinished business.
- h. New business.
- i. Adjournment.

(g) Actions Without Meeting. Any action which may be taken at a meeting of the membership may be taken without a meeting if a consent or ratification, in writing, setting forth the action so taken or to be taken shall be signed by persons who would be entitled to cast seventy-five percent (75%) of the votes of membership of the Association at a meeting and such consent is filed with the Secretary of the Association and is inserted in the Minute Book thereof.

4. BOARD OF ADMINISTRATION

(a) Number. The Board of Administration of the Association (sometimes hereinafter referred to as the "Board") shall consist of five (5) persons. All the Board of Administration shall be members of the Association, or shall be authorized representatives, officers, or employees of a corporate member of the Association; provided, however, that so long as Harbor Development Associates, a General Partnership, hereinafter referred to as the "Developer", is the Co-Owner of at least

twenty-five (25) percent of the Apartments in the Regime, the Developer shall have the right to designate and select all of the persons who shall serve as members of the Board of Administration of the Association. The power of the Developer to designate directors as above referred to shall terminate on June 1, 1990. The Incorporators of the Association shall serve as the Board of Administration until such time as the Board is selected or elected as above provided.

(b) Powers and Duties. The Board shall manage and direct the affairs of the Association and, subject to any restrictions imposed by law, by the Master Deed, or these Bylaws, may exercise all the powers of the Association. The Board shall exercise such duties and responsibility as shall be incumbent upon it by law, Master Deed, or these Bylaws as it may deem necessary or appropriate in the exercise of its powers, including, without limitation, the determining of annual assessments, the collection of all assessments and charges from the Co-Owners, the establishment and amendment from time to time of reasonable Rules of Conduct governing the use of the Common Area and Facilities, the payment of taxes and assessments due upon any of the Common Elements, to carry insurance for the protection of the Regime, members and the Association against casualty and the employment and dismissal of personnel necessary for the maintenance and operation of the Common Area and Facilities. Additionally, the Board may require that all employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premium on such bonds shall be paid by the Association.

(c) Management. The Board may employ for the Association a managing agent under such terms and conditions as the Board may authorize; provided, however, the Board shall not delegate to such agent the complete and total responsibility of the Association. Such managing agent shall have such duties and shall receive such compensation as determined by the Board.

(d) Contracts. The Association is not bound either directly or indirectly to contracts or leases (including a management contract) made by the Developers or others prior to passage of control to the Association unless there is a right of termination of any such contract or lease, without cause, which is exercisable without penalty at any time after transfer of control, upon not more than 90 days' notice to the other property.

(d) Election and Term of Office. At the first annual meeting of the Association after the Developer shall no longer have the right to appoint the Board of Administration, which meeting should be held within four months of such clearance, the members of the Association shall elect one (1) Member of the Board for an initial term of three (3) years, two (2) Members of the Board for an initial term of two (2) years, and two (2) Members of the Board for an initial term of one year. At the expiration of the initial term of each, his successor shall be elected for a term of three (3) years. Cumulative voting is permitted.

(e) Vacancies. Vacancies on the Board caused by any reason other than the removal of a member by a vote of the Association shall be filled by vote of the majority of the remaining members of the Board, even though they may constitute less than a quorum, and each person so elected shall be a Member of the Board until a successor is elected at the next annual meeting of the Association. Vacancies caused by removal shall be filled by vote of the Association at the same meeting at which a Board Member is removed.

(f) Removal. At any regular or special meeting of the Association duly called, any one or more of the Board Members may be removed with or without cause by a vote of seventy-five per cent (75%) of the total Percentage Interests authorized to vote thereon, and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by an Co-Owner shall be given an opportunity to be heard at such meeting.

Sale of his Condominium Apartment by a Member of the Board shall automatically terminate his term of office.

(g) Regular Meetings. The first regular meeting of the Board shall be held immediately following the first annual meeting of the members of the Association and regular meetings thereafter shall be held on such dates and at such place and hour, but not less frequently than biannually, as may be fixed from time to time by resolution of the Board. Notice of regular meetings of the Board shall be given to each Member of the Board, personally or by mail, telephone or telegraph, at least three (3) days prior to the day of such meeting; provided, however, notice of the first regular meeting shall not be required to be given to the administrator provided that a majority of the entire Board is present at such meeting. Should any such meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

(h) Special Meetings. Special meetings of the Board may be called by the President on three (3) days notice to each Member of the Board, given personally or by mail, telephone or telegraph, which notice shall state the date, time, place and purpose of the meeting. Special meetings of the Board shall also be called by the Secretary in like manner and on like notice upon the written request of at least two (2) Members of the Board.

(i) Waiver of Notice. Before or at any meeting of the Board any Member of the Board may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Member of the Board at any meeting of the Board shall be a waiver of notice by him of the date, time and place thereof. If all the administrators are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

(j) Quorum. At all meetings of the Board, a majority of the then qualified Board shall constitute a quorum for the transaction of business, and the acts of the majority of the Members of the Board present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

(k) Compensation. No Member of the Board shall receive compensation for any service he may render to the Association nor shall the Association make any loan, directly or indirectly, to a Member of the Board; provided, however, a Member of the Board may be reimbursed for the expenses incurred by him in the performance of his duties.

(l) Action by Board Without a Meeting. The Board shall have the right to take any action which it could take at a meeting by obtaining the written approval or ratification of all. Any action so approved shall have the same effect as though taken at a meeting of the Board.

(m) Liability. To the extent permitted by the South Carolina law in effect at the applicable time, no Member of the Board shall be liable to any Co-Owner for injury or damage caused by such Member of the Board in the performance of his duties unless due to the willful misfeasance or malfeasance of such Member of the Board. Furthermore, each Member of the Board shall be indemnified by the Association against all liabilities and expenses, including attorneys' fees, reasonably incurred and imposed upon him in connection with any proceeding to which he may be a party or in which he becomes involved by reason of his being or having been a Member of the Board whether or not he is a Member of the Board at the times such expenses and liabilities are incurred, except in such cases where the Member of the Board is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided, however, that in the event of a settlement, the indemnification shall apply only when the Board approves such settlement and reimbursement as being in the best interest of the Association. Such indemnity shall be subject to approval by the members of the Association only when such approval is required by the laws of South Carolina.

5. OFFICERS

(a) Number and Election. There shall be elected annually by and from the Board a President, a Secretary and a Treasurer. The office of Secretary and Treasurer may be filled by the same person. The Board may also elect from time to time such other officers as in their judgment may be needed, which officers need not be Board members.

(b) Removal and Vacancies. Except as herein provided to the contrary, the officers shall be elected annually and hold office at the pleasure of the Board. A vacancy in any office may be filled by the Board at its next meeting. The officer elected to such vacancy shall serve for the remainder of the term of the officer he replaces.

(c) Duties. The duties of the officers shall be as follows, to-wit:

(i) President. The President shall be the chief executive officer and shall preside at all meetings of the Board and the Association, shall see that orders and resolutions of the Board are carried out, shall appoint committees consisting of members of the Association as in his opinion is necessary, shall co-sign with the Treasurer all checks, and with the Secretary all promissory notes, mortgages and similar documents, if any, and shall perform such other duties as may be delegated to him by the Board. He shall have all the general powers and duties which are incident to the office of the President of a corporation organized under the laws of South Carolina.

(ii) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and the Association; keep appropriate current records, showing the members of the Association together with their addresses and designating those members entitled to vote; keep custody of and attest the seal of the Association; and perform such other duties as may be required of him by the Board or incident to the office of the Secretary of a corporation organized under the laws of South Carolina.

(iii) Treasurer. The Treasurer shall be responsible for the funds of the Association, shall co-sign with the President all checks, and shall maintain full and accurate fiscal accounts and records, and shall perform such other duties as may be designated by the Board or incident to the laws of South Carolina.

(d) Compensation. Officers shall not be compensated on a regular basis for the usual and ordinary services rendered to the Association incident to their offices, nor shall the Association make loans, directly or indirectly, to any officer. The officers may be reimbursed for reasonable expenses incurred on behalf of the Association.

(e) Liability. To the extent permitted by South Carolina law in effect at the applicable time, no officer shall be liable to any Co-Owner for injury or damage caused by such officer in the performance of his duties unless due to the willful misfeasance or malfeasance of such officer. Furthermore, each officer shall be indemnified by the Association against all liabilities and expenses, including attorneys' fees, reasonably incurred and imposed upon him in connection with any proceeding to which he may be a party or in which he becomes involved by reason of his being or having been an officer of the Association, whether or not he is an officer of the Association at the times such expenses and liabilities are incurred, except in such cases where the officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided, however, that in the event of a settlement the indemnification shall apply only when the Board approves such settlement and reimbursement as being in the best interest of the Association. Such indemnity shall be subject to approval by the members of the Association only when required by South Carolina law.

6. FISCAL MANAGEMENT

The following are made for the the fiscal management of the Association and for the making and collection of assessments against Co-Owners:

(a) Working Capital. A working capital fund is required for the initial months of the project's operation. This working capital fund shall consist of two months's assessments for each Apartment. Each Apartment's share of the working capital fund must be collected and transferred to the Association at the time of closing of the sale of each Apartment and maintained in an account for the use and benefit of the Association. The purpose of the fund is to insure that the Association Board will have cash available to meet unforeseen expenditures, or to acquire additional equipment or services deemed necessary or desirable. Amounts paid into the fund are not to be considered as advance payment of regular assessments.

(b) The Treasurer or an employee of the Association shall maintain an assessment roll 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, the amount of each assessment against the Co-Owner, the dates and amount in which assessments come due, the amounts paid upon the account and the balance due upon assessments.

(c) The Board of Administration 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, utility services, casualty insurance, liability insurance, administration and reserves (operating, deferred maintenance and replacement).

(ii) A 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 the Board 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 Administration of the Association in the sole discretion of said Board.

(iii) 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 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.

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

(e) The depository of the Association shall be a federally insured State or federally chartered 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.

(f) 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, and any holder of a first mortgage upon any Apartment shall be entitled, upon written request, to a copy of the most recent financial statement.

(g) Fidelity bonds may be required by the Board of Administration 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.

7. ASSESSMENTS: LIABILITY, LIEN AND ENFORCEMENT

The Board of Administration of 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 Board 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 Board is 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 the Board 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 Apartments, to-wit:

(a) All assessments levied against the Co-Owners of Apartments and said Apartments shall be uniform and unless specifically otherwise provided for in these bylaws, 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 the Association by all Co-Owners of Apartments.

(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 Administration of the Association.

(c) 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 bylaws and the Master Deed 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.

(d) 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 Administration 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 Administration, 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 fifteen (15%) percent per annum until such delinquent assessment or installment thereof, and all interest due thereon, has been paid to Association.

(e) The Co-Owner 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 of an Apartment in the Regime. In the event that any Co-Owner is in default in payment of any assessment or installment thereof owed to the Association, such Co-Owner 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.

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

(g) All assessments against any Co-Owner shall constitute a lien against the Co-Owner's Apartment in favor of the Association, as provided by the Act, which lien shall become effective when a notice, claiming such lien, has been duly recorded by the Association in the Office of the Clerk of Court for Beaufort County, South Carolina. Such claim of lien shall state the description of the Apartment, the name of the record owner, and the amount due and date when due. Such claim of lien shall be signed and verified by an officer or agent of the Association prior to its recordation; and no such claim of lien shall be made by the Association unless the assessment, charge or expense, giving rise to the lien, remains unpaid for more than ten (10) days after same become due. Any such lien may be foreclosed by the Association in the manner provided by law for the foreclosure of real estate mortgages. The lien shall secure the payments of all assessments as described in said claim of lien and, in addition thereto, shall secure the payment of subsequent assessments which come due after the filing of the claim of lien and prior to the satisfaction of such lien by foreclosure or otherwise, including interest thereon at the maximum legal rate together with all costs and reasonable attorneys' fees incurred by the Association incident to the collection of such assessments or the enforcement of such lien. If foreclosure is not commenced within two (2) years after the date of filing such a claim of lien, such claim shall not thereafter be foreclosed, nor shall such claim thereafter constitute a lien on the Apartment described in such claim. The right to any other remedy at law or in equity, which may be available to it for collection of the monthly charges and expenses, including the right to proceed personally against a delinquent owner for the recovery of a judgment "in personam" shall not be waived and shall not expire two years after the filing of a claim of lien which is not foreclosed upon. Any personal judgment against any such delinquent Co-Owner may include

all unpaid subsequent assessments which come due after the institution of such suit and prior to such Order of Judgment, including interest thereon at the maximum legal rate, together with all costs and reasonable attorneys' fees incurred by the Association incident to the collection of such assessments.

(h) Whenever any Apartment may be sold by the Co-Owner thereof, which sale shall be concluded only upon compliance with other provisions of these bylaws, 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.

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.

Notwithstanding anything in these bylaws to the contrary, it is declared that until June 1, 1990, 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. 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 June 1, 1990, the Grantor shall be subject to assessments as provided for in these bylaws so that it will pay assessments on the same basis provided for under these bylaws as the same are paid by Apartment Co-Owners.

8. INSURANCE

(a) Hazard Insurance. The Board acting for 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 as determined annually by the Board of the Association, 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 shall provide coverage for common expenses with respect to the Apartments and Common Elements during any period of repair or reconstruction.

All policies of hazard insurance on the Apartments and the Common Elements obtained by the Board of Administrators shall provide as follows:

(i) 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.

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

(iii) No Co-Owner shall be prohibited from insuring his own Apartment for his own benefit.

(iv) No insurance obtained by a Co-Owner on his own Apartment shall be brought into contribution with the insurance obtained by the Board.

(v) If the Board of Administration determines that it is possible to obtain such a provision, no right of subrogation shall exist against any Co-Owner or members of his household or his social guests.

(vi) The insurer shall not be entitled to reconstruct in lieu of paying the indemnity in cash if the Co-Owners determine not to repair or restore the damaged property.

(vii) 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 i and ii above) may be waived by unanimous resolution of the Board of Administration preceded by ten (10) days' notice to every Co-Owner or by resolution of a majority of the Co-Owners.

(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 in such amount as shall be determined by the Board of the Association, 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) Fidelity Bond. The Association through its Board shall maintain a Fidelity Bond in an appropriate amount determined by the Board on all officers and employees of the Association who shall have access to the funds of the Association. Such Fidelity Bond coverage shall meet the requirements as specified in FNMA Lending Guide Chapter through, Part 5 and any supplements or amendments thereto.

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

(e) 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 Administration.

(f) 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. 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, 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.

(g) Claims. The Board of the Association shall be exclusive authority to negotiate and settle on behalf of the Co-Owners all claims arising under policies of hazard insurance obtained on the Property by the Board. In the event of damage to or destruction of any portion of the Apartments or the Common Elements, the Board shall promptly file claim for any indemnity due under any such policies. The Board 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.

(h) Insurance Trustee. The net proceeds received by or due to the Board from any indemnity paid under a policy of hazard insurance obtained on the Property by the Board shall promptly be paid by the Board or the appropriate insurer to an Insurance Trustee as trustee for the Co-Owners as hereinafter provided. The Insurance Trustee shall be a federally insured State or federally chartered bank located in Beaufort County, South Carolina. The Insurance Trustee shall receive such proceeds as are paid and hold the same in trust for the purposes elsewhere stated herein for the benefit of the Co-Owners and their mortgagees, in the following shares, but which shares need not be set forth on the records of the Insurance Trustee:

(i) Proceeds on account of damage to common elements shall consist of an undivided share for each Co-Owner, such share being the same as the undivided share of such Co-Owner in the Common Elements appurtenant to his, her or its Apartment.

(ii) Proceeds on account of damage to Apartments shall be held for the Co-Owners thereof in proportion to the cost of repairing the damage suffered by each Co-Owner, which costs shall be determined by the Association. In the event a decision is made not to reconstruct the Apartments, as provided hereinafter and in the Act, such proceeds shall be held for the Co-Owners in the proportion in which they own the Common Elements.

(iii) In the event a mortgagee endorsement has been issued as to an Apartment, the share of the Co-Owner shall be held in trust for the mortgagee and the Co-Owner as their interests may appear; provided, however, that no mortgagee shall have any right to determine or participate in the determination as to whether or not any damaged property shall be reconstructed or repaired.

(i) Insurance Proceeds. Proceeds of insurance policies received by the Insurance Trustee shall be distributed to or for the benefit of the beneficial owners in the following manner:

(i) All expenses of the Insurance Trustee shall be paid or provisions made for payment.

(ii) If the damaged property for which the proceeds are paid is to be repaired or reconstructed, the remaining proceeds shall be paid to defray the costs thereof as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial owners, remittance to Co-Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of an Apartment and may be enforced by him.

(iii) If it is determined in a manner elsewhere provided that the damage for which the proceeds are paid shall not be reconstructed or repaired, the remaining proceeds shall be distributed to the beneficial owners, remittances to Co-Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of an Apartment and may be enforced by him.

In making distribution to Co-Owners and their mortgagees, the Insurance Trustee may rely upon a certificate of the Association as to the names of the Co-Owners and their respective shares of the distribution.

(j) Insurance by Owner. No provisions of this paragraph, the Master Deed, nor these bylaws, shall be deemed to prevent or prohibit any Co-Owner from obtaining additional insurance on his, her or its

Apartment for his, her or its own account and benefit; insuring such furniture, furnishings of other personal property as they may have in their individual apartments, for this own individual account and benefit; or from obtaining such additional public liability coverage as they may desire for their own individual protection. No Co-Owner shall, however, insure any part of the Common Elements whereby, in the event of loss thereto, the right of the Association to recover the insurance indemnity for such loss in full shall be diminished or impaired in any way.

(k) Reconstruction or Repair After Casualty.

(i) In the event of fire or other disaster or casualty resulting in damage to a building or buildings and Common Elements of the Regime which the Board of the Association shall determine to be two-thirds (2/3rds) or less of the total value of the property of the Regime (excluding land), the net proceeds of all insurance collected shall be made available for the purpose of restoration or replacement. When such insurance proceeds are insufficient to cover the cost of such reconstruction or replacement, the balance of such costs shall be assessed against the Co-Owners in the case of damage to common elements and against the Co-Owners who own the damaged Apartments in the case of damage to Apartments. Such assessments on account of damage to common elements shall be in proportion to the Co-Owner's share in the Common Elements, and assessments against Co-Owners for damage to Apartments shall be in proportion to the costs of reconstruction and repair of their respective Apartments.

(ii) In the event the buildings and improvements of the Regime are damaged or destroyed to more than two-thirds (2/3rds) of the then total value of the property of the Regime (excluding land) as determined by the Board of the Association, the members of the Association shall be polled in writing via United States Mail by the Association as to whether the Regime shall be waived or the damaged property reconstructed and repaired. The Regime shall be waived unless within ninety (90) days after the mailing of such notices all of the Co-Owners agree in writing to repair and reconstruct the buildings and improvements of the Regime. If the election is to reconstruct or replace, payment of the costs thereof shall be made as provided for in subsection (i) of this paragraph (k). If the decision is to waive the Regime and not to reconstruct or replace, all sums recovered from insurance shall be paid over to the Co-Owners in the proportion in which they own the Common Elements and to their respective mortgagees as their interest may appear.

(iii) The Insurance Trustee may rely upon a certificate of the Association to determine whether or not the damaged property is to be reconstructed or repaired or whether the Regime is to be waived.

(iv) If the damage is only to those parts of an Apartment for which the responsibility of maintenance and repair is that of the individual Co-Owner, then the Co-Owner shall be responsible for reconstruction and repair after casualty. In all other instances, the responsibility of reconstruction and repair after casualty shall be that of the Association.

(v) Immediately after a casualty causing damage to property for which the Association has the responsibility of maintenance and repair, the Association shall obtain reliable and detailed estimates of the cost to rebuild or repair so as to place the damaged property in condition as good as that before the casualty.

(vi) Any reconstruction or repair must be substantially in accordance with the plans and specifications for the original improvements which are shown on the exhibits attached to the Master Deed; or if not, then according to plans and specifications approved by the Board of the Association.

9. LENDERS NOTICE.

Upon written request to the Association, identifying the name and address of the mortgage holder, insurer or guarantor and the Apartment number or address, any mortgage holder, insurer, or guarantor of any Apartment shall be entitled to timely written notice from the Association of:

(a) Any condemnation or casualty loss that affects either a material portion of the project or the Apartment securing its mortgage.

(b) Any 60-day delinquency in the payment of assessments or charges owed by the owner of any Apartment on which it holds the mortgage.

(c) A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association.

(d) Any proposed action that requires the consent of a specified percentage of mortgage holders.

10. AMENDMENTS TO BY-LAWS

Amendments to these bylaws shall be proposed and adopted in the following manner:

(a) Amendments to these bylaws may be proposed by the Board of Administration of the Association acting upon vote of the majority of the Administrators, 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 bylaws being proposed by said Board of Administration 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 Administration 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 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 bylaws 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 Administrators and members.

(d) At any meeting held to consider such amendment or amendments to the bylaws, 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 bylaws which shall abridge, amend or alter the right of the Developer to designate and select members of each Board of Administration of the Association, as provided in Article 4 hereof, may be adopted or become effective without the prior written consent of the Developer.

11. PARLIMENTARY RULES

Roberts Rules of Order (latest edition) shall govern the conduct of corporate proceedings when not in conflict with these bylaws or with the statutes of the State of South Carolina.

12. DEFINITIONS

The definitions contained in §27-31-20 of the Code of Laws of South Carolina, 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 bylaws, the provisions of the Master Deed shall control.

The foregoing were adopted as bylaws of Harbor Island Inn & Ocean Villas Horizontal Property Regime, Inc., a non-profit corporation existing under the laws of the State of South Carolina, at the first meeting of the Board of Administration on June 28, 1985.

HARBOR ISLAND INN & OCEAN VILLAS HORIZONTAL PROPERTY REGIME, INC.



Paul Barber, President

MD of HII&OV
HARBOR

FILED IN DEED - M BOOK 424 PAGE 90
FILED AT 12:15:00 ON 07/08/85

EXHIBIT "A"

Harbor Island Inn & Ocean Villas

Horizontal Property Regime

Phase I

All that certain piece, parcel or tract of land, situate, lying and being on Harbor Island, St. Helena Township, Beaufort County, South Carolina, containing 1.648 acres, more or less, and being shown and designated as Phase I, Harbor Island Inn & Ocean Villas, on a plat prepared by Surveying Consultants of Hilton Head Island, Inc., dated May 6, 1985, recorded July 8, 1985, in Plat Book 33 at page 51 in the Office of the Clerk of Court for Beaufort County, South Carolina. For a fuller and more complete description of the property herein conveyed, reference is prayed to the above plat of record.

The parcel herein conveyed, contains within its perimeter boundary 1.725 acres, however, Save and Excepted from this conveyance are the reception facility and conference facility, as shown on such plat, which together contain .077 acres, more or less.

Reserving unto the Grantor the right of ingress and egress from Harbor Drive North to the reception facility and conference facility for the Grantor, its invitees, successors and assigns; together with the right to use the parking facilities adjacent to the reception facility and conference facility so long as such parking does not reasonably interfere with parking by the Regime and its Co-owners.

The parcel herein conveyed is a part of that tract of land acquired by the Grantor by deed from Coastal Contractors, Inc., dated January 9, 1984, and recorded in Deed Book 385 at page 1993 in the records in Beaufort County, South Carolina, and is subject to all applicable covenants and restrictions of record.

This Deed prepared by W. Brantley Harvey, Jr., Esquire, of the law firm of Harvey & Battey, P.A., 1001 Craven Street, Beaufort, South Carolina, 29902.

EXHIBIT D
TO MASTER DEED OF
HARBOR ISLAND INN & OCEAN VILLAS

SCHEDULE OF PERCENTAGE OF UNDIVIDED INTEREST IN THE COMMON ELEMENTS
APPURTENANT TO UNITS IN HARBOR ISLAND INN & OCEAN VILLAS, PURSUANT TO
§27-31-60 OF THE CODE OF LAWS OF SOUTH CAROLINA, 1976.

PHASE I
Building A

<u>Unit No.</u>	<u>Bedrooms</u>	<u>Value for Statutory Purposes</u>	<u>Percentage Interest In Common Elements - Phase I</u>
101	1	\$72,900	2.7549
102	1	71,900	2.7171
103	1	74,000	2.7965
104	1	73,000	2.7587
105	1	73,000	2.7587
106	1	71,900	2.7171
107	1	71,900	2.7171
108	1	71,900	2.7171
109	1	72,500	2.7398
110	1	69,900	2.6415
111	1	70,900	2.6793
112	1	70,900	2.6793
201	1	73,900	2.7927
202	1	72,900	2.7549
203	1	72,900	2.7549
204	1	74,500	2.8154
205	1	74,000	2.7965
206	1	74,000	2.7965
207	1	72,900	2.7549
208	1	74,000	2.7965
209	1	73,500	2.7776
210	1	73,500	2.7776
211	1	73,500	2.7776
212	1	74,000	2.7964
301	1	75,900	2.8682
302	1	74,900	2.8304
303	1	74,900	2.8304
304	1	74,900	2.8304
305	1	75,500	2.8531
306	1	75,500	2.8531
307	1	75,000	2.8342
308	1	73,900	2.7927
309	1	74,500	2.8154
310	1	74,500	2.8154
311	1	74,500	2.8154
312	1	73,900	2.7927
TOTAL		2,646,200	100%

EXHIBIT D - CONTINUED
TO MASTER DEED OF
HARBOR ISLAND INN & OCEAN VILLAS

SCHEDULE OF PERCENTAGE OF UNDIVIDED INTEREST IN THE COMMON ELEMENTS
APPURTENANT TO UNITS IN HARBOR ISLAND INN & OCEAN VILLAS, PURSUANT TO
§27-31-60 OF THE CODE OF LAWS OF SOUTH CAROLINA, 1976.

PHASE I
Building A

<u>Unit No.</u>	<u>Bedrooms</u>	<u>Value For Statutory Purposes</u>	<u>Percentage Interest In Common Elements Phase I and Phase II</u>
101	1	\$72,900	1.7032
102	1	71,900	1.6799
103	1	74,000	1.7289
104	1	73,000	1.7056
105	1	73,000	1.7056
106	1	71,900	1.6799
107	1	71,900	1.6799
108	1	71,900	1.6799
109	1	72,500	1.6939
110	1	69,900	1.6331
111	1	70,900	1.6565
112	1	70,900	1.6565
201	1	73,900	1.7266
202	1	72,900	1.7032
203	1	72,900	1.7032
204	1	74,500	1.7406
205	1	74,000	1.7289
206	1	74,000	1.7289
207	1	72,900	1.7032
208	1	74,000	1.7289
209	1	73,500	1.7172
210	1	73,500	1.7172
211	1	73,500	1.7172
212	1	74,000	1.7289
301	1	75,900	1.7733
302	1	74,900	1.7500
303	1	74,900	1.7500
304	1	74,900	1.7500
305	1	75,500	1.7640
306	1	75,500	1.7640
307	1	75,000	1.7523
308	1	73,900	1.7266
309	1	74,500	1.7406
310	1	74,500	1.7406
311	1	74,500	1.7406
312	1	73,900	1.7266

PHASE II
Building B

<u>Unit No.</u>	<u>Bedrooms</u>	<u>Value For Statutory Purposes</u>	<u>Percentage Interest In Common Elements Phase I and Phase II</u>
101	2	90,500	2.1144
102	2	88,500	2.0677
103	2	88,500	2.0677
104	2	88,500	2.0677
105	2	85,000	1.9859
106	2	87,900	2.0538
201	2	91,500	2.1379
202	2	90,500	2.1144
203	2	90,500	2.1144
204	2	90,500	2.1144
205	2	90,500	2.1144
206	2	92,500	2.1612
301	2	94,500	2.2079
302	2	92,500	2.1612
303	2	92,500	2.1612
304	2	92,500	2.1612
305	2	92,500	2.1612
306	2	94,500	2.2079
TOTAL		\$4,280,100	100%

FILED IN DEED - H BOOK 424 PAGE 93
FILED AT 12:15:00 ON 07/08/85

EXHIBIT D - CONTINUED
TO MASTER DEED OF
HARBOR ISLAND INN & OCEAN VILLAS

SCHEDULE OF PERCENTAGE OF UNDIVIDED INTEREST IN THE COMMON ELEMENTS
APPURTENANT TO UNITS IN HARBOR ISLAND INN & OCEAN VILLAS, PURSUANT TO
§27-31-60 OF THE CODE OF LAWS OF SOUTH CAROLINA, 1976.

PHASE I
Building A

<u>Unit No.</u>	<u>Bedrooms</u>	<u>Value For Statutory Purposes</u>	<u>Percentage Interest In Common Elements Phase I and Phase II</u>
101	1	\$72,900	.5252
102	1	71,900	.5180
103	1	74,000	.5331
104	1	73,000	.5259
105	1	73,000	.5259
106	1	71,900	.5180
107	1	71,900	.5180
108	1	71,900	.5180
109	1	72,500	.5224
110	1	69,900	.5036
111	1	70,900	.5108
112	1	70,900	.5108
201	1	73,900	.5324
202	1	72,900	.5252
203	1	72,900	.5252
204	1	74,500	.5367
205	1	74,000	.5331
206	1	74,000	.5331
207	1	72,900	.5252
208	1	74,000	.5331
209	1	73,500	.5295
210	1	73,500	.5295
211	1	73,500	.5295
212	1	74,000	.5331
301	1	75,900	.5468
302	1	74,900	.5396
303	1	74,900	.5396
304	1	74,900	.5396
305	1	75,500	.5440
306	1	75,500	.5440
307	1	75,000	.5403
308	1	73,900	.5324
309	1	74,500	.5367
310	1	74,500	.5367
311	1	74,500	.5367
312	1	73,900	.5324

PHASE II
Building B

<u>Unit No.</u>	<u>Bedrooms</u>	<u>Value For Statutory Purposes</u>	<u>Percentage Interest In Common Elements Phase I and Phase II</u>
101	2	90,500	.6520
102	2	88,500	.6376
103	2	88,500	.6376
104	2	88,500	.6123
105	2	85,000	.6332
106	2	87,900	.6592
201	2	91,500	.6592
202	2	90,500	.6520
203	2	90,500	.6520
204	2	90,500	.6520
205	2	90,500	.6520
206	2	92,500	.6664
301	2	94,500	.6808
302	2	92,500	.6664
303	2	92,500	.6664
304	2	92,500	.6664
305	2	92,500	.6664
306	2	94,500	.6808

EXHIBIT D - CONTINUED
TO MASTER DEED OF
HARBOR ISLAND INN & OCEAN VILLAS

SCHEDULE OF PERCENTAGE OF UNDIVIDED INTEREST IN THE COMMON ELEMENTS
APPURTENANT TO UNITS IN HARBOR ISLAND INN & OCEAN VILLAS, PURSUANT TO
§27-31-60 OF THE CODE OF LAWS OF SOUTH CAROLINA, 1976.

PHASE III
Building E

Unit No.	Bedrooms	Value For Statutory Purpose	Percentage Interest In Common Elements
			Phase I, Phase II & Phase III
101	2	\$100,000.00	.7205
102	2	100,000.00	.7205
103	3	130,000.00	.9366
104	3	130,000.00	.9366
105	2	100,000.00	.7205
106	2	100,000.00	.7205
201	2	100,000.00	.7205
202	2	100,000.00	.7205
203	3	130,000.00	.9366
204	3	130,000.00	.9366
205	2	100,000.00	.7205
206	2	100,000.00	.7205
301	2	100,000.00	.7205
302	2	100,000.00	.7205
303	3	130,000.00	.9366
304	3	130,000.00	.9366
305	2	100,000.00	.7205
306	2	100,000.00	.7205
401	2	100,000.00	.7205
402	2	100,000.00	.7205
403	3	130,000.00	.9366
404	3	130,000.00	.9366
405	2	100,000.00	.7205
406	2	100,000.00	.7205

PHASE III
Building F

Unit No.	Bedrooms	Value For Statutory Purpose	Percentage Interest In Common Elements
			Phase I, Phase II & Phase III
101	2	\$100,000.00	.7204
102	2	\$100,000.00	.7204
103	2	\$100,000.00	.7204
104	2	\$100,000.00	.7204
201	2	\$100,000.00	.7204
202	2	\$100,000.00	.7204
203	2	\$100,000.00	.7204
204	2	\$100,000.00	.7204
301	2	\$100,000.00	.7204
302	2	\$100,000.00	.7204
303	2	\$100,000.00	.7204
304	2	\$100,000.00	.7204
TOTAL		\$13,880,100.00	100%

EXHIBIT D - CONTINUED
TO MASTER DEED OF
HARBOR ISLAND INN & OCEAN VILLAS

SCHEDULE OF PERCENTAGE OF UNDIVIDED INTEREST IN THE COMMON ELEMENTS APPURTENANT TO UNITS IN HARBOR ISLAND INN & OCEAN VILLAS, PURSUANT TO §27-31-60 OF THE CODE OF LAWS OF SOUTH CAROLINA, 1976.

PHASE III Building C			
Unit No.	Bedrooms	Value For Statutory Purpose	Percentage Interest In Common Elements Phase I, Phase II & Phase III
101	2	\$100,000.00	.7205
102	2	100,000.00	.7205
103	3	130,000.00	.9366
104	3	130,000.00	.9366
105	2	100,000.00	.7205
106	2	100,000.00	.7205
201	2	100,000.00	.7205
202	2	100,000.00	.7205
203	3	130,000.00	.9366
204	3	130,000.00	.9366
205	2	100,000.00	.7205
206	2	100,000.00	.7205
301	2	100,000.00	.7205
302	2	100,000.00	.7205
303	3	130,000.00	.9366
304	3	130,000.00	.9366
305	2	100,000.00	.7205
306	2	100,000.00	.7205
401	2	100,000.00	.7205
402	2	100,000.00	.7205
403	3	130,000.00	.9366
404	3	130,000.00	.9366
405	2	100,000.00	.7205
406	2	100,000.00	.7205

PHASE III Building D			
Unit No.	Bedrooms	Value For Statutory Purpose	Percentage Interest In Common Elements Phase I, Phase II & Phase III
101	3	\$130,000.00	.9366
102	3	\$130,000.00	.9366
103	3	\$130,000.00	.9366
104	3	\$130,000.00	.9366
105	3	\$130,000.00	.9366
106	3	\$130,000.00	.9366
201	3	\$130,000.00	.9366
202	3	\$130,000.00	.9366
203	3	\$130,000.00	.9366
204	3	\$130,000.00	.9366
205	3	\$130,000.00	.9366
206	3	\$130,000.00	.9366
301	3	\$130,000.00	.9366
302	3	\$130,000.00	.9366
303	3	\$130,000.00	.9366
304	3	\$130,000.00	.9366
305	3	\$130,000.00	.9366
306	3	\$130,000.00	.9366
401	3	\$130,000.00	.9366
402	3	\$130,000.00	.9366
403	3	\$130,000.00	.9366
404	3	\$130,000.00	.9366
405	3	\$130,000.00	.9366
406	3	\$130,000.00	.9366

**CERTIFICATE OF
SUBSTANTIAL
COMPLETION**

AIA DOCUMENT G704

Distribution to:

OWNER ☐
ARCHITECT ☐
CONTRACTOR ☐
FIELD ☐
OTHER ☐

EXHIBIT "E"

Harbor Island Inn & Ocean Villas
Horizontal Property Regime

PHASE I - Building A

PROJECT: Harbor Island Inn and Racquet
(name, address) Club - Building A
Harbor Island, SC

ARCHITECT: Lee, McCleskey, Miller

ARCHITECT'S PROJECT NUMBER: 8337

TO (Owner):

☐ Harbor Development Assoc.
c/o Leonard, Call, Taylor
P.O. Box 6040
Hilton Head, SC 29938

CONTRACTOR: Joe Harden, Builder

CONTRACT FOR: Building A

CONTRACT DATE: Sept. 30, 1984

DATE OF ISSUANCE: 5/29/85

PROJECT OR DESIGNATED PORTION SHALL INCLUDE: 36 one-bedroom units in one building
and a Reception & Conference Building with attached decks and walks.

The Work performed under this Contract has been reviewed and found to be substantially complete. The Date of Substantial Completion of the Project or portion thereof designated above is hereby established as 5/29/85

which is also the date of commencement of applicable warranties required by the Contract Documents, except as stated below.

DEFINITION OF DATE OF SUBSTANTIAL COMPLETION

The Date of Substantial Completion of the Work or designated portion thereof is the Date certified by the Architect when construction is sufficiently complete, in accordance with the Contract Documents, so the Owner can occupy or utilize the Work or designated portion thereof for the use for which it is intended, as expressed in the Contract Documents.

A list of items to be completed or corrected, prepared by the Contractor and verified and amended by the Architect, is attached hereto. The failure to include any items on such list does not alter the responsibility of the Contractor to complete all Work in accordance with the Contract Documents. The date of commencement of warranties for items on the attached list will be the date of final payment unless otherwise agreed to in writing.

Lee, McCleskey, Miller
ARCHITECT

BY

Paul R. Miller

5/30/85
DATE

The Contractor will complete or correct the Work on the list of items attached hereto within 7 working days from the above Date of Substantial Completion.

Joe Harden, Builder
CONTRACTOR

BY

Joe Harden

5-31-85
DATE

The Owner accepts the Work or designated portion thereof as substantially complete and will assume full possession thereof at 12:00 noon (time) on 5/30/85 or time of C.O. issue. (date).

Leonard, Call, Taylor
OWNER

BY

Carl V. Taylor

5/30/85
DATE

The responsibilities of the Owner and the Contractor for security, maintenance, heat, utilities, damage to the Work and insurance shall be as follows:

(Note—Owner's and Contractor's legal and insurance counsel should determine and review insurance requirements and coverage; Contractor shall secure consent of surety company, if any.)

FILED IN DEED - M BOOK 424 PAGE 97
FILED AT 12:15:00 ON 07/08/85

The State of South Carolina

EXECUTIVE DEPARTMENT

20,860
CERTIFICATE OF INCORPORATION
BY THE SECRETARY OF STATE

WHEREAS, W. Brantley Harvey, Jr., 1001 Craven St., Beaufort, SC
Paul Barber, Cedar Reef Villas, Rt. 1, Box 657, Harbor Island, SC

two or more of the officers or agents appointed to supervise or manage the affairs of

HARBOR ISLAND INN AND OCEAN VILLAS HORIZONTAL PROPERTY REGIME

which has been duly and regularly organized, did on the 8th day of

July, A. D. 19 85, file with Secretary of State a written declaration setting forth:

That, at a meeting of the aforesaid organization held pursuant to the by-laws or regulations of the said organization, they were authorized and directed to apply for incorporation.

That, the said organization holds, or desires to hold property in common for Religious, Educational, Social, Fraternal, Charitable or other eleemosynary purpose, or any two or more of said purposes, and is not organized for the purpose of profit or gain to the members, otherwise than is above stated, nor for the insurance of life, health, accident or property, and that three days' notice in the Beaufort Gazette, a newspaper published in the

County of Beaufort, has been given that the aforesaid Declaration would be filed.

AND WHEREAS, Said Declarants and Petitioners further declared and affirmed:

FIRST: Their names and residences are as above given.

SECOND: The name of the proposed Corporation is HARBOR ISLAND INN AND OCEAN VILLAS HORIZONTAL PROPERTY REGIME

THIRD: The place at which it proposes to have its headquarters or be located is Harbor Island Development Co. Rt. 1, Box 657, Harbor Island, SC

FOURTH: The purpose of the said proposed Corporation is management of common and recreational areas of Harbor Island Inn and Ocean Villas Horizontal Property Regime.

The corporation is organized exclusively for charitable, educational and cultural purposes.

No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its members, trustees, officers or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered. No substantial part of the activities of the corporation shall be carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distributing of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from Federal income tax under section 501 (c)(3) of the Internal Revenue Code, or corresponding section of any future Federal tax code, or (b) a corporation, contributions to which are deductible under Section 170 (c)(2) of the Internal Revenue Code or corresponding section of any future Federal tax code.

Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of Section 501 (c)(3) of the Internal Revenue Code, or corresponding section of any future Federal tax code, or shall be distributed to the Federal government, or to a State or local government, for a public purpose. Any such assets not so disposed of shall be disposed of by the Court of Common Pleas of the County in which the principal office of the corporation is**

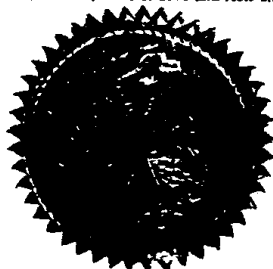
FIFTH: The names and residences of all Managers, Trustees, Directors or other officers are as follows:

Paul Barber	Rt. 1, Box 657, Harbor Island, SC	President
William G. Pescher	P. O. Box 6040, Hilton Head, SC	Vice President
George Taylor	P. O. Box 1373, Myrtle Beach, SC	Secretary-Treasurer

**then located, exclusively for such purposes or to the such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

SIXTH: That they desire to be incorporated: in perpetuity.

Now, THEREFORE, I, JOHN T. CAMPBELL, Secretary of State, by virtue of the authority in me vested, by Chapter 31, Title 33, Code of 1976 and Acts amendatory thereto, do hereby declare the said organization to be a body politic and corporate, with all the rights, powers, privileges and immunities, and subject to all the limitations and liabilities, conferred by said Chapter 31, Title 33, Code of 1976 and Acts amendatory thereto.



GIVEN under my hand and the seal of the State, at Columbia, this 8th day of July in the year of our Lord one thousand nine hundred and 85 and in the two hundred and tenth year of the Independence of the United States of America.

John T. Campbell
JOHN T. CAMPBELL,
Secretary of State.

Declaration and Petition for Incorporation (continued)
Harbor Island Inn and Ocean Villas Horizontal Property Regime
Attachment

Seventh: The corporation is organized exclusively for charitable, educational and cultural purposes.

Eighth: No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its members, trustees, officers or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distributing of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code or corresponding section of any future federal tax code.

Ninth: Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose. Any such assets not so disposed of shall be disposed of by the Court of Common Pleas of the county in which the principal office of the corporation is then located, exclusively for such purposes or to the such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

RECORDED THIS 22 DAY
OF July 19 85
IN BOOK Q PAGE 620
FEES \$
MAURICE L. HAY
AUDITOR, DEALEY COUNTY, S. C.

FILED IN DEED - M BOOK 424 PAGE 99
FILED AT 12:15:00 ON 07/08/85 75939
BOOK NUMBER 424 PAGES 58- 99
FILING FEE 42.00
STATE STAMPS .00
COUNTY STAMPS .00
TOTAL FEES 42.00
HENRY JACKSON
CLERK OF COURT EFT CNTY, SC