

STATE OF SOUTH CAROLINA )  
COUNTY OF BEAUFORT )

MASTER DEED OF HILTON HEAD ISLAND BEACH  
& TENNIS RESORT PHASE I  
HORIZONTAL PROPERTY REGIME

1

KNOW ALL MEN BY THESE PRESENTS, this Master Deed is made on the date hereinafter set forth by Sea Cabin Corporation, hereinafter called the Developer, a South Carolina Corporation, with its principal office and place of business at Number One Main Street, Post Office Box 11634, Columbia, South Carolina 29211.

W I T N E S S E T H :

WHEREAS, Developer is the owner in fee simple of certain real property, buildings and improvements thereon located in the County of Beaufort, State of South Carolina, which is more particularly described in the Exhibits attached hereto and incorporated herein by reference (hereinafter referred to as "The Property");

WHEREAS, Developer now desires further to submit The Property to the provisions of the Horizontal Property Act of South Carolina, Title 27, Chapter 31, of the South Carolina Code of Laws, 1976, (hereinafter referred to as "The Act"), hereby creating a regime known as the Hilton Head Island Beach & Tennis Resort Phase I Horizontal Property Regime (herein sometimes called "The Regime" or the "Condominium"); and

WHEREAS, Developer desires to publish a plan for the individual ownership of the several apartments of the Property together with an undivided ownership interest in the general common elements and limited common elements of the Property as defined herein and in the Act; and

WHEREAS, Developer desires to convey the Property pursuant to and subject to certain protective covenants, conditions, restrictions, reservations, liens and charges hereinafter set forth;

NOW, THEREFORE, Developer does hereby submit the Property to the provisions of the "Horizontal Property Act of South Carolina," Title 27, Chapter 31, South Carolina Code of Laws, 1976, and hereby publishes its plan to the division of the Property and the imposition of conditions, restrictions, reservations, liens and charges thereon and the individual ownership thereof, and Developer hereby specifies that this Master Deed and the declarations herein shall constitute covenants, conditions,

reservations and restrictions which shall run with the Property and shall bind and inure to the benefit of the Developer, its successors and assigns and all subsequent owners of any interest in the Property, their grantees, successors, heirs, executors, administrators, legatees and/or assigns.

## ARTICLE I

### Definitions

As used in this Master Deed and all Exhibits hereto, all amendments hereof and thereof unless the context otherwise requires, the following definitions shall prevail:

A. Apartment means as defined in the Act. The floor plan and dimensions of each are as shown in the Exhibits hereto.

B. Assessment means a share of the funds required for the payment of common expenses or capital improvements or expenses which from time to time are assessed to some or all of the Co-Owners.

C. Board of Directors means the Board of Directors or other body in charge of the Council of Co-Owners.

D. Building means as defined in the Act.

E. By-Laws means the By-Laws of the Council of Co-Owners of the Regime as they exist from time to time.

F. Common Elements means and includes all of the Property excluding the Apartments and specifically includes both the general common elements and limited common elements.

G. Common Expenses means and includes:

(1) All expenses incident to the administration, maintenance, repair and replacement of the Property after excluding therefrom any and all expenses which are the responsibility of a particular Co-Owner as hereinafter set forth;

(2) Expenses determined by the Council of Co-Owners to be common expenses;

(3) Expenses in this Master Deed and/or its Exhibits denominated as common expenses; and

(4) Any other expenses declared by the Act to be common expenses.

H. Common Surplus means the excess of all receipts of the Council of Co-Owners over and above the amount of common expenses and not otherwise reserved or designated for a specific use.

3

I. Condominium Ownership means as defined in the Act.

J. Condominium Unit or Unit means an individual apartment as defined herein and as described in the Exhibits hereto together with an undivided share of the common elements, vote, common surplus and liability for common expenses and other assessments appurtenant thereto.

K. Co-Owner means as defined in the Act, and specifically owning an Apartment in the Regime.

L. Council of Co-Owners means as defined in the Act and specifically the Council of Co-Owners of the Regime.

M. Developer means Sea Cabin Corporation, its successors and assigns.

N. Documents means this Master Deed and all Exhibits annexed hereto as they may be amended from time to time.

O. Exhibits means the Exhibits to this Master Deed.

P. General Common Elements means as defined in the Act.

Q. Horizontal Property Act or Act means and refers to The Horizontal Property Act of The State of South Carolina, Title 27, Chapter 31, South Carolina Code of Laws, 1976.

R. Institutional Mortgagee means a bank, savings and loan association, insurance company or union pension fund authorized to do business in the United States of America, an agency of the United States Government, a real estate or mortgage investment trust, the Developer, its parent, any other subsidiary of its parent or a lender generally recognized in the community as an institutional type lender, having a lien on the Property or any part or parts thereof.

S. Limited Common Elements means as defined in the Act.

T. Long Term Lease means those certain leases and agreements which are or shall be added by amendment to the Exhibits to this Master Deed and to which the Council of Co-Owners and each and every Co-Owner in bound.

U. Majority of the Co-Owners means as defined in the Act.

V. Master Deed means this Master Deed establishing and recording the Property of the Regime.

W. Occupant means any person or persons in resident in an Apartment. 4

X. Person means as defined in the Act.

U. Property means and includes the Property as it may exist from time to time shown as contained within the Regime as described in the Exhibits hereto and includes the land, the buildings, all improvements and structures thereon and all easements, rights and appurtenances belonging thereto and subject to all easements, rights of way and rights of use as described herein and/or in the Exhibits and/or of record. The Property shall not include until, but shall include upon proper annexation and amendment hereto, all land together with improvements, easements, rights-of-way and rights of use described herein, in the Exhibits and/or of record, shown, described and defined as Phases B, C and D.

Z. To Record means as defined in the Act.

ARTICLE II

HILTON HEAD ISLAND BEACH AND TENNIS RESORT  
PHASE I HORIZONTAL PROPERTY REGIME

COUNCIL OF CO-OWNERS

12-5

1. Responsibility for Administration: The administration of the Regime and the maintenance, repair, replacement and operation of the common elements as herein provided, the enforcement of all rules, regulations, by-laws, and those acts required of the Council of Co-Owners by the Master Deed, and/or by the Act shall be the responsibility of the Council of Co-Owners. Such administration shall be in accordance with and under the powers granted by the provisions of the Act, this Master Deed and the By-Laws of the Council of Co-Owners.

2. Agreements: The Council of Co-Owners through its Board of Directors shall be and hereby is authorized to enter into such agreements and to bind itself and all Co-Owners as it may deem necessary or desirable for the administration and operation of the Regime. Each Co-Owner buying, acquiring or holding a interest in any unit thereby agrees to be bound by the terms and conditions of all such agreements entered into or to be entered into by the Board of Directors on behalf of the Council of Co-Owners. A copy of all such documents shall be made available at the office of the Council of Co-Owners for review by each Co-Owner.

3. Voting Rights: For each unit owned, one person (who shall be the Co-Owner if only one person owns the unit) shall be designated and known (and is hereinafter referred to) as the "Voting Member". If a unit is owned by more than one person the Co-Owners of said unit shall designate one of them as the Voting Member or in the case of a corporate Co-Owner, an officer or employee thereof shall be the Voting Member. In the event of the designation of the Voting Member shall be made as provided by and subject to the provisions and restrictions set forth in the By-Laws of the Council of Co-Owners. The vote (which is the total vote appurtenant to that Apartment) of each Voting Member shall not be divisible.

By reason of each of the Apartments of Phase A having an equal value with relation to the Property, there shall be appurtenant to each Apartment with Phase A (each being a one-bedroom apartment) one (1) vote, which shall be voted by the Voting Member at all matters to come before the Council of Co-Owners. Additional Phases may be added to the Horizontal Property Regime as hereinafter provided. Each additional Apartment added by Phases B, C and D (which is each likewise a one-bedroom apartment) shall likewise have an equal value with each of the Apartments already included in the Regime and by reason thereof, whether any one or more of said phases are added or not, there shall be appurtenant to each apartment one (1) vote which shall be voted (without division) by the Voting Member thereof. The Voting Member of each said apartment respectively shall vote the vote appurtenant to that apartment without further division. The number of votes hereby assigned to each apartment within the Regime and to apartments in the additional phases as they come within the Regime shall remain the same and shall be as herein set forth if no additional phases are included or if one or more additional phases become, by proper amendment, included in the Regime. However, the percentage of the total vote that the vote appurtenant to each apartment within the Regime represents shall vary, depending on whether any additional phase(s) is/are included within the Regime or not, and said percentages are set forth in the Exhibits hereto. The vote assigned to each apartment has been determined by the value of each apartment respectively in relation to the value of the Property (as it will be constituted with the Phase containing that apartment then included in the Regime) as a whole.

Each Voting Member shall be entitled to cast his vote at any meeting of the Council of Co-Owners. He shall be entitled to attend such meeting or meetings in person to vote or to cast his vote by proxy, if allowed, as is provided in the By-Laws of the Council of Co-Owners.

ARTICLE III

Property Rights

1. Identification of Units: The Regime (Phase A) consists essentially of apartments in a building, other improvements and certain lands as the same are described in the Exhibits attached hereto. For the purposes of identification, all apartments in the buildings located in the Horizontal Property Regime are identified by number and letter and are delineated and described in the Exhibits hereto which are made a part of this Master Deed. No Apartment bears the same identifying number and letter combination as does any other Apartment. The aforesaid identifying number and letter combination is also the identifying number as to the unit (comprising both the apartment and the undivided share of the common elements, vote, common surplus and obligation for common expenses and other assessments appurtenant thereto). The Exhibits hereto which are incorporated herein contain a survey of the land, a graphic description of the improvements showing where the building is located and the location of the apartments within, and together with this Master Deed, can identify the location, dimensions and size of the common elements and of each apartment.

The aforesaid building and apartments therein and other improvements are constructed substantially in accordance with such plot plans, descriptions and surveys.

2. Each of the Co-Owners shall own together with his apartment an undivided interest in the common elements and such undivided interest is stated as a percentage of ownership in the said common elements as is set forth in the Exhibits attached hereto and made a part hereof. In the event that additional common elements and/or apartments are brought within the Horizontal Property Regime by addition of additional phase(s), the percentage of ownership of each Co-Owner in the common elements shall change as described in said Exhibits.

Fee title to each unit shall include both the apartment and the above respective undivided interest in the common elements, said undivided interest of the common elements to be deemed to be conveyed or encumbered as part of each respective unit. Any attempt to separate the fee title to

an apartment from the undivided interest in the common elements shall be null and void.

3. Use of Common Elements: The Council of Co-Owners and Co-Owners<sup>8</sup> thereof, the Developer, the successors and assigns of each, and all parties who own or may own an interest in and to the common elements and any of them shall have no right to bring any action whatsoever for partition or division of the real property which constitutes the common elements. Initial Rules and Regulations governing the use of the Property shall be promulgated by the Developer and/or the Board of Directors, which may be amended by the Board of Directors in the manner herein provided. Such Rules and Regulations shall be posted in conspicuous places upon the common elements. Each Co-Owner by his purchase of a unit and acceptance of delivery of such conveyance shall be bound by all such Rules and Regulations and all Rules and Regulations pursuant to the Long Term Lease, and further shall be solely responsible for obedience by the Co-Owner, his family, guests and all occupants of his apartment. Should a Co-Owner fail to pay an assessment as required under the terms of this Master Deed for the period of time as specified herein and the same becomes delinquent, the Council of Co-Owners may deny the Co-Owner and/or any occupant(s) of that Co-Owner's apartment occupancy to that apartment, and/or the use and enjoyment of the common elements until such time as all assessments are paid. The Council of Co-Owners shall have the right in its sole discretion to suspend any Co-Owner and/or occupant of that Co-Owner's apartment from the use of the common elements for a period not to exceed thirty (30) days for any infraction of promulgated Rules and Regulations pertaining to the common elements. Should such rights of the use and/or occupancy be suspended, there shall be no reduction in the assessments due and payable by the Co-Owner.

Any person actually occupying an apartment may use the general common elements and those limited common elements reserved for the use of that apartment during the time said occupant is actually in residence in the apartment. Guests and invitees of an occupant of an apartment and/or the Co-Owner of the apartment himself (if there is another occupant at that

time) may only be permitted to use the common elements including facilities under the Long Term Lease if at all, with the express permission of the Council of Co-Owners and subject to such terms and conditions as the Council of Co-Owners may determine at its sole discretion, including the payment of additional compensation therefore, it being understood and agreed that said common elements and Long Term Lease facilities are primarily designed for the use and enjoyment of the occupants of the apartments and the use by others may be required to be limited or not permitted at all during certain times of day and/or certain weeks or months of a year and the Council of Co-Owners shall determine the foregoing in its sole discretion including the manner and method in which the common elements are to be used and under what circumstances.

4. Limited Common Elements: Those areas which are or will be reserved for the use of occupant(s) of certain apartment(s) to the exclusion of others are and/or shall be designated as limited common elements. Any expense for maintenance, repair or replacement relating to limited common elements shall be treated as, and paid for as, part of the common expenses unless otherwise specifically provided in this Master Deed and the Exhibits hereto. Parking spaces are located within the common element parking area shown and designated in the Exhibits. No parking spaces shall be assigned to any particular apartment or apartments nor shall they be numbered unless mutually agreed to by all Co-Owners and their institutional Mortgagees of record (in which case such assigned parking spaces shall be Limited Common Elements); provided, however, the occupants of each Apartment shall be entitled to the use of at least one parking space and such additional parking spaces as may be determined by the Board of Directors.

5. Common Expenses:

a. All costs of maintenance, repair and replacements of Common Elements (including General Common Elements and Limited Common Elements) necessitated by the negligence or misuse by any occupant of an Apartment shall be borne solely by the Co-Owner of such Apartment and the Board of Directors shall have the right to assess such Co-Owner for such costs.

(b) All other costs of maintenance, repair, replacement, preservation and improvement of the Common Elements (including General Common Elements and Limited Common Elements) shall be, unless the Board of Directors otherwise decides, Common Expenses.

6. Development Plan:

(a) Developer has initially included within the Condominium certain property and improvements including a Building containing One Hundred Fifty-Three (153) apartments numbered 101A-150A, 201A-250A, 301A-350A, 100, 200 and 300, the same being shown and designated as Phase A in the Exhibits hereto. By reason thereof, and by reason of each apartment having an equal value with regard to the Property as a whole there is appurtenant to each said apartment an equal undivided percentage share of ownership interest in the Common Elements as described in the Exhibits. Likewise, there is appurtenant to each apartment one (1) vote to be voted by the voting member at all matters to come before the Council of Co-Owners. There are 153 total votes in the Condominium (Phase A).

(b) The Developer reserves the right to annex and include additional property, improvements and apartments and to amend this Master Deed by its sole action for the purposes of creating a Phase B of the Condominium. Phase B, if so annexed, will include property

and improvements including Building B, containing One Hundred Seventy-Eight (178) apartments numbered 101B-158B, 201B-258B, 301B-358B, 100B, 200B, 300B, and 400B to be as shown in the Exhibits. Should the Developer determine to so annex and include Phase B, it hereby covenants that the necessary annexation and amendment to the Master Deed and the election to proceed with Phase B shall be made not later than December 31, 1981, and the necessary annexation and amendment to the Master Deed shall be filed with the Clerk of Court for Beaufort County, South Carolina, no later than that date. Phase B, if included, will not increase the proportionate amount of the Common Expenses payable by the Co-Owners of and comprising Phase A. Should Phase B be included, the percentage interest in the Common Elements of each Co-Owner in Phase A shall be reduced and each of the Co-Owners of Phase A and Phase B shall own an undivided interest as indicated in the Exhibits attached hereto. Likewise, though each Co-Owner of Phase A shall retain one (1) vote, there shall be 178 additional votes and therefore the percentage value of each vote compared to the total votes shall be reduced as described in the Exhibits. 11

(c) The Developer further reserves the right to annex and include additional property and improvements and apartments and amend this Master Deed by its sole action for the purpose of creating a Phase C of the Condominium. Phase C, if so annexed, will include the Property and improvements including Building B containing 178 apartments numbered 101C-158C, 201C-258C, 301C-358C, 100C, 200C, 300C, and 400C to be as shown and designated in the Exhibits hereto. Should the Developer determine to so annex and include Phase C, it does hereby covenant that the necessary annexation and amendments to the Master Deed and the election to proceed with Phase C, shall not be made later than June 30, 1982 and the necessary annexation and amendments to the Master Deed shall be filed with the Clerk of Court

for Beaufort County, South Carolina, no later than that date.

Phase C, if included, will not increase the proportionate amount of the Common Expenses payable by the Co-Owners of and comprising Phase A and Phase B. Should Phase C be included, the percentage interest in the Common Elements of each Co-Owner in Phase A and Phase B shall be reduced and each of the Co-Owners of Phase A, Phase B and Phase C shall own an undivided interest as indicated in the Exhibits attached hereto. Likewise, though each Co-Owner of Phase A and Phase B shall retain his vote, there shall be 178 additional votes and therefore the percentage value of each vote compared to the total votes shall be reduced as specified in the Exhibits.

(d) The Developer, reserves the right to annex and include additional property, improvements and apartments and to amend this Master Deed by its sole action for the purposes of creating a Phase D of the Condominium. Phase D, if so annexed, will include property and improvements including Building D, containing one hundred twenty-eight (128) apartments numbered 101D-136D, 201D-236D, 301D-336D, 411D-428D, 100D and 200D to be as shown in the Exhibits. Should the Developer determine to so annex and include Phase D, it hereby covenants that the necessary annexation and amendment to the Master Deed and the election to proceed with Phase D shall be made not later than December 31, 1982, and the necessary annexation and amendment to the Master Deed shall be filed with the Clerk of Court for Beaufort County, South Carolina, no later than that date. Phase D, if included, will not increase the proportionate amount of the Common Expenses payable by the Co-Owners of and comprising Phase D. Should Phase D be included, the percentage interest in the Common Elements of each Co-Owner in Phase A, B, and C shall be reduced and each of the Co-Owners of Phase A, Phase B, and Phase C shall own an undivided interest as indicated in the Exhibits attached hereto. Likewise, though each Co-Owner of Phase A, Phase B, and Phase C shall retain one (1) vote, there shall be 128 additional votes and therefore the percentage value of each vote compared to the total votes shall be reduced as described in the Exhibits.

(e) Ownership in the Common Elements and common surplus, prorata share of Common Expenses due, and the percentage of total vote attributable to each Apartment in case of completion only of Phase A, in the event of completion of Phases A and B, in the event of completion of Phases A, B and C, and in the event of completion of Phases A, B, C, and D are shown in the Exhibits.

ARTICLE IV

ARCHITECTURAL CONTROL

To preserve the original architectural appearance of the Condominium,-- 14  
no exterior construction of any nature whatsoever except as specified in  
this Master Deed shall be commenced or maintained upon any Building and/or  
Common Element and all such additions as are herein specified shall be  
architecturally compatible with existing structures. No Co-Owner shall  
paint, decorate or change the color of any exterior surface, gate, fence  
or roof, nor shall any Co-Owner change the design or color of the exterior  
or lighting, nor shall any Co-Owner install, erect or attach to any part  
of the exterior any sign of any kind whatsoever, nor shall any exterior  
addition or change, including, without limiting the generality of the  
foregoing, the erection or construction of any fence or wall, be made  
unless and until plans and specifications showing the nature, kind, shape,  
height, material, color and location of the same shall have been submitted  
and approved in writing as to harmony of exterior design, color and  
location in relation to the surrounding structures by the Board of  
Directors (or its designee), all Institutional Mortgagees and so long as  
Developer, or its successors or assigns, owns one or more units in the  
Condominium, the Developer or its successors and assigns. Failure of the  
Board of Directors (or its designee) and, if appropriate, of the Developer  
to approve or disapprove such plans and specifications within sixty days  
after their being submitted in writing shall constitute approval.

ARTICLE V

EXPENSES AND COMMON SURPLUS

15

The common expenses of the Condominium and the monetary obligations of the Co-Owners under any agreements entered into by the Council of Co-Owners shall be shared by the Co-Owners in the percentages set forth in the Exhibits. Such percentages shall not be altered because of any increase or decrease in the purchase price or square footage of an Apartment or because of its location, but shall be adjusted only upon the inclusion of an additional Phase or Phases in the Condominium and then in the manner set forth in the Exhibits.

Each Co-Owner's interest in the Common Surplus (if any) shall be equal to his interest in the Common Elements.

ARTICLE VI

AMENDMENT OF THE MASTER DEED

This Master Deed may be amended at the regular or any special meeting of the Council of Co-Owners of the Condominium, called and convened in accordance with the By-Laws, upon the affirmative vote of two-thirds of all the Voting Members of the Council of Co-Owners; provided, however, that this Master Deed may not be cancelled nor any amendment be made hereto having as its effect a termination of the Condominium without the written agreement of all of the Co-Owners in the Condominium and all Institutional Mortgagees holding mortgages of record upon the Condominium or any portion thereof, as provided in The Act. 16

Notwithstanding the foregoing, the Developer has reserved the right to annex additional Phases and amend the Master Deed in the manner set forth in this Master Deed and the Exhibits which right is reserved unto it, its successors and assigns. No approval shall be required of any Co-Owner(s) or Institutional Mortgagee(s) or other creditor or person holding any interest whatsoever in the Condominium for the Developer or its successors and assigns to exercise such rights.

All amendments hereto shall be recorded and certified as required by The Act. No amendment(s) shall change any Apartment, any Unit or the proportionate share of the Common Expenses or Common Surplus attributable to each Unit, nor the voting rights of any Unit, except upon addition of additional Phases as herein provided, unless all Co-Owners of the Condominium and all mortgagees holding any mortgages or other liens upon the Property or any part(s) thereof shall join in the execution of such amendment. No amendment shall be passed which shall impair or prejudice the rights and/or priorities of any Institutional Mortgagee or change the provision of this Master Deed with respect to Institutional Mortgagees without the written approval of all Institutional Mortgagees of record.

No amendment shall change the rights and privileges of Developer, its successors and assigns, without written approval and consent of the Developer, or its successors or assigns.

Notwithstanding the foregoing provisions of this Article, the Developer reserves the right to alter the interior design and arrangement of all Apartments and to alter the boundaries between Apartments as long as the Developer owns all the Apartments so altered; however, no such change shall increase the number of Apartments nor alter the boundary of the Common Elements except the party wall between any Apartments, without amendment of this Master Deed in the manner herein set forth. If the Developer shall make any changes in Apartments as provided in this paragraph, such changes shall be reflected by an amendment of this Master Deed with a survey and plot plan attached reflecting such authorized alteration of Apartments and said amendment need only be executed and acknowledged by the Developer and any holder of mortgage(s) encumbering the said altered Apartments. Such survey shall be certified in the manner required by The Act. 17

Notwithstanding the foregoing provisions of this Article, it is understood and agreed that as of the time this Master Deed is dated and recorded in the public records of Beaufort County, South Carolina, all of the improvements shown in Phase A on the Exhibits may not be completed; however, said improvements shall be as and located as described and shown in the Exhibits; provided, however, that all improvements within any Phase must be completed within fourteen months of the inclusion of that Phase within the Condominium; provided, however, said time may be extended by virtue of delays caused by Acts of God, Acts of governmental authorities, strikes, labor conditions or any other condition(s) beyond Developer's control.

ARTICLE VII

By-Laws

The operation of the Condominium shall be governed by the By-Laws of the Council of Co-Owners which are attached to this Master Deed as an Exhibit and made a part hereof. 18

No modification of, or amendment to, the By-Laws of the Council of Co-Owners shall be valid unless set forth in or annexed to a duly recorded amendment. The By-Laws may be amended in the manner provided for therein and in The Act, but no amendment to said By-Laws shall be adopted which will affect or impair the validity or priority of any mortgage upon the Property or any portion thereof without written consent of the mortgagee thereof and of all Institutional Mortgagees of record. No amendment shall change the rights and privileges of the Developer without written approval of the Developer, its successors or assigns.

ARTICLE VIII

The Operating Entity

The operating entity of the Condominium shall be the Council of Co-Owners. The Council of Co-Owners shall have all the powers and duties set forth in The Act as well as all the powers and duties granted to and imposed upon it by the Master Deed and the By-Laws of the Council of Co-Owners, and, in addition, all other powers and duties necessary to operate the Condominium, which shall be exercised through its Board of Directors; provided, however, that in the event of conflict the provisions of The Act shall control. 1

Every Co-Owner, whether he has acquired his Unit by purchase, gift, device or other conveyance or transfer, by operation law or otherwise, shall be bound by this Master Deed, The Act, the By-Laws, all other Exhibits hereto and any and all Rules and Regulations of the Council of Co-Owners.

ARTICLE IX

Assessments

The Council of Co-Owners, through its Board of Directors, shall have the power to fix and to provide for the Common Expenses of the Condominium and such other sums as are necessary for the care, repair, replacement, maintenance, preservation and improvement of the Property, as are necessary to meet expenses and payments under the Long Term Lease and to meet the pro-rata share of expenses payable by the Co-Owners for maintaining streets, roads, beach areas, marsh areas, roadside areas, entranceways and exterior lighting within and for Hilton Head Island Beach & Tennis Resort (the "Resort") as hereinafter described (which shall be included as items of Common Expense). The Board of Directors shall have the power to fix and determine from time to time the sum or sums necessary and adequate to provide for the Common Expenses of the Condominium and such other expenses as are provided for herein, in The Act, or deemed necessary and appropriate expenses of the Condominium. The procedure for the determination of sums necessary and Assessments upon Co-Owners and the method of collection of the same shall be as set forth in the By-Laws of the Council of Co-Owners, as provided herein and in the Exhibits hereto and in The Act. 20

A Co-Owner shall become liable for the payment of Assessments upon issuance of a statement of Assessment by the Board of Directors of the Council of Co-Owners.

Assessments that are unpaid for over ten (10) days after due date shall bear interest at the maximum legal rate per annum from due date until paid, and at the sole discretion of the Board of Directors (and if not forbidden by law), a late charge not to exceed \$5.00 shall also be due and payable to defray the expense of late collection. Regular Assessments shall be due and payable on the first day of each month and monthly bills for the same need not be delivered or mailed to the Co-Owners by the Board; provided, however, that on or before December 1st of the preceding year the amount of regular monthly Assessments due from each Co-Owner for each month of that year shall be mailed by the Board of Directors to each Co-Owner

and provided further that a notice of any increase or decrease in regular monthly Assessments shall likewise be mailed or delivered to each and every Co-Owner by the Board of Directors no later than thirty (30) days 21 prior to the time of the first regular monthly Assessment so changed shall be due.

Further, the Board of Directors, on behalf of the Council, shall have a lien on each Apartment together with the Common Elements appurtenant thereto in the amount of each Assessment not paid when due as provided in The Act, which may be collected and/or the lien foreclosed upon as provided in The Act. Reasonable attorney's fees incurred by the Board of Directors incident to the collection of such Assessments or the enforcement (including but not limited to foreclosure) of such lien together with all sums advanced and/or paid by the Council of Co-Owners for taxes and payments on account of a superior mortgage lien(s) or encumbrance(s) which may be required to be advanced by the Council of Co-Owners to preserve and/or protect its lien shall be payable by the delinquent Co-Owner and secured by such lien. The Board of Directors may take such action as it deems necessary to collect Assessments as provided in The Act and further may settle and/or compromise the same if deemed in its best interest.

No mortgagee of any mortgage of record or other purchaser of an Apartment who obtains title to the same at the foreclosure sale upon foreclosure of such mortgage shall be liable for the share of the Common Expenses or Assessments accruing after the date of recording of such mortgage but prior to the acquisition of title by such acquirer, as is provided in The Act. Each Mortgagee of record shall be provided, if so requested, with the annual estimated budget of the Condominium and any financial statement of the Condominium and/or the Council of Co-Owners. Except in the foregoing circumstances, any acquirer shall be jointly and severally liable for such expenses with the former Co-Owner, as provided in The Act.

The Board of Directors shall have the right to assign any claim and/or lien rights for the recovery of any unpaid Assessments.

No Co-Owner may exempt himself from liability for his share of the Common Expenses or any other Assessment by waiving the use or enjoyment of any of the Common Elements or by abandoning his Apartment.

## ARTICLE X

### Insurance

The Board of Directors of the Council of Co-Owners shall obtain insurance upon the Property insuring it (including both common elements and all apartments) against all risks, as provided in The Act, all premiums of which shall be included as part of the Common Expenses. 22

Section 1. The Board, on behalf of the Council of Co-Owners, shall obtain extended insurance coverage upon the Property and improvements thereon, including the Apartments and Common Elements, insuring the Co-Owners and their mortgagees against loss from fire, earthquake, flood, vandalism and the elements (windstorm, etc.) in amount(s) sufficient to completely restore and replace the damage and/or destroyed elements in the event of loss. In the event such coverage as obtained contains deductible(s) and/or is insufficient to so restore or replace, the Board shall determine the amount(s) necessary to cover such deductible(s) and/or deficiencies and establish a self-insurance fund to provide insurance to cover the same. Such self-insurance fund shall be established through a licensed insurance agent or trust department of a federally insured bank or depository in such format and in such amount(s) as are acceptable to all Institutional Mortgagees of record, with whose advice and consent such shall be established. Such self-insurance fund shall have the same beneficiaries as the policies obtained (i.e. the Co-Owners and their mortgagees, etc.). Such self-insurance fund and any increase and/or replenishment(s) thereto shall be funded by assessment of all of the Co-Owners by the Board, which shall be, when so assessed, an item of Common Expense. Such funds so maintained, together with interest thereon (if any) may be expended only in the event of (1) a loss which such funds insure against, (2) the obtaining of other insurance to cover such deductible(s) and/or insufficiency(ies), (3) the consent of all Co-Owners and their mortgagees or (4) upon termination of the Condominium. In the event of distribution of such funds for any of the latter three events, such funds so expended and/or distributed shall be considered as, owned as and distributed as Common Surplus.

Section 2. Institutional First Mortgagees owning and holding mortgages encumbering units in the Condominium having an unpaid dollar

indebtedness of \$100,000 or more shall have the right to approve all such insurance policy or policies, the company or companies insuring upon such insurance coverage, the amount(s) thereof and, if appropriate, self-insurance sufficient to cover deductibles.

23

Section 3. The proceeds of any such insurance shall be applied to reconstruct the improvements as provided in The Act; provided, however, reconstruction shall not be compulsory where it comprises the whole or more than two-thirds of the Property as is provided in The Act. In such event, the proceeds shall be divided as provided in The Act unless otherwise unanimously agreed upon by the Co-Owners and all mortgagees upon the Property or any portion thereof, of record. In the event of such pro-rata division, the Institutional Mortgagee of record shall have first claim upon such insurance proceeds delivered to the Co-Owner of the Unit upon which such Institutional Mortgagee holds a mortgage lien to the extent of the indebtedness due and owing upon the debt which such mortgage secures.

Section 4. If the Property is not insured or if the insurance proceeds are insufficient to cover the costs of reconstruction, rebuilding costs shall be paid as provided in The Act by all of the Co-Owners directly affected by the damage and each shall be responsible for a share equal to the total cost times a fraction, the numerator of which is one and the denominator of which is the number of Apartments so directly affected. Failure or refusal of payment of any of the Co-Owners so affected shall result in a lien upon his Unit in favor of the Council of Co-Owners in such amount and may be enforced in the manner provided for collection of unpaid Assessments herein and/or in The Act.

Section 5. Nothing herein contained or contained in the By-Laws shall prevent or prejudice the right of each Co-Owner and/or his mortgagee(s) from insuring his apartment on his account and for the benefit of himself and/or his mortgagee(s).

Section 6. Reconstruction: Any repair and/or restoration must be substantially in accordance with the plans and specifications for the original Buildings and improvements or as the Buildings or improvements

were last constructed or according to plans approved by the Board of Directors and all Institutional Mortgagees of record, which approval shall not be unreasonably withheld.

Section 7. Power to Compromise Claims: The Board of Directors is hereby irrevocably appointed agent for each Co-Owner for the purpose of compromising and settling claims arising under insurance policies purchased under the provisions of this Article and to execute and to deliver releases therefor upon the payment of claims.

Section 8. The Board of Directors on behalf of the Council shall maintain liability insurance coverage on the Condominium in an amount of not less than \$1,500,000.00 per occurrence, all premiums of which shall be included as part of the Common Expenses.

Section 9. Institutional Mortgagees' Right to Advance Premiums: Should the Council of Co-Owners fail to pay insurance premiums when due or should the Council of Co-Owners fail to comply with other insurance requirements required herein or by The Act or imposed by Institutional Mortgagees having the right to impose the same, said Institutional Mortgagees or any one of them shall have the right to obtain insurance policies and to advance such sums as are required to maintain or procure such insurance and to the extent of the monies so advanced said mortgagee(s) shall be subrogated to the Assessment and lien rights of the Council of Co-Owners and its Board of Directors against the individual Co-Owners for reimbursement of such sums.

Section 10. Other Insurance: The Board of Directors of Council of Co-Owners is authorized to purchase such additional insurance and for such additional purposes, including, if required by law or deemed advisable by it, workmen's compensation insurance, to carry out its purposes and/or to protect itself, the Condominium, its Common Elements, Apartments, the Co-Owners thereof and their mortgagees.

Section 11. Authorized Companies: Any and all insurance coverage(s) obtained under Section 1 above by the Council of Co-Owners pursuant to this Article must be obtained from an admitted insurance carrier(s) authorized to do business in the State of South Carolina by the

South Carolina Department of Insurance, and having an Alfred M. Best Financial Rating of at least --A--, which company(ies) shall be affirmatively presumed to be a good and responsible company(ies) and the Developer, the Board of Directors, the Council of Co-Owners and Institutional Mortgagees shall not **25** be responsible for the quality or financial responsibility of the insurance company(ies) provided same are so rated and are so licensed and approved to do business and provide such coverage in the State of South Carolina.

ARTICLE XI

Use and Occupancy

The Co-Owner of an Apartment shall occupy and use his Apartment as a single family private dwelling for residential purposes for himself and the members of his family and/or his social guests or designees and for no other purposes; provided, however, nothing herein contained shall prevent any Co-Owner from leasing or renting his Apartment to third parties; provided, however, such Apartment shall, if so rented or leased, be used for residential purposes only by such lessee or renter and in compliance with this Master Deed and its Exhibits, The Act and Rules and Regulations properly promulgated. Such renter or lessee may be removed from the Property and/or refused further entrance by the Board of Directors of the Council of Co-Owners or its designee for non-compliance, and the Co-Owner of that Apartment shall be liable for all damages caused by his lessee or renter and all costs of removal which shall be a lien upon his Apartment the same as the lien for unpaid Common Expenses. No commercial or business activity shall be carried out in any Apartment or other part of the Property except that the Developer, its successors and assigns, may maintain and use one or more Apartments of the Condominium owned by it for management, sales and/or rental offices and laundry and maintenance areas. Notwithstanding the foregoing, nothing contained in this Master Deed shall be construed to restrict the Developer or any successor in interest to the Developer from selling and/or conveying any unit under any plan of multiple use, interval ownership or time sharing arrangement. 26

No Co-Owner shall permit or suffer anything to be done or kept in or about his Apartment or upon the Common Elements which will obstruct or interfere with the rights of other Co-Owners, their guests or assigns or annoy them by creating any unreasonable noises or otherwise, nor shall any Co-Owner permit or commit any nuisance or illegal act in or about the Property.

No animals or pets of any kind shall be kept in any Apartment or on any Property of the Condominium except with written consent of, and subject to, the Rules and Regulations adopted by the Board of Directors of

the Council of Co-Owners; provided, however, that in no case shall they be kept, bred or maintained for any commercial purposes; and provided, further, any animal or pet causing or creating a nuisance or unreasonable disturbance may be permanently removed from the Property by the Board of Directors upon three (3) days written notice to the owner thereof. Once permission to allow a pet to be kept in any Apartment is given, it shall not be withdrawn or terminated unless such pet has caused or created a nuisance or unreasonable disturbance as provided herein.

No Co-Owner shall cause anything to be affixed or attached to, hung, displayed or placed on the exterior walls, doors or windows of the Apartments or upon the general or limited Common Elements; nor shall he plant any type of plants, shrubbery, flower, vine or grass outside an Apartment; nor shall he cause awnings or storm shutters, screens, enclosures and the like to be affixed or attached to any Apartment, limited or general Common Elements; nor shall he place any furniture or equipment outside an Apartment except with the written consent of the Board of Directors of the Council of Co-Owners; and further, where approved, subject to the Rules and Regulations of the Board of Directors. No clothesline or similar device shall be allowed on any portion of the Property nor shall clothes be hung anywhere except where designated by the Board of Directors. Co-Owners may not screen or enclose any exterior patio which abuts an Apartment where applicable nor may any Co-Owner screen or enclose any exterior deck and/or balcony which abuts his Apartment, where applicable, with any type of material without the prior written consent of the Board of Directors.

No person shall use the Common Elements or any part(s) thereof or an Apartment or any part of the Property in any manner contrary to, or not in accordance with, such Rules and Regulations pertaining thereto as may from time to time be promulgated by the Board of Directors of the Council of Co-Owners.

The Board of Directors may, if it determines appropriate, suspend use of the Common Elements for a period of up to thirty (30) days for any violation of the provisions hereof and/or said Rules and Regulations. Such remedy is not exclusive.

Notwithstanding the provisions hereof, the Developer, its successors and assigns, shall be allowed to maintain one (1) or more apartments as laundry and/or maintenance areas, management, sales and/or rental office(s); to display and place signs upon the premises to aid in sales or rentals: 21 and to engage in sale or rental activities and provide laundry and maintenance service upon the Property.

ARTICLE XII

Maintenance and Alterations

A. The Board of Directors may enter into contracts with firm(s), person(s) or corporation(s), or may join with other horizontal property regimes and/or entities in contracting for the maintenance and/or repair of the Property and any properties belonging to the Condominium or to which it and its Co-Owners have access and/or the use of; may contract for or may join with other councils of co-owners in contracting for the maintenance and management of the Condominium; and may delegate to such contractor or manager all power and duties of the Council of Co-Owners and its Board of Directors except such as are specifically required by this Master Deed, by its By-Laws or by the Act to have approval of the Board of Directors and/or of the Council of Co-Owners. 29

B. There shall be no alterations or additions to the Common Elements or any part(s) thereof except as authorized by the Board of Directors and approved by not less than seventy-five (75%) percent of the total vote of the Co-Owners of the Condominium provided the aforesaid alterations or additions do not affect the rights of any Co-Owner and/or his Institutional Mortgagee(s) of record unless the consent of both have been obtained. The cost of the foregoing shall be assessed as Common Expenses. Where alterations or additions as aforesaid are exclusively or substantially for the benefit of the particular Co-Owner(s) requesting the same, then the cost of such alterations or additions shall be assessed against and collected solely from the Co-Owner(s) exclusively or substantially benefiting therefrom. The assessment shall be levied in such proportion as may be determined as fair and equitable by the Board of Directors taking into account the benefit to each and the relative value of each such Apartment as opposed to the others so improved. Where such alterations or additions exclusively or substantially benefit Co-Owner(s) requesting same, said alterations or additions shall only be made when authorized by the Board of Directors and approved by not less than seventy-five (75%) percent of the total votes of the Co-Owners exclusively or substantially benefiting therefrom, and where said Co-Owners are ten (10) or less, the approval of all but one (1) shall be required.

Where the approval of Co-Owners for alterations or additions to the common elements of this Condominium is required, the approval of Institutional Mortgagees whose mortgages encumber Units representing not less than ninety (90%) percent of the total unpaid dollar indebtedness as to principal on said Units at said time shall also be required. 30

C. Each Co-Owner is hereby required:

1. To maintain in good condition and repair his Apartment, all interior surfaces and the entire interior of his Apartment and to maintain and repair the fixtures and equipment therein, which includes, but is not limited to, the following, where applicable: air conditioning and heating units, including condensers and all appurtenances thereto wherever situated; hot water heaters; refrigerators, ranges and ovens and all other appliances; drains, plumbing fixtures and connections, sinks, all plumbing and water lines within the Apartment; electric panels, lines, outlets and fixtures within the apartment; interior doors, windows, screens and glass; all exterior doors (except the painting of the exterior of an exterior door shall be a Common Expense). Water, sewerage, disposal and waste fees, electricity or other utility charges, if applicable, shall be part of the Common Expenses if billed to the Condominium; however, if the individual bills are sent to each Co-Owner by the provider of such services, each such Co-Owner shall pay said bill for his Apartment individually. Electricity for the Apartments and all other purposes for the Condominium may be metered to the Condominium as a whole, rather than to individual Apartments, and, if so, shall be a Common Expense. Where an Apartment is carpeted, the cost of maintaining and replacing the carpeting shall be borne by the Co-Owner of said Apartment. Each Co-Owner shall maintain, care for and preserve those portions of the Limited Common Elements, if any, exclusively for his use or exclusively for his use together with other Co-Owners as provided in Article III, Section 5, hereof. Where there is a light fixture or fixtures attached to the exterior wall or walls of the Apartment, the Co-Owner thereof shall replace the bulb(s) by the same color and bulb wattage at his cost and expense unless the Board of Directors decides to replace same as a Common Expense. Each Co-Owner is responsible for and will pay for his telephone service.

2. Not to make or cause to be made any structural addition or alteration to his Apartment or to the Common Elements or any part(s) thereof. Alterations within an Apartment may be made with prior written consent of the Board of Directors and any Institutional Mortgagee holding a mortgage upon such Apartment as could be affected by such alteration. Upon approval of such alteration, the Board of Directors shall have the right to 31 require approval of any contractor and/or sub-contractor employed by such Co-Owner for such purpose. Said parties shall have the right to require approval of any contractor and/or sub-contractor employed by such Co-Owner for such purpose. Said parties shall comply with all Rules and Regulations adopted by the Board of Directors. Further, such Co-Owner shall be liable for all damages to any other Apartment(s), Common Element(s) or Property caused by the Co-Owner's contractor, sub-contractor or employee whether such damage be caused by negligence, accident or otherwise.

3. To allow the Board of Directors or its representative, agent or employee to enter into his Apartment for the purposes of maintenance, inspection, repair or replacement of improvements within the Apartment and/or Common Elements; to determine in the case of emergency, circumstances threatening the Apartment and/or Common Elements; or to determine compliance with the provisions of this Master Deed and/or any By-Law or Rule or Regulation of the Council of Co-Owners.

4. To show no signs, advertisements or notices of any type on the Common Elements, Apartments or Building and to erect no exterior antennae or aerals except as consented to by the Board of Directors.

D. In the event that a Co-Owner fails to maintain his Apartment and all parts thereof as required, makes any alterations or additions without the required consent, or otherwise violates the provisions hereof, the Board of Directors, on behalf of the Council of Co-Owners, shall have the right to proceed with an action at law for damages or to obtain an injunction to prevent such activity and/or to require compliance with the provisions hereof, with the By-Laws, The Act or any Rules or Regulations. In lieu thereof and in addition thereto, the Board of Directors shall have the right to levy an assessment against such Co-Owner for such necessary sums to remove

any unauthorized additions or alterations and/or to restore the Property to good condition and repair. Such assessments shall have the same force and effect as all other special assessments. The Board of Directors shall have the right to have its employees or agents, or subcontractors appointed by it, enter an Apartment at all reasonable times to do such work as it deems necessary to enforce compliance with the provisions hereof.

32

E. The Board of Directors shall determine the exterior color scheme of all Buildings and all exterior and interior color scheme(s) of the Common Elements (subject to the approval rights of the Council of Co-Owners), and shall be responsible for the maintenance thereof. No Co-Owner shall paint an exterior wall, door, window or any exterior surface or place anything thereon or affix anything thereto without the written consent of the Board of Directors.

F. The Council of Co-Owners shall be responsible for the maintenance and repair and replacement of the Common Elements and all portions of the Property not required to be maintained and/or repaired and/or replaced by individual Co-Owners. Notwithstanding each Co-Owner's duty of maintenance, repair, replacement and other responsibilities to his Apartment, the Council of Co-Owners, through its Board of Directors, may enter into an agreement with such firm(s) or company(ies) as it may determine from time to time to provide certain services and/or maintenance for and/or on behalf of the Co-Owners whereby maintenance and services are provided on a regularly scheduled basis, such as air conditioning maintenance services, exterminating services and other types of maintenance and services as the Board of Directors deems advisable and for such periods of time and on such basis as it determines. Further, the Board of Directors may lease equipment (such as MATV or Cable TV service) and grant easements for the location and/or installation of the same if it determines advisable. Said agreements shall be on behalf of each of the Co-Owners and the monthly Assessment due from each Co-Owner for Common Expenses shall be increased by such sum as the Board of Directors deems fair and equitable under the circumstances in relation to the monthly charge for said equipment maintenance or services. Each Co-Owner shall be deemed a party to such agreement with the same force and effect as though said

Co-Owner has executed said agreement. It is understood and agreed that the Council of Co-Owners through its Board of Directors shall execute said agreements as the agent for each Co-Owner. The aforesaid assessment shall be deemed to be an assessment under the provisions of Article IX of this Master Deed.

ARTICLE XIII

Termination

This Condominium may be voluntarily terminated at any time upon the terms and conditions and in the same manner set forth and described in The Act; provided, however, that unless otherwise required by law or in The Act, before the Condominium may be terminated, all Institutional Mortgagees of record of any Apartment or any other part of the Property of the Condominium must agree in writing to accept such termination and to accept as security the undivided portion of the Property owned by the debtor(s) of each. In the event of such termination, all Co-Owners shall become tenants in common of the real property and improvements constituting the Apartment and Common Elements (excluding, however, any real property and/or improvements constituting any Phase(s) reserved by the Developer under the development plan not yet committed to the Condominium). The ownership of each Co-Owner upon such termination as tenant in common shall be the same percentage as his percentage ownership in the Common Elements at that time. 34

#### ARTICLE XIV

##### Easements

Each person who acquires an interest in an Apartment shall be deemed, thereby, to agree that: (i) if any portion of an Apartment shall encroach upon any portion of the Common Elements or another Apartment or any portion of the Common Elements shall encroach upon any Apartment, there shall exist a valid easement for such encroachment and for the maintenance and repair of the same so long as it stands; and (ii) in the event a Building or other improvement or an Apartment is partially or totally destroyed and the reconstruction thereof shall create an encroachment on portions of the Common Elements or on any Apartment, there shall exist a valid easement for such encroachment and the maintenance thereof. 35

The Property submitted to a Horizontal Property Regime hereby and to be subsequently so submitted is subject to all conditions, limitations, restrictions, reservations and all other matters of record, the rights of the United States of America, the State of South Carolina, and any governmental authority or agency, including those pertaining to the use and ownership of any submerged lands and any lands lying below the natural high water line of the surrounding bodies of water, any taxes, applicable zoning ordinances which now exist or are hereafter adopted and easements for ingress and egress, for pedestrian and vehicular purposes and for utility services and drains which now exist or are hereafter granted by the Developer for the benefit of such persons as the Developer designates. The Developer shall have the right to grant easements and designate the beneficiaries thereof for such time as it determines in its sole discretion. Such rights include, but are not limited to, reservation unto itself, its successors and assigns, and the right to grant to others, easements for access and for ingress across the paved portions and walkway portions of the Property as it may be composed from time to time for owners, occupants and users of other properties, facilities and horizontal property regimes within the Resort or in proximity thereto. When the Developer relinquishes such right, the Council of Co-Owners shall be empowered to grant such easements but not to revoke any theretofore granted. While the Developer has the right to grant easements, the consent

and approval of the Council of Co-Owners to the granting thereof shall not be required. No easement shall be granted by the Developer or the Council of Co-Owners if as a result thereof any Buildings or other improvement in the Condominium would be structurally weakened or the security of any mortgagee of record would be adversely affected without its written consent.

Those easements of ingress and egress across the Property which are of record, are shown in the Exhibits or in the records of the Clerk of Court of Beaufort County, South Carolina. The rights of all Owners shall be subject to all such easements as presently exist or as are hereinafter granted.

The Council of Co-Owners, all present and future Co-Owners and occupants, the Developer and their respective successors, assigns, and designees are hereby granted an easement over, through and across and a license to use the paved areas of the Common Elements and are further granted a pedestrian easement over, through and across the Common Elements upon such paths and ways as are suitable for pedestrian traffic and a license to use the same.

ARTICLE XV

HILTON HEAD ISLAND BEACH AND TENNIS RESORT

The Condominium and all phases thereof are located within and are a part of a certain 61.770 acres tract of land owned by Developer on ~~Page 37~~ Hilton Head Island, Beaufort County, South Carolina which Developer has named Hilton Head Island Beach and Tennis Resort (herein "Resort"). The real property constituting the Resort is shown in the Exhibits hereto. Developer has, by the recording of this Master Deed given the Council of Co-Owners, the present and future Co-Owners thereof, all occupants of the Apartments and their successors and assigns non-exclusive easements and licenses of use of the pathways, streets and roads (together with roadside and entrance areas) paved areas and Beach Area of the Resort (herein the "Resort Facilities"). Developer, its successors and assigns, may, in its sole discretion, build additional streets and roads, pathways, develop certain portions for other multi-family complexes, develop portions for a convention center and attendant parking facilities, and develop portions for commercial facilities within the Resort; provided, any such development shall be in Developer's sole discretion and no representations are made as to the same whatsoever.

Developer, its successor(s) or assign(s) shall retain in trust the area designated as "Beach Area" in the Resort (as shown in the Exhibits) as a natural beach and dune area.

The Council of Co-Owners, all present and future Co-Owners thereof, and all occupants of the Apartments, their respective successors, assigns and devisees, are hereby granted a non-exclusive easement over, through and across, and a license for use to the Beach Area as a beach and dune area and access to the Atlantic Ocean. Further, the Council of Co-Owners and occupants of the Apartments, their successors, assigns and devisees are hereby granted non-exclusive easements over, through and across and a license to use the pathways, roads, together with roadside and entrance areas, streets and paved areas of the Resort, including those roads and streets shown as and within paved areas within Phase B as shown in the Exhibits.

Developer may elect, in its sole discretion, to construct and develop additional roads and streets, with attendant roadside areas and entranceways (the proposed locations and dimensions of which roads and streets are shown as "Proposed Roads" upon the plot plan of the Resort which is 38 included in the Exhibits) upon which the Council of Co-Owners, all present and future Co-Owners, all occupants of Apartments and their respective successors and assigns shall be granted non-exclusive easements over, through and across and a non-exclusive license to use in common with all others whom Developer shall designate. Said easements and licenses to use shall be established by one or more easements which shall be recorded in the Public Records of Beaufort County, South Carolina and designated an amendment to this Master Deed. Upon so recording said roads and streets and attendant roadside areas shall also become part of the Resort Facilities, and all costs and expenses in connection or associated therewith as determined and set by Developer shall become part of the Resort Expenses to be paid pro-rata by the Council of Co-Owners and the Co-Owners thereof as an item of Common Expense as is herein described.

Developer may, in its sole discretion, declare certain other areas within the Resort as natural marsh and forest areas and may, within such areas create plantings, lagoons or such other features as it determines in its sole discretion add to the aesthetic qualities of such areas, which areas shall likewise upon so declaring be held by Developer, its successors and assigns (which declaration(s) shall be filed in the public records for Beaufort County) in trust as areas of natural beauty and scenery for use and enjoyment of the Co-Owners and their occupants, such other owners of dwelling units and occupants within the Resort and such third parties as Developer, or its successors and assigns, may select in its sole discretion (which shall become, upon so declaring, part of the Resort Facilities) and the replacement of such areas as set by Developer shall be part of the Resort Expenses to be paid pro-rata by the Council of Co-Owners and the Co-Owners thereof as an item of Common Expenses as is herein described).

The Co-Owners shall pay, pro-rata with other owners of dwelling units and other properties within the Resort who shall be given similar easements and licenses of such use, all costs of maintenance, upkeep and repair arising out of or associated with the Resort Facilities, as such exists from time to time, such costs to include, but not be limited to, providing management, supervision and control thereof, property taxes, insurance and maintenance and reserve funds, and all other costs connected or associated therewith (herein collectively called "Resort Expenses"). Such Resort Expenses shall be included as an items of Common Expense and paid over by the Council of Co-Owners to the Developer, or its devisee, upon such schedule (but no more frequently than once a month) and in advance for use for such purposes, provided the Board of the Council of Co-Owners shall be entitled to an annual accounting of the use of all Resort Expenses by Developer or its devisee. In the event of non-payment of Resort Expenses by the Council of Co-Owners to Developer or its designee, Developer and, if appropriate, its designee, shall be subrogated to the rights of the Council of Co-Owners as to the individual Co-Owners to collect the Resort Expenses from the Co-Owners, including being subrogated to all lien rights for non-payment of Common Expenses as described in Article IX hereof. 3

Developer, or its designee, shall establish Rules and Regulations for use of the Resort Facilities and the Board of Directors shall appoint a Resort Facilities Committee to assist Developer or its Designee in formulating and enforcing the same, it being the intent that such Rules and Regulations shall encourage safety, use and enjoyment of the Resort Facilities, provided Developer makes no warranties whatsoever that said Rules and Regulations will be all inclusive or allow absolute safety of use.

Developer, its successor(s), or assign(s) may, in its sole discretion, at any time convey to the Regime and its Co-Owners and/or any other Horizontal Property Regime(s) within the Resort or which Developer has developed in proximity to the Resort, having like non-exclusive easements and licenses of use, all or any portion of the Resort Facilities, or any

interest, provided such shall be for no consideration. Developer shall have no liability whatsoever for any taxes, assessments, utility or other matters whatsoever arising out of the ownership of the Resort Facilities so conveyed, such conveyance shall be subject to Developer retaining into itself and ~~the~~ 40 the right to grant to such third parties as Developer may designate easements and licenses for use consistent with the conveyed facility and contract(s) for management thereof and all matters and rights theretofore of record. The facility or interest therein conveyed shall become a part of the common elements and the instrument of conveyance shall make reference to this Master Deed and be an amendment hereto. Execution only by the Developer or its successor(s) or assigns(s) (as the case may be) shall be sufficient and no execution, concurrence or consent shall be required of the Council of Co-Owners, and Co-Owner, any mortgagee or any third party whatsoever.

ARTICLE XVI

CERTAIN RIGHTS OF DEVELOPER

1. Notwithstanding any other provisions herein, so long as the Developer continues to own any of the Apartments, the following provisions shall be deemed to be in full force and effect, none of which shall be construed so as to relieve the Developer from any obligations as a Co-Owner to pay assessments as to each Apartment owned by the Developer after the construction on said Apartment has been completed and it is included in the Condominium. 41

a. The Developer shall have the right at anytime to sell, transfer lease or re-let any Apartment(s) which the Developer continues to own after this Master Deed has been recorded, without regard to any restrictions relating to the sale, transfer, lease or form of lease of Apartments contained herein and without the consent or approval of the Council of Co-Owners or any other Co-Owner being required.

b. During the period of time in which structures within a particular phase are under construction by the Developer and not completed, no dues shall be charged against the Developer as the Co-Owner of Apartments in that phase until both the completion of said Apartments in that Phase and its inclusion in the Condominium and the dues shall be assessed against the Co-Owners (including the Developer) of those Apartments in that Phase which shall have been completed, proportionately, inter se.

c. Without limiting the foregoing, the Developer shall have the power, but not the obligation, acting alone, at any time (and from time to time) so long as the Developer owns at least one Apartment in any included Phase to amend the Master Deed to cause the same to conform to the requirements of the Federal National Mortgage Association and/or the Federal Home Mortgage Corporation as set forth, respectively, in "FNMA Conventional Home Mortgage Selling Contract Supplement" and "Seller's Guide Conventional Mortgages", as the same may be amended from time to time.

d. The Developer shall have the rights (i) to use or grant the use of a portion of the Common Elements for the purpose of aiding in the sale or rental of Apartments; (ii) to use portions of the Property for parking for prospective purchasers or lessees of Apartments and such other portions as the Developer determines; (iii) to erect and display signs, billboards and placards and store and keep the same on the Property; (iv) to distribute audio and visual promotional materials upon the Common Elements; and (v) to use any Apartment which it owns as a sales and/or rental office, management office or laundry and maintenance facility. 42

e. In order to provide the Condominium with, among other things, adequate and uniform water service, sewage disposal service, utility services and television reception, the Developer reserves the exclusive right to contract for the provision of such services. The Developer, as agent for the Council of Co-Owners and the Co-Owners, has entered into or may enter into agreements, binding upon the Council of Co-Owners and the Co-Owners, with governmental authorities or private entities for furnishing such services. The charges therefor will be Common Expenses.

f. The Developer reserves the right to enter into, on behalf of and as agent for the Council of Co-Owners and the Co-Owners, agreements with other Persons for the benefit of the Condominium, the Council of Co-Owners and the Co-Owners. The provisions of any such Agreement shall bind the Council of Co-Owners and the Co-Owners. The Developer, as agent for and on behalf of the Council of Co-Owners and the Co-Owners, has entered into an agreement with Reception Corporation, a South Carolina Corporation, pursuant to which Reception Corporation will provide a color television set in each Apartment together with antenna television reception service and maintenance and service therefor. This Agreement, a copy of which is attached as an Exhibit and incorporated by reference, is binding upon the Council of Co-Owners and the Co-Owners. The fees for rental of such television sets and for such services (\$12.50 per Apartment per month plus tax, plus Consumer Price Index escalator, not to exceed 15%) shall be Common Expenses. If the Council of Co-Owners fails to pay the amounts due under the agreement with Reception Corporation, the latter, if it

duly performs its obligations under such agreement, shall be subrogated to all rights of the Council of Co-Owners as Common Expenses. The agreement with Reception Corporation may be amended only by a written amendment executed by the Council of Co-Owners and Reception Corporation.

g. Further, the Developer will as agent for and on behalf of the Council of Co-Owners and the Co-Owners thereof enter into one or more Lease and Use Agreements (the "Long Term Lease") with itself as lessor for the non-exclusive use of certain recreational facilities (to consist of eight (8) tennis courts and a swimming pool with attendant facilities) which are being and will be constructed and located as shown in the Exhibits. The Long Term Lease, a copy(ies) of which will be attached as an Exhibit(s) by amendment to the Master Deed and incorporated by reference, is binding upon the Council of Co-Owners and the Co-Owners. The fees for use of such facilities (which are to be \$9 per unit for all eight (8) tennis courts and pool, which amount may be adjusted as provided in the Long Term Lease) shall be Common Expenses. If the Council of Co-Owners fails to pay the amounts due under the Long Term Lease, the Developer, if it performs its obligations thereunder, shall be subrogated to the rights of the Council of Co-Owners and the Board of Directors to collect such amounts from the Co-Owners as Common Expenses. The Long Term Lease may be amended only by a written agreement executed by the Council of Co-Owners and the Developer.

2. THE DEVELOPER SPECIFICALLY DISCLAIMS ANY INTENT TO HAVE MADE ANY WARRANTY(IES) OR REPRESENTATION(S) IN CONNECTION WITH THE PROPERTY AS PRESENTLY CONSTITUTED, AND AS CONSTITUTED UPON THE INCLUSION OF AN ADDITIONAL PHASE(S) UPON SUCH INCLUSIONS THE RESORT FACILITIES (INCLUDING ANY WARRANTIES AS TO MERCHANTABILITY OR FITNESS FOR USE OR FITNESS FOR A PARTICULAR PURPOSE) ANY RULES AND REGULATIONS PROMULGATED BY DEVELOPER OR ITS DESIGNEE OR THE DOCUMENTS ESTABLISHING OR GOVERNING THE CONDOMINIUM. EXCEPT THOSE WARRANTIES AND REPRESENTATIONS (IF ANY) EXPLICITLY SET FORTH HEREIN. NO PERSON SHALL BE ENTITLED TO RELY UPON ANY WARRANTY OR REPRESENTATION NOT EXPLICITLY SET FORTH HEREIN. STATEMENTS (IF ANY) AS TO COMMON EXPENSES, TAXES, ASSESSMENTS OR OTHER CHARGES MADE BY THE DEVELOPER OR ANY REPRESENTATIVE THEREOF ARE ESTIMATES ONLY AND NO WARRANTY, GUARANTEE OR

REPRESENTATION IS MADE THAT THE ACTUAL AMOUNT OF SUCH COMMON EXPENSES, ASSESSMENTS OR OTHER CHARGES WILL CONFORM WITH SUCH ESTIMATES. The Buildings and the other improvements located in the Condominium and Resort Facilities consisting of improvements have been or will be constructed substantially in accordance with the representations made in the Exhibits. Such representations specify the full extent of the Developer's liability and responsibility for the materials and methods utilized in the construction of the Buildings and the other improvements located in the Condominium. 1-4

The Developer shall not be responsible for any condition caused by condensation on or expansion or contraction of materials, including paint (over interior or exterior walls), for loss or injury in any way due to the elements, the water tightness (or absence thereof) of windows and doors, the collection of water within the Buildings or on any portion of the Property or defects which are the result of characteristics common to the type of materials used, or for damage due to ordinary wear and tear or abusive use or any other cause, except as the Developer and any Co-Owner may specifically agree in writing. The enforcement of any guaranty or warranty from any contractor, subcontractor, supplier or manufacturer shall be the obligation of the Council of Co-Owners and its members and the Developer shall bear no responsibility therefor.

ARTICLE XVII

PROVISIONS RESPECTING CONSTRUCTION LENDER

Notwithstanding anything to the contrary contained in this Master Deed, until the satisfaction of record of any construction mortgage given by Developer upon the Property as presently constituted or any subsequent phase to secure a loan with which to develop the improvements for the Property or that phase, such as would be commonly classified as a construction loan mortgage (hereinafter referred to as the "Construction Mortgage") the following provisions shall be a part of this Master Deed and shall supersede any inconsistent provisions contained heretofore in this Master Deed.

45

1) Whenever the consent of the Developer is required under the Master Deed, the written consent of the holder of the Construction Mortgage (hereinafter referred to as "Construction Mortgagee") shall also be required.

2) In the event that the Developer shall violate any of its obligations as a Co-Owner, the Council of Co-Owners shall be required to give Construction Mortgagee written notice of such failure or violation, and the Council of Co-Owners shall be prohibited from instituting any suit or exercising any other remedy against the Developer for any such failure or violation until it has given Construction Mortgagee ten (10) days' prior written notice of its intention to file such suit or exercise such remedy during which time Construction Mortgagee shall have the right to cure any such failure or violation.

3) Construction Mortgagee shall be given written notice by the Council of Co-Owners of any meeting of the Co-Owners together with the agenda of such meeting.

4) No amendment shall be made to this Master Deed or to the By-Laws of the Council of Co-Owners, which would alter the rights of Construction Mortgagee or in any other way affect the security of Construction Mortgagee without its joinder and written consent to such amendment.

5) If Construction Mortgagee either assumes possession of any portion of the Property or Common Elements upon which said Construction Mortgage is a lien or acquires title to unsold Property upon foreclosure of the Construction Mortgage, by purchase of the unsold Property at foreclosure sale, or by deed in lieu of foreclosure, Construction Mortgagee and its successors and assigns shall have and enjoy all of the rights, privileges, and exemptions granted to Developer by this Master Deed and/or by the By-Laws. [ ] 46

ARTICLE XVIII

RIGHTS OF LENDERS

Notwithstanding any other provision hereof any mortgagee of record, (including, but not limited to, the Construction Mortgagee while such construction mortgage shall remain unsatisfied), shall:

(i) Upon request, be permitted to inspect the books and records of the Council of Co-Owners, during normal business hours;

(ii) Receive a copy of any audit performed for the Council of Co-Owners;

(iii) Upon request, receive written notice of all meetings of the Council of Co-Owners, and be permitted to designate a representative to attend and observe all such meetings; and

(iv) Receive written notification from the Council of Co-Owners of any default by any of its mortgagors in the performance of his obligations to the Council of Co-Owners which is not cured within thirty (30) days.

## ARTICLE XIX

### MISCELLANEOUS PROVISIONS

A. The Co-Owners of the respective Apartments shall not be deemed to own the undecorated and/or unfinished surfaces of the perimeter walls, floors and ceilings surrounding their respective Apartments nor shall any Co-Owner be deemed to own pipes, wires, conduits or other public utility lines running through said respective Apartments which are utilized for or serve more than one Apartment, which items are hereby made a part of the Common Elements. Each Co-Owner shall however, be deemed to own the walls and partitions which are contained in said Co-Owner's Apartment and shall also be deemed to own the interior decorated and finished surfaces of the perimeter walls, floors and ceilings including plaster, paint, wallpaper, etc.; however, all load-bearing walls and, where applicable, the floor between the first or ground floor and second floor located within an Apartment are part of the common elements to the unfinished surface of said walls and/or floors.

B. No Co-Owner may exempt himself from liability for his contribution toward the common expenses or other assessments duly made by the Council of Co-Owners and/or the Board of Directors by waiver of the use or enjoyment of any of the common elements or the recreational facilities of the Regime or the Resort Facilities or by abandonment of his Apartment.

C. Each Co-Owner shall pay all ad valorem taxes and other taxes assessed against his Unit and shall file any tax returns required in connection therewith. No Co-Owner shall have a right of contribution or a right of adjustment against any other Co-Owner because the value of his Unit as fixed by any taxing authority may differ from that stated herein.

D. For the purposes of ad valorem taxation, the interest of the Co-Owner of a unit in his Apartment and Common Elements appurtenant thereto shall be considered a Unit. The value of said Unit as compared to the value of the Condominium shall be equal to the percentage of the value of the entire Condominium as then constituted, including land and improvements, as has been assigned to said Unit and as set forth in this

Master Deed. The total of all said percentages equal 100 per cent of the value of all the land and improvements as it shall then be constituted.

E. All provisions of this Master Deed and all Exhibits hereto and amendments hereof shall be construed as covenants running with the land and of every part thereof and interest therein including, but not limited to, every Apartment and the appurtenances thereto and every Co-Owner and/or occupant of the Property or any part thereof or owning any interest therein, his heirs, executors, successors, administrators and assignees shall be bound by all the provisions of this Master Deed and Exhibits hereto and any amendments to the same, and The Act.

F. If any of the provisions of this Master Deed or the Exhibits hereto, of The Act or any section, clause, phrase, word or the application thereof in any circumstances is held invalid, the validity of the remainder of same and of the application of any provision, action, sentence, clause, phrase or work in other circumstances shall not be affected thereby.

G. Whenever notices are required to be sent hereunder, the same may be delivered to each Co-Owner either personally or by mail addressed to such Co-Owner at his place of residence in the Condominium unless the Co-Owner has by written notice, duly receipted for, specified a different address. Proof of such mailing or personal delivery by the Council of Co-Owners shall be given by affidavit of the person mailing or personally delivering such notice. Notices to the Council of Co-Owners (including the Board of Directors) shall be delivered by mail to the Secretary of the Council of Co-Owners at the Secretary's address within the Condominium or, in the case of the Secretary's absence, then to the President of the Council of Co-Owners at his address in the Condominium; provided, however, that the Council of Co-Owners may specify a different address by written notice delivered to all Co-Owners, Institutional Mortgagees of record, and any third party affected thereby. Notices to the Developer shall be sent by mail to Post Office Box 11634, Columbia, South Carolina 29211. All notices shall be deemed delivered when mailed. Any party may change his or its mailing address by written notice duly receipted for. The change

of the mailing address of any party as specified herein shall not require an amendment to this Master Deed. Notices required to be given the personal representative of a deceased Co-Owner may be delivered either personally or by mail to such party at his or its address appearing in the records of the probate court wherein the estate of such deceased Co-Owner is being administered. 50

H. All remedies for non-compliance provided in The Act shall be in full force and effect. In addition thereto, should the Council of Co-Owners find it necessary to bring an action about compliance with any provision of law, The Act, this Master Deed and/or the Exhibits attached hereto, upon finding by the court that the violation claimed was willful or deliberate, the Co-Owner so violating shall reimburse the Council of Co-Owners for reasonable attorney's fees incurred in prosecuting such action.

I. Subsequent to the filing of this Master Deed, the Council of Co-Owners when authorized by a vote of the majority of the total Voting Members of the Council of Co-Owners and the Institutional Mortgagees of record encumbering condominium units who represent the majority of the dollar institutionally mortgaged indebtedness against this Condominium, may, together with other councils of Co-Owners and/or others, purchase and/or acquire and enter into agreements from time to time, whereby to acquire leaseholds, memberships, and other possessory or use interest in lands and/or facilities, including, but not limited to country clubs, golf courses, marinas, and other recreational facilities, whether or not contiguous to lands of the Condominium, intended to provide for the enjoyment and/or recreation and/or other use and/or benefit of the Co-Owners. The expenses of such ownership, rental, membership fees, operations, replacement and other undertakings in connection therewith shall, as are Resort Expenses, be Common Expenses together with all other expenses and costs herein or by law defined as Common Expenses.

J. Whenever the context so requires, the use of any gender shall be deemed to include all genders and the use of the singular shall include the plural and plural shall include the singular. The provisions of this

Master Deed shall be liberally construed to effectuate its purposes of creating a uniform plan for the operation and development of a horizontal property regime.

K. The captions used in this Master Deed and the Exhibits attached hereto are inserted solely as a matter of convenience and shall not be relied upon and/or be used to construe the effect or meaning of the text of this Master Deed or Exhibits hereto annexed. 51

L. Where an Institutional Mortgagee by some circumstance fails to be a first mortgagee, it shall nevertheless for the purposes of this Master Deed and the Exhibits hereto be deemed to be an Institutional First Mortgagee of record.

M. If any term, covenants, provision, phrase or other elements of this Master Deed or the Exhibits hereto or the Act are held invalid or unenforceable for any reason whatsoever, such holding shall not be deemed to affect, alter, modify, or impair in any manner whatsoever any other term, provision, covenant or element of this Master Deed, Exhibits and the Act.

N. Notwithstanding the fact that the present provisions of the Act are incorporated by reference and included thereby, the provisions of the Master Deed and the Exhibits hereto shall be paramount to the Act as to those provisions where permissive variances are permitted; otherwise, the provisions of the Act shall prevail and shall be deemed incorporated herein.

O. By reason of Developer being the owner of all Apartments at the time of the recording hereof, Developer is and shall be the Co-Owner of and Voting Member for each and every Apartment of the Regime (as presently constituted) at the time of recording hereof. By reason thereof and by further reason of the necessity for a governing Board of Directors to govern the Regime and enter agreements on behalf of the Council of Co-Owners, Developer, simultaneous with recording hereof, shall appoint an initial Board of five Directors who shall serve as and be and have full powers as the Board of Directors of the Council of Co-Owners until their successors are elected and qualified. The Developer shall call or provide

the means to call an organizational meeting of the Council of Co-Owners within 120 days of the time that Developer has conveyed more than half of the Apartments in the Regime (as presently constituted) to third parties, at which time a Board of Directors shall be elected and qualified who shall, upon such election and qualification, succeed the initial Board of Directors appointed by Developer.

52

P. The Council of Co-Owners by its execution of this Master Deed approved the provisions hereof and all covenants, terms, conditions, duties and obligations hereof and Exhibits hereto and the Act. Each Co-Owner by virtue of acceptance of a Deed of Conveyance of an Apartment and/or any portion of or interest in the Common Elements and other parties by virtue of their occupancy of Apartments or use of the Common Elements, hereby approve the foregoing and do agree to be bound by all the terms, conditions, duties and obligations contained herein, in the Exhibits hereto and in the Act.

Q. No Co-Owner shall bring or have any right to bring any action for partition or division of the Property.

IN WITNESS WHEREOF, the Developer on behalf of itself and to bind itself and its successors in interest, including all Co-Owners who shall comprise the Council of Co-Owners (which shall be known as the Hilton Head Island Beach and Tennis Resort Phase I Horizontal Property Regime Council of Co-Owners) has executed this Master Deed of Hilton Head Island Beach and Tennis Resort Phase I Horizontal Property Regime as its act and deed and in witness whereof, it by and through its President, attested by its Secretary, has set its hand and seal this 28<sup>th</sup> day of January, 1981.

SIGNED, SEALED & DELIVERED:

In The Presence Of:

SEA CABIN CORPORATION

BY: [Signature] (SEAL)  
President

ATTEST:

[Signature]  
Assistant Secretary

[Signature]  
[Signature]

STATE OF SOUTH CAROLINA )  
COUNTY OF BEAUFORT )

PROBATE

PERSONALLY appeared before me the undersigned witness and made oath that (s)he saw the within named Sea Cabin Corporation, by and through its duly authorized agent, sign, seal and as its act and deed deliver the within written Master Deed of Hilton Head Island Beach and Tennis Resort Phase I Horizontal Property Regime, and that (s)he, with the other witness whose signature appears above, witnessed the execution thereof.

Alicia L. Candler

SWORN to and subscribed before

me this 23<sup>rd</sup> day of January, 1981.

[Signature]  
NOTARY PUBLIC FOR SOUTH CAROLINA

My Commission Expires:

2/19/90

NO RENUNCIATION OF DOWER NECESSARY. DEVELOPER IS A SOUTH CAROLINA CORPORATION.

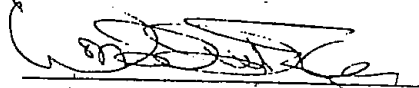
FOR GOOD AND VALUABLE CONSIDERATION the receipt whereof is hereby acknowledged, Hilton Head Island Beach and Tennis Resort Phase I Horizontal Property Regime Council of Co-Owners hereby agrees to and does on behalf of itself and all its present and future Co-Owners, accept all the benefits and all the duties, responsibilities, obligations and burdens imposed upon it and them by the provisions of this Master Deed together with all the Exhibits hereto and as set forth in the Act.

IN WITNESS WHEREOF, the above-named Hilton Head Island Beach and Tennis Resort Phase I Horizontal Property Regime Council of Co-Owners has caused these presents to be signed in its name by its duly authorized agent this 23<sup>rd</sup> day of January, 1981.

SIGNED, SEALED & DELIVERED:

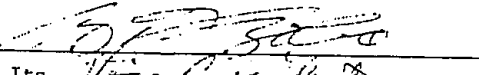
HILTON HEAD ISLAND BEACH AND TENNIS RESORT  
PHASE I HORIZONTAL PROPERTY REGIME COUNCIL  
OF CO-OWNERS

In The Presence Of:

  
Wanda L. Middle

BY:

Its

  
Wanda L. Middle

ATTEST:

Lina A. Hook

STATE OF SOUTH CAROLINA )  
COUNTY OF BEAUFORT )

PROBATE

PERSONALLY appeared before me the undersigned witness and made oath that (s)he saw the within named Hilton Head Island Beach and Tennis Resort Phase I Horizontal Property Regime Council of Co-Owners by and through its duly authorized agent, execute the within written Master Deed of Hilton Head Island Beach and Tennis Resort Phase I Horizontal Property Regime, and that (s)he with the other witness whose signature appears above, witnessed the execution thereof.

Wanda L. Middle

SWORN to and subscribed before me

this 23<sup>rd</sup> day of January, 1981.

  
(L.S.)

NOTARY PUBLIC FOR SOUTH CAROLINA

My Commission Expires:

2/19/90

"EXHIBIT 1"

Description of Property

The property herein committed as Hilton Head Island Beach & Tennis Resort Phase I Horizontal Property Regime (Phase A) consists of: ALL that certain tract, piece or parcel of land with improvements thereon, situate, lying and being on Hilton Head Island, Beaufort County, South Carolina, containing 5.788 acres as shown and delineated as PHASE A on the surveys and plot plans which are incorporated in this description and on that certain plat of Hilton Head Island Beach & Tennis Resort, prepared by Coastal Surveying Co., Inc., dated January 24, 1981, which is recorded in the Office of the Clerk of Court for Beaufort County, S.C., in Plat Book 29 at Page 60. (Hilton Head Island Beach & Tennis Resort Phase I Horizontal Property Regime may consist of land and improvements constituting three additional phases upon the inclusion of each within said Horizontal Property Regime. Said additional phases are shown as Phase B, Phase C and Phase D upon the surveys and plot plans incorporated in this description and upon the said plat of record to which reference has been made.) Said tract of land herein committed has the following metes and bounds as shown upon said plat, to-wit: BEGINNING at the northeasternmost corner of said tract, whereon it adjoins the parcel designated as Pool Area and the parcel designated as Beach Area, and from thence proceeding S41°29'33"W for a distance of 200.00 feet to a point; from thence turning and proceeding N70°10'13"W along property now or formerly of J. N. Maltphrus for a distance of 700.00 feet to a point; from thence turning and proceeding N05°10'13"W for a distance of 240.00 feet to a point; from thence turning and proceeding S89°49'47"W for a distance of 19.12 feet to a point; from thence turning and proceeding N00°21'41"W for a distance of 144.26 feet to a point; from thence turning and proceeding N80°38'19"E for a distance of 60.00 feet to a point; from thence turning and proceeding N50°57'44"E for a distance of 53.00 feet to a point; from thence turning and proceeding S55°50'47"E for a distance of 912.16 feet back to the point which was the point of beginning; all measurements being a little more or less; reference being craved to said plat for additional description.

This is a portion of the property heretofore conveyed to Sea Cabin Corporation by deeds of Port Royal Plantation Group, a South Carolina partnership, which deeds are recorded in the Office of the Clerk of Court for Beaufort County, S.C., in Deed Book 302 at Page 1088 and in Deed Book 307 at Page 1170.

TOGETHER WITH a non-exclusive easement for ingress and egress across the roads and streets within Hilton Head Island Beach & Tennis Resort shown as and being within the Paved Areas as shown upon the plat to which reference has been made above. Said roads and streets being within a certain parcel which runs from the right-of-way of Folly Field Road to the parcel designated as Phase B on said plat, having the following metes and bounds, to-wit: BEGINNING at the northeasternmost corner of said tract running from thence S04°21'41"E for a distance of 456.64 feet to a point; thence turning and proceeding S58°25'02"W for a distance of 56.23 feet to a point; thence turning and proceeding N04°21'41"W for a distance of 482.36 feet to right-of-way of S.C. Highway S-148 (Folly Field Road); thence turning and proceeding along the right-of-way of Highway S-148 (Folly Field Road) for a distance 50.00 feet back to the point of beginning. AND ALSO lying within the parcel designated as "PHASE B" on said plat.

TOGETHER WITH a non-exclusive easement for ingress and egress and access to the Atlantic Ocean and for use as a natural beach and dune area and purposes connected therewith as shown on the plat as "Beach Area" which has as its southeastern boundary the high water mark of the Atlantic Ocean.

TOGETHER WITH easements for sewer and water and maintenance thereof as shown on a plat entitled "A Plat of Ocean Marsh Phase I, II and III" dated May 15, 1980, and recorded in the Office of the Clerk of Court for Beaufort County, S.C., in Plat Book 28 at Page 201.

The aforesaid real property and the particular improvements thereon, which are hereby committed (and the location of such improvements) are shown and described on the attached surveys, plot plans and building plans, which are incorporated in the description by reference and which constitute, together with this description, "Exhibit 1" to the Master Deed of Hilton Head Island Beach & Tennis Resort Phase I Horizontal Property Regime. The improvements consisting of the building within which apartments are located and the location of individual apartments within the building are located as shown and described upon the aforesaid parts to this Exhibit, which locations and descriptions are also incorporated in this description by reference. Each apartment has appurtenant to it an undivided interest in the common elements as shown and described on the attached surveys, plot plans, building plans and descriptions, and as described in the Master Deed to which this is an Exhibit. All areas not contained within the apartments as the term "apartment" is defined in the aforesaid Master Deed constitute common elements. Improvements which constitute common elements are the streets and driveways, sidewalks, parking areas, all corridors and halls providing access to individual apartments and all stairs, staircases, walkways and the like providing access to such halls and corridors, and all other improvements not contained within or part of any apartment(s).

This conveyance is expressly made subject to all easements, reservations and rights-of-way of record, including those contained within the Master Deed and Exhibits thereto, as shown in this Exhibit and all others of record.

Each apartment includes:

(a) The space enclosed by the unfinished surfaces of perimeter and interior walls, ceilings and floors thereof, including vents, doors, windows and such other structural elements that are ordinarily regarded as enclosures of space.

(b) All interior dividing walls and partitions (including the space occupied by such walls and partitions).

(c) The decorated interior surfaces of all interior walls (including the decorated surfaces of all interior load-bearing walls) and

1  
floors, ceilings, consisting as the case may be of wallpaper, paint, plaster, carpeting, tiles and all other furnishings, materials and fixtures affixed or installed and for the sole and exclusive use of any dwelling space, commencing at the point of disconnection of the structural body of the building and from utility lines, pipes or systems serving the dwelling space. No pipes, wires, conduits or other public utility lines or installations constituting a part of the overall system designed for the service of any particular dwelling space of a building or any property of any kind, including fixtures and appliances within an apartment, which are not removable without jeopardizing the safety or usefulness of the remainder of the building shall be deemed to be part of any apartment. 57

Apartment  
Apartments numbered 101A through 108A and 123A consecutively is each identical and is each a one-bedroom apartment containing approximately 560 square feet. As to each such apartment, entrance is made from a corridor which is part of the common elements into a hallway. Located along one side of the hallway after entrance into the apartment are closet areas and bunks, as well as a utility room with an air conditioning/heating unit and water heater located therein. On the other side of the hallway is the bedroom which contains a closet. On the same side of the hallway is the bathroom which also connects with the bedroom. At the end of the hall corridor within the apartment, entrance is made into the living room area. Entrance is also made from the living room area onto the balcony which is part of the apartment.

Apartment  
Apartments numbered 201A through 208A and 223A consecutively are identical to the apartments numbered 101A through 108A and 123A consecutively, except that each such apartment is located on the second floor, entrance being made into each apartment from the common element corridor, access being gained to said corridor by stairway which is also part of the common elements.

Apartment  
Apartments numbered 301A through 308A and 323A consecutively are identical to each of the apartments numbered 101A through 108A and 123A consecutively, except that they are located on the third floor of the building, entrance being made into each such apartment from the common element corridor on that floor, access to said corridor also being provided by steps and staircases which are part of the common elements.

Apartments numbered 124A through 128A consecutively and apartments numbered 143A through 150A consecutively are each identical to apartments numbered 101A through 108A and 123A in size, area (approximately 560 square feet) and configuration, other than each of the apartments numbered 124A through 128A and 143A through 150A is a reversed left to right mirror image of each of the apartments numbered 101A through 108A and 123A.

Apartments numbered 224A through 228A consecutively and apartments numbered 243A through 250A consecutively are each identical to apartments numbered 124A through 128A and 143A through 150A in size, area (approximately 560 square feet) and configuration, except that they are each located on the second floor of the building, access to each said apartment being made from the common element corridor on that floor, access to said corridor being provided by steps and staircases which are part of the common elements.

Apartments numbered 324A through 328A consecutively and apartments numbered 343A through 350A consecutively are each identical to apartments numbered 124A through 128A and 143A through 150A in size, area (approximately 560 square feet) and configuration, except that they are each located on the third floor of the building, access to each said apartment being made from the common element corridor on that floor, access to said corridor being provided by steps and staircases which are part of the common elements.

The apartments numbered 109A through 122A consecutively and apartments numbered 129A through 142A consecutively are each one-bedroom apartments, consisting of 592 square feet on one level. Entrance into each apartment is made from the common element corridor into a hallway which is part of the apartment. Upon entering the hallway, located upon one side of said hallway within the apartment are closet areas, a storage room containing an air conditioning/heating unit and water heater and bunks. On the other side of said hallway, entrance is made into the bedroom containing a closet. Also located on the same side of said hallway, entrance being made from said hallway, is the bathroom which also has a doorway connecting it to the bedroom. At the end of said hallway, entrance is made into the living room, kitchen and dining area. Entrance is made from the living room area onto the balcony which is also part of the apartment.

Apartments numbered 209A through 222A consecutively and apartments numbered 229A through 242A consecutively are each identical in area and configuration to the apartments numbered 109A through 122A and 129A through 142A except that each such apartment is located upon the second floor of the building, access being gained from the common element corridor into each said apartment, and access to said corridor being provided by the common element steps and staircases. B- 59

Apartments numbered 309A through 322A consecutively and apartments numbered 329A through 342A consecutively are each identical in area and configuration to the apartments numbered 109A through 122A and 129A through 142A except that each such apartment is located upon the third floor of the building, access being gained from the common element corridor unto each said apartment, and access to said corridor being provided by the common element steps and staircases.

Apartment number 100A is a storage and maintenance unit, containing approximately 240 square feet, located on the first, second and third floors of the Building. Entrance to each level is made from the common area corridor hallway for that level. There are no interior divisions to the unit.

Apartment number 200A is also a maintenance and storage unit, containing approximately 240 square feet, located on the first, second and third floors of the building. Entrance to each level of apartment number 200A is made from the common element walkway for that floor. There are no interior divisions to the unit.

Apartment number 300A is a maintenance and stoorage unit located on the first, second and third floors. It contains approximately 1110 square feet. Entrance to each level is made from the common element hallway for that floor. It contains no interior divisions.



WPC 10/17/74  
Class and School

Development Permit #: 2116

Certified by 127 neva



**WITNESSES:**  
 For Plaintiff, JAMES A. BROWN  
 For Defendant, JAMES A. BROWN

**GALFORD**

**ALSO AT**

FROM THE  
JULY 1964

CLASSPORT 00

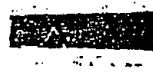
12

UNITED STATES  
DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION

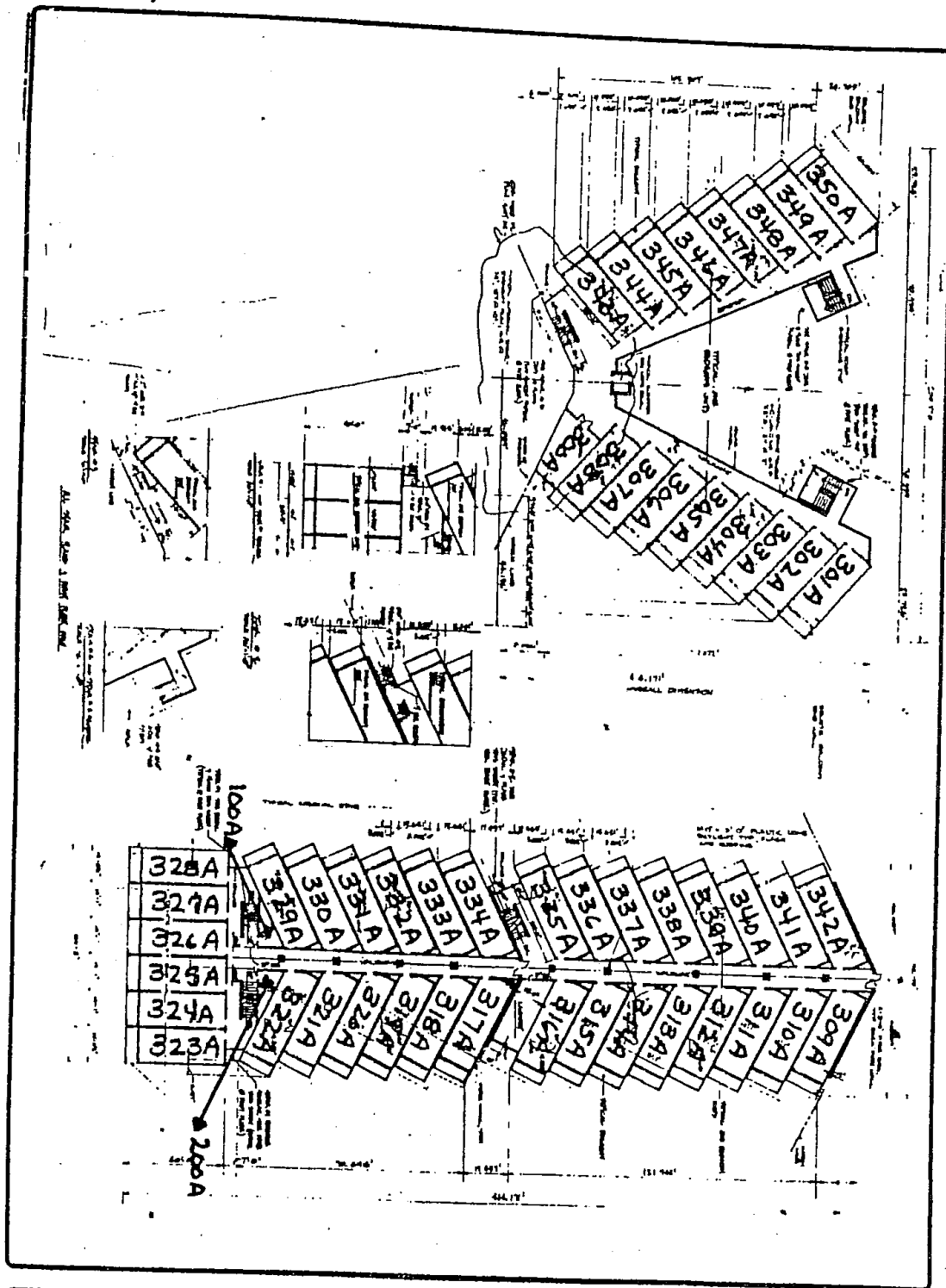
**THE**

12

FIRST FLOOR

[illegible]





|   |   |   |   |   |   |   |   |   |    |    |    |
|---|---|---|---|---|---|---|---|---|----|----|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|----|----|----|

|   |   |   |   |   |   |   |   |   |    |    |    |
|---|---|---|---|---|---|---|---|---|----|----|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|----|----|----|

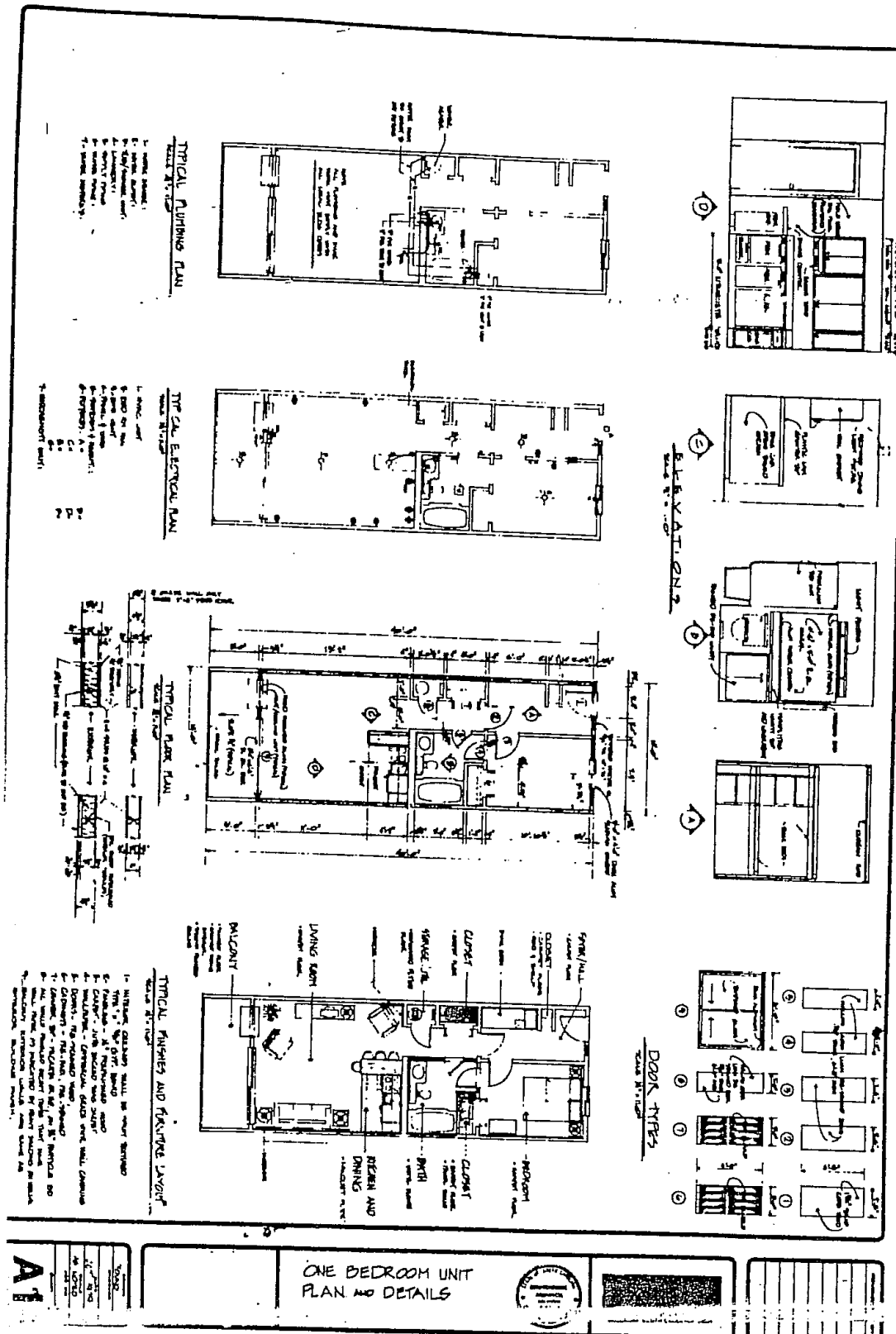
|   |   |   |   |   |   |   |   |   |    |    |    |
|---|---|---|---|---|---|---|---|---|----|----|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|----|----|----|

|   |   |   |   |   |   |   |   |   |    |    |    |
|---|---|---|---|---|---|---|---|---|----|----|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|----|----|----|

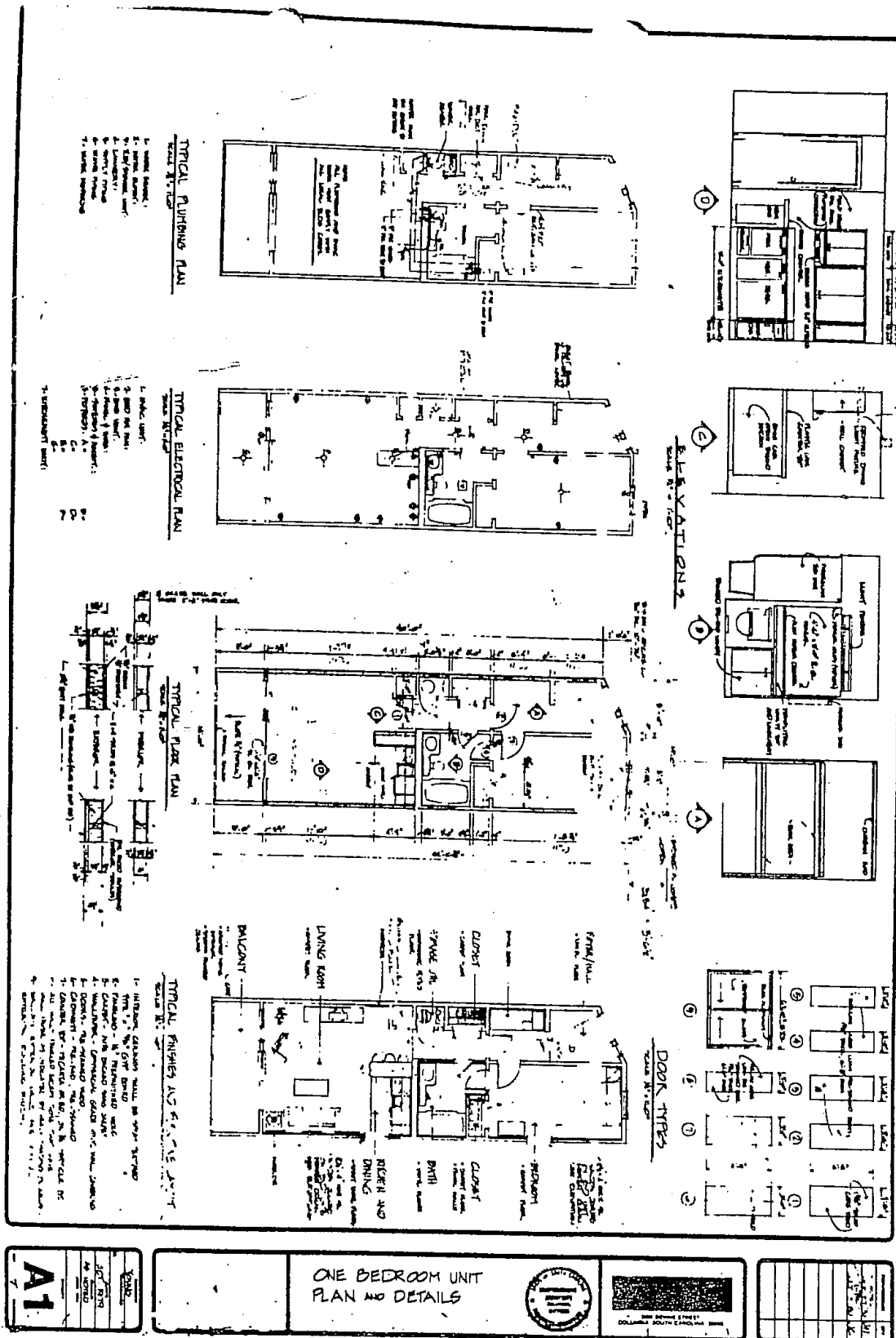
|   |   |   |   |   |   |   |   |   |    |    |    |
|---|---|---|---|---|---|---|---|---|----|----|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|----|----|----|

THIRD FLOOR

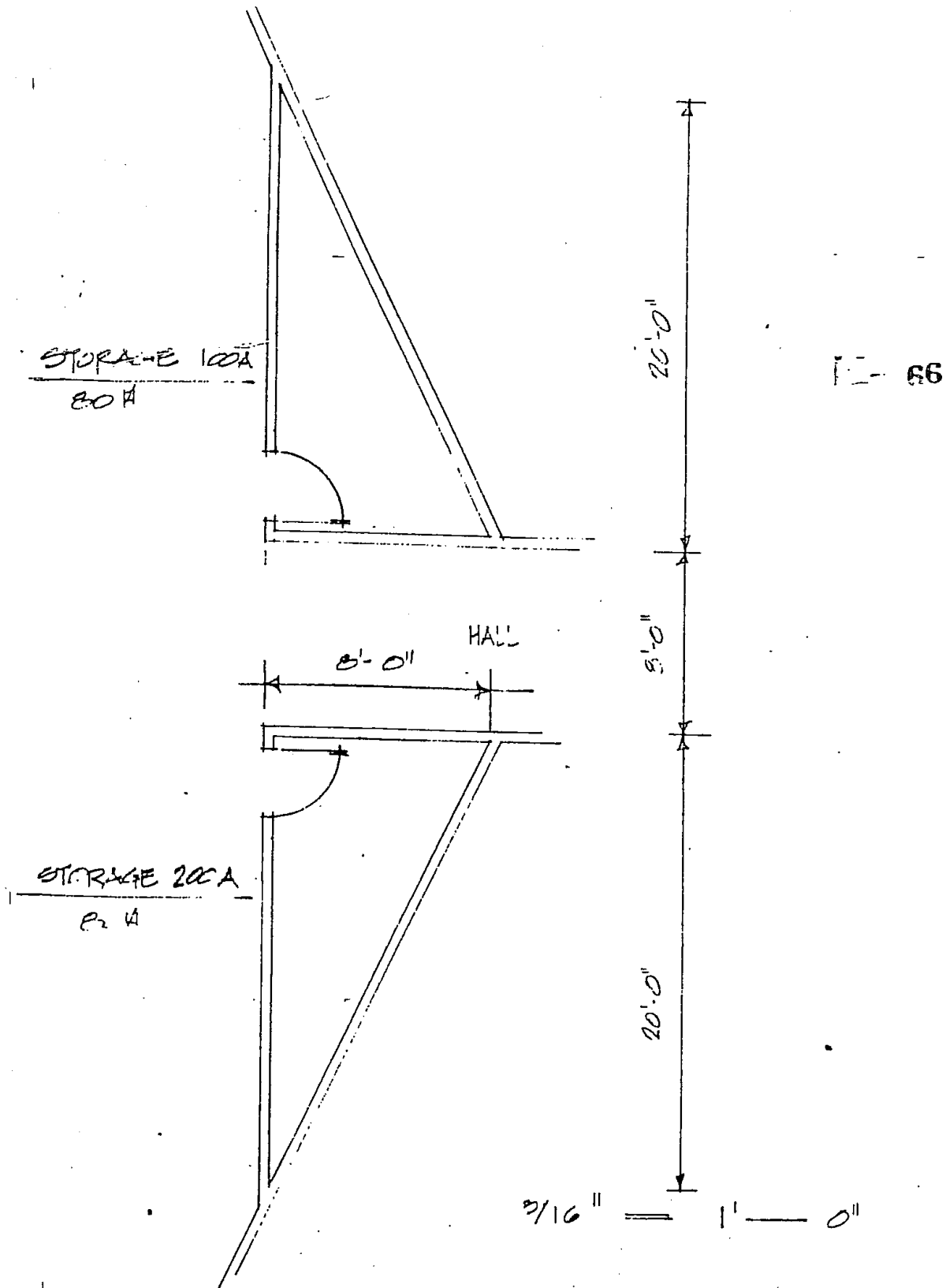




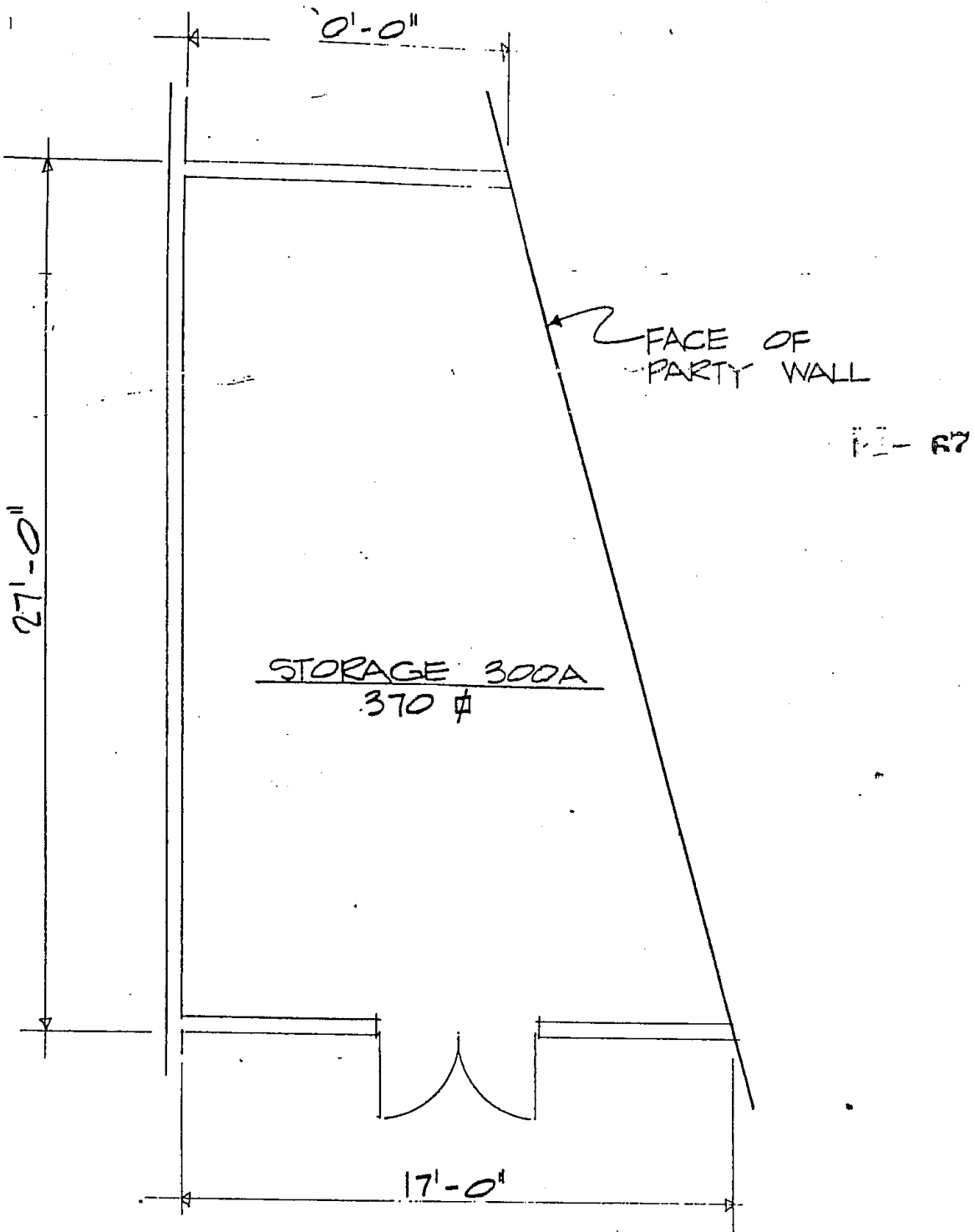
FLOOR PLAN AND DIMENSIONS FOR APARTMENTS NUMMERED 101A-108A and 123A, 201A-208A and 223A and 301A-308A and 323A. APARTMENTS NUMMERED 124A-128A, 143A-150A, 224A-228A, 243A-250A, 24A-328A and 343A-350A HAVE IDENTICAL FLOOR PLANS EXCEPT THE SAME ARE REVERSED RIGHT TO LEFT. EACH APARTMENT CONTAINS APPROXIMATELY 560 SQUARE FEET.



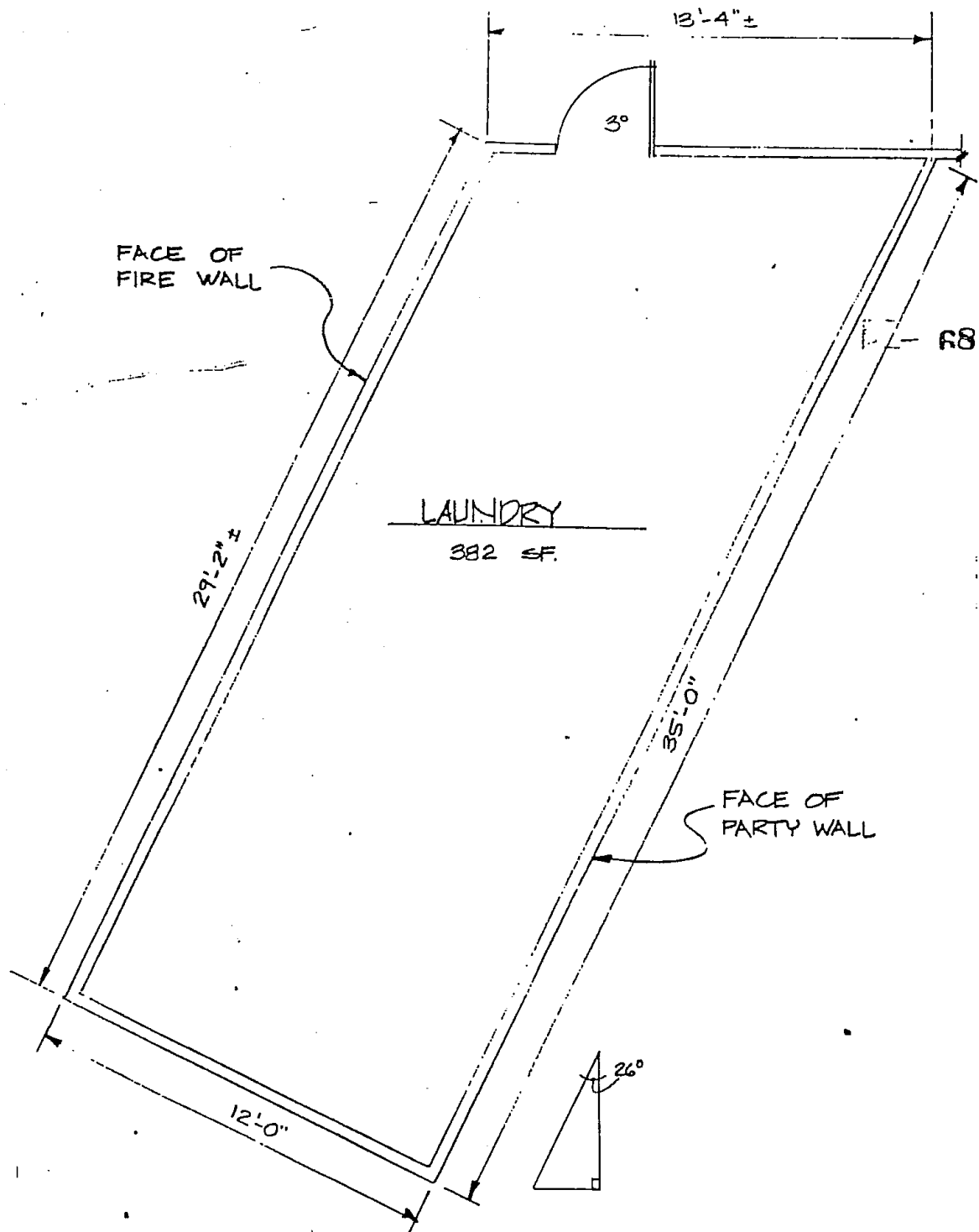
FLOOR PLAN AND DIMENSIONS FOR APARTMENTS NUMBERED 109A-122A, 209A-222A and 309A-322A. APARTMENTS NUMBERED 129A-142A, 229A-242A and 329A-342A HAVE IDENTICAL FLOOR PLANS EXCEPT THE SAME ARE REVERSED RIGHT TO LEFT. EACH APARTMENT CONTAINS APPROXIMATELY 592 SQUARE FEET.



Apartment's 100 A and 200A,  
each containing 240 Square  
Feet (80 feet per floor) and  
located on the first, second  
and third floors of the  
Building

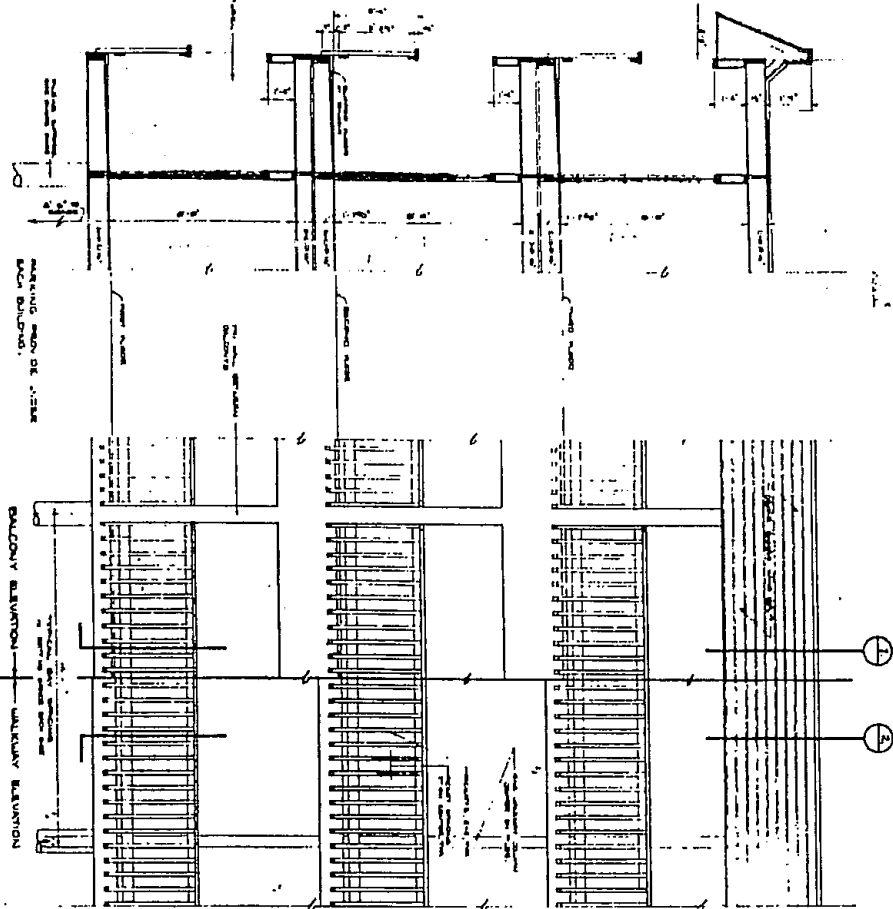


Apartment 300A containing  
1110 square feet (370 square feet  
per floor) and located on the  
first, second and third floors  
of the Building



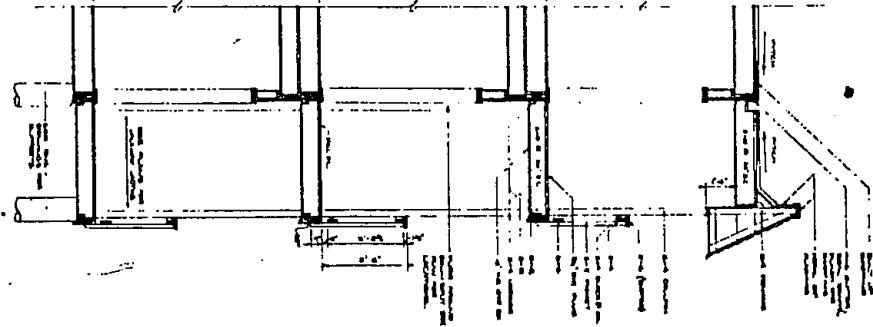
Laundry area (on each floor), a part of the common elements

① SECTION THRU BALCONY

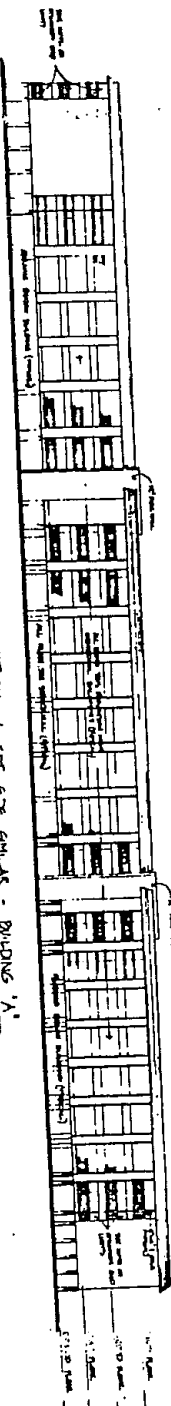


TYPICAL ELEVATIONS

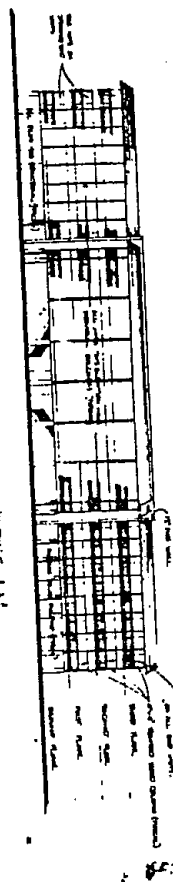
② SECTION THRU WALKWAY



|                  |                   |                                     |                        |  |  |  |
|------------------|-------------------|-------------------------------------|------------------------|--|--|--|
| <p><b>A6</b></p> | <p>2.10.10.10</p> | <p>TYPICAL SECTIONS AND DETAILS</p> |                        |  |  |  |
|                  |                   | <p>DATE: 10/10/00</p>               | <p>BY: [Signature]</p> |  |  |  |



RIGHT SIDE ELEVATION of LEFT SIDE SMITHS - BUILDING "A"



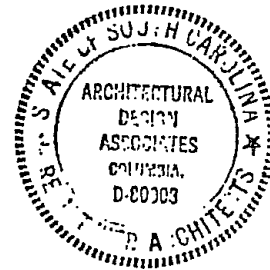
ELEVATION FACING OCEAN - BUILDING 'A'

STATE OF SOUTH CAROLINA )  
COUNTY OF BEAUFORT )

ARCHITECT'S CERTIFICATE

I certify to the best of my knowledge, information and belief, that the pages numbered -5- through -15- to this "Exhibit 1" and the plot plan referred to in the description of the property, adequately and accurately depict the land, buildings and the improvements and elevations of Hilton Head Island Beach & Tennis Resort Phase I Horizontal Property Regime in accordance with the requirements of Title 27, Chapter 31, Code of Laws of South Carolina, 1976.

 71



"EXHIBIT 2"

Property Rights and Percentage of Interest

Each Co-Owner owns, in addition to his Apartment, an interest in the common elements of the Property, which percentage ownership interest has been determined and computed by taking as a basis the value of each individual apartment in relation to the value of the Property as a whole. Such percentage interest in the common elements of each Co-Owner shall vary, however, provided that the Developer proceeds with subsequent phases of development. There are four (4) phases of development. Phase A consists of one hundred fifty-three (153) apartments. Phase B shall contain an additional one hundred seventy-eight (178) apartments and additional common elements making a total of three hundred thirty-one (331) apartments. Phase B is indicated within these Exhibits to the Master Deed. Phase C, if included, shall contain an additional one hundred seventy-eight (178) apartments for a total of five hundred nine (509) apartments. Phase C is likewise designated within these Exhibits. Phase D, if included, will contain an additional one hundred twenty-eight (128) apartments for a total of six hundred thirty-seven (637) apartments. Phase D is likewise shown within these Exhibits. 72

The percentage of interest in the common elements of each Co-Owner of an apartment represents the percentage of the total votes of all Co-Owners set out below. The vote appurtenant to each apartment in Phase A is one (1) vote; in Phase B, one (1) vote; in Phase C, one (1) vote; and in Phase D, one (1) vote. The percentage of the total vote that the vote assigned to each apartment represents is shown depending on whether only Phase A, or Phase A and Phase B, or Phase A, Phase B, and Phase C, or Phase A, Phase B, Phase C and Phase D are included within the Condominium hereinbelow in this Exhibit. Such voting rights and the percentage of the total vote appurtenant to each apartment has been computed by taking as a basis the value of the individual apartment in relation to the value of the property as a whole.

In the event only Phase A is included in the Condominium, there shall be appurtenant to each apartment an undivided .6535 973/153rds percent ownership in the common elements of the Property and share in the Common

Expenses and assessments and Common Surplus of the Condominium. The one (1) vote appurtenant to each apartment shall represent .6535 973/153rds percent of the total vote of all Co-Owners in the Condominium.

In the event that Phase A and Phase B are both completed (a total of 331 apartments), there shall be appurtenant to each apartment an undivided .3021 159/331st percent ownership interest in the Common Elements of the Property and share in the Common Expenses and assessments and Common Surplus. In addition, the one (1) vote appurtenant to each such apartment shall constitute .3021 159/331st percent of the total vote of all apartments of the Condominium.

In the event that Phase A, Phase B and Phase C are all completed (a total of 509 apartments), there shall be appurtenant to each apartment in Phase A, Phase B and Phase C an undivided .19646 186/509ths percent ownership interest in the Common Elements of the Property and share in the Common Expenses and assessments and Common Surplus. In addition, the one (1) vote appurtenant to each such apartment shall constitute .19646 186/509ths percent of the total vote of apartments of the Condominium.

In the event that Phase A, Phase B, Phase C and Phase D are all completed (a total of 637 apartments), there shall be appurtenant to each apartment in Phase A, Phase B, Phase C and Phase D an undivided .15698 384/637ths percent ownership interest in the Common Elements of the Property and share in the Common Expenses and assessments and Common Surplus. In addition, the one (1) vote appurtenant to each such apartment shall constitute .15698 384/637ths percent of the total votes of all the apartments of the Condominium.

"EXHIBIT 3"

BY-LAWS

OF

HILTON HEAD ISLAND BEACH & TENNIS RESORT PHASE I

HORIZONTAL PROPERTY REGIME COUNCIL OF CO-OWNERS

ARTICLE I

Name

The name of the Association shall be the Hilton Head Island Beach & Tennis Resort Phase I Horizontal Property Regime Council of Co-Owners.

ARTICLE II

Offices

74

The principal office of the Association shall be located at Hilton Head Island Beach & Tennis Resort Phase I Horizontal Property Regime, Hilton Head Island, South Carolina. The Association may have other offices within and without the State of South Carolina as the Board of Directors may determine or as the affairs of the Association may require from time to time. The Association shall have and continuously maintain in the State of South Carolina a registered agent whose office shall be identical with the registered office. The registered office may be but need not be identical with the principal office of the Association and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE III

Purpose

The purpose of this Association shall be to provide a collective government form of administration for the Co-Owners of the Hilton Head Island Beach & Tennis Resort Phase I Horizontal Property Regime to manage and control the Hilton Head Island Beach & Tennis Resort Phase I Horizontal Property Regime and the activities of the Co-Owners therein and of all persons using or occupying the facilities of the Hilton Head Island Beach & Tennis Resort Phase I Horizontal Property Regime (herein sometimes called the "Regime" or the "Condominium") and all things pertinent to and/or related thereto and to carry out all activities, promulgate all Rules and Regulations and to have all

responsibilities and purposes that are given to the Hilton Head Island Beach & Tennis Resort Phase I Horizontal Property Regime Council of Co-Owners in the Master Deed of Hilton Head Island Beach & Tennis Resort Phase I Horizontal Property Regime (hereinafter called the Master Deed), in the South Carolina Horizontal Property Act, Title 27, Chapter 31, Code of Laws of South Carolina, 1976, (hereinafter called the Act) and in these By-Laws, and to be the Council of Co-Owners for this Horizontal Property Regime as defined and called for in the Act and the Master Deed.

#### ARTICLE IV

##### Definitions

All terms and phrases used herein shall, unless the context otherwise required, have the same definition and meaning as set forth in the Master Deed and/or in the Act, as the case may be.

#### ARTICLE V

##### Members

Each and every Co-Owner of an Apartment or an interest in an Apartment in the Regime shall be a Member of this Association. Further, there shall be appurtenant to each Apartment in the Regime the number of votes assigned in the Master Deed which shall be voted collectively by the Voting Member of that Apartment as set forth in the Master Deed. Upon the sale, conveyance, devise or other transfer of any kind or nature of any Apartment, such subsequent transferee shall automatically become a Member hereof and likewise the vote appurtenant to that Apartment shall automatically pass and the membership of the transferor immediately terminated whether any membership certificate or voting certificate be transferred or not; provided, however, the Association shall for all purposes be entitled to rely upon the right to membership and voting rights of the person shown as Co-Owner of an Apartment in its records until notified of such transfer by delivery of written notice thereof to the secretary of the Association.

## ARTICLE VI

### Application

All present and future Co-Owners, tenants, future tenants, agents, servants, employees, guests, invitees and any other person using the facilities of the Regime or occupying any Apartment thereof shall be and is hereby subject to all matters, Rules and Regulations set forth in these By-Laws, Rules and Regulations promulgated by the Board of Directors hereof, and all things set forth in the Master Deed and in the Act. 76

A mere acquisition or rental of an Apartment or use of the facilities of the Condominium shall signify these By-Laws and all Rules and Regulations and provisions contained within the Master Deed, the Act or promulgated by the Board of Directors are accepted, ratified and shall be complied with.

## ARTICLE VII

### Voting Majority

Section 1. There is hereby assigned to each Apartment the number of votes as described and assigned in the Master Deed which shall be voted by the Voting Member thereof as described in the Master Deed. The vote so assigned to each may not be split in any fashion. If one person is the Co-Owner of an Apartment, he shall be the Voting Member. If an Apartment be owned by more than one person, they shall designate one of them as the Voting Member and notify the Secretary in writing of such designation. In the event a corporation owns an Apartment, the corporation shall designate one agent thereof as the Voting Member and so notify the Secretary in writing. In the case of multiple or corporate ownership of an Apartment, the vote appurtenant thereto shall not be exercised until written designation of the Voting Member has been delivered to the Secretary. The Voting Member so designated shall remain the Voting Member, entitled to cast the vote of that Apartment until the Secretary be given written notice of change. The vote assigned to each Apartment represents the percentage value of that Apartment as opposed to the Regime as a whole as then comprised.

Section 2. As used in these By-Laws, the term Majority of Co-Owners shall mean those Co-Owners who are Voting Members holding fifty-one (51%)

percent of the total vote of all the Co-Owners of the Condominium as then constituted and thereby represent fifty-one (51%) percent of the basic value of the Property as a whole. Unless otherwise required herein, in the Master Deed or in the Act, majority vote shall constitute fifty-one (51%) percent of the total outstanding votes of all Co-Owners and shall be required to adopt any decisions affecting the Condominium. 12-77

Section 3. Except as otherwise provided or required in these By-Laws, the Master Deed or the Act, the presence in person or by proxy of a Majority of Co-Owners, as is defined above, shall be required to constitute a quorum.

Section 4. Votes may be cast in person or by proxy. Each proxy shall be in a form as determined by the Board of Directors and must be filed with the Secretary at least fifteen (15) days before the appointed time for a regular meeting and at least one day before the appointed time for a special meeting.

Section 5. Membership in the Association is not transferable or assignable (except as the same may be assigned by way of proper proxy properly executed). Transfer of a Co-Owner's Apartment or his interest therein in any fashion shall automatically terminate his membership herein and all his voting rights.

ARTICLE VIII

Administration

Section 1. The Association shall be managed and governed by a Board of Directors (herein called the Board) consisting of five (5) persons. Pursuant to the terms of the Master Deed, the Developer has appointed an initial Board consisting of five (5) directors who need not be officers of Developer or present or future Co-Owners. Such initial Board shall have -- 78 all powers and duties of the Board of Directors of the Council of Co-Owners as described herein, in the Master Deed and in the Act. Said initial Board of Directors shall serve until their successors are elected and qualified at the organizational meeting of the Council of Co-Owners which shall be called and held as provided in the Master Deed. All members of the Board of Directors (except for the aforesaid members of the initial Board of Directors) must be Voting Members in good standing. The Board of Directors to succeed the initial Board of Directors appointed by the Developer shall be nominated and elected at the organizational meeting. Of the total Directors to be then elected, the three (3) nominees to be elected and receiving the most votes shall be elected to the Board for a two-year (2) term; the two (2) nominees receiving the next highest number of votes shall be elected for a one-year (1) term. Directors elected at subsequent elections shall be elected for a term of two (2) years, and shall be elected at the regular Annual Meeting of the Council of Co-Owners. At such regular Annual Meetings, the Voting Members shall vote for the number of Directors necessary as there are vacancies on the Board; provided, however, there shall be no cumulative voting. The candidates receiving the most votes shall be declared elected as members of the Board to fill the Board positions vacant at that time. Board members shall serve until their successors are elected and qualified.

Section 2. Any Director (other than on the aforesaid initial Board) who shall cease to be a Voting Member or who shall be delinquent in payment of any common expenses or assessments (as defined in the Master Deed and/or in the Act) shall automatically cease to be a Member of the Board.

Section 3. Each Board member (other than on the aforesaid initial Board) must be a Voting Member and in good standing, the Co-Owner of the

Apartment for which the Board member is a Voting Member being current in payment of all fees, assessments and common expenses.

## ARTICLE IX

### Board of Directors

Section 1. Consistent with these By-Laws, the Board shall:

A. Transact all Association business and prescribe the Rules and Regulations for the use of the Regime and all facilities and property thereof and may appoint such officers, clerks, agents, servants or employees as it may deem necessary in its sole discretion and may fix their duties and compensation.

B. Annually set the common expenses for the operation of the Condominium, including, but not limited to, payments under all agreements, the Long Term Lease and the Condominium's pro-rata share of the Resort Expenses (as defined in the Master Deed).

C. Fix, impose and remit penalties for violations of these By-Laws and Rules and Regulations of the Council of Co-Owners.

D. Serve without compensation.

E. Elect from the Board within thirty (30) days after each Annual Meeting a President, Vice President, Secretary and Treasurer, all of whom shall serve without remuneration. In the event of a vacancy in any one of these offices during the year, the Board shall have the power to elect a member of the Board in good standing to fill the vacancy for the unexpired term. In the event of a vacancy on the Board, the President shall have the power to appoint with the approval of the majority of the Board, a member in good standing to fill the vacancy until the next Annual Meeting.

F. Carry out all other duties and obligations imposed and exercise all rights granted it by the Master Deed and Exhibits thereto and

G. Establish a Resort Rules and Regulations committee to work with and assist the Developer or its designee in establishing and promulgating Rules and Regulations for use of the Resort Facilities.

Section 2. There shall be at least one regular meeting of the Board quarterly at a time designated by the President. The President or two

(2) members of the Board may call special meetings of the Board as are deemed necessary or desirable and in the best interest of the Association.

Section 3. Notice of regular and any special meetings of the Board of Directors shall be given at least two (2) days previously thereto by written notice delivered personally or sent by mail to each Director at his address as shown in the records of the Association. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed with postage thereon prepaid. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice for such meeting except for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or conveyed. Neither business to be transacted nor other purpose of any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting unless specifically required by law or by these By-Laws.

Section 4. A simple majority of the members of the entire Board shall constitute a quorum for the purposes of transacting Association business and the affirmative vote of a simple majority of the entire Board shall be necessary to pass any resolution or authorize any act of the Association unless a different vote is required herein, in the Master Deed, its Exhibits and/or the Act. Absentee voting is permitted provided such Director register his vote in writing with the Secretary within twenty-four (24) hours after the termination of such meeting.

Section 5. Any action required by law to be taken at any meeting of the Directors or any action which may be taken in a meeting of the Directors may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by two-thirds (2/3) of the Directors.

Section 6. The Board of Directors shall annually on or before November 15th of each year, prepare a budget for the up-coming calendar year to include such sums as it deems necessary and adequate to provide for the common expenses of the Condominium and such other expenses as are necessary or appropriate expenses of the Condominium. The Board of Directors shall

thereafter on or before December 1st deliver (which delivery may be by mail) the budget for the up-coming year together with statement of the amount(s) due from each Co-Owner for that year and the date or dates upon which payment or payments are due to the Co-Owners. Thereafter, should any increase or decrease be determined appropriate by the Board of Directors in assessments to be paid by Co-Owners, the Board shall notify all Co-Owners so affected at least thirty (30) days prior to the time such assessment so changed shall be due. The Council of Co-Owners shall have a lien upon each Apartment together with the common elements and common surplus appurtenant thereto for payment of all assessments not paid when due in the amount of such unpaid assessments together with the interest thereon from the date due together with the cost of collection thereof including a reasonable attorney's fee. Such shall be collected and/or lien foreclosed upon in the manner provided for in the Master Deed and Exhibits thereto and/or in the Act.

#### ARTICLE X

##### Officers

Section 1. The principal officers of the Association shall be a President, Vice President, Secretary and Treasurer, all of whom shall be elected by and from the Board. The Directors may appoint assistant treasurers and secretaries and such other officers as in their judgment may be necessary. No two offices may be held by the same person unless there be less directors than officers to be elected in which case one may hold more than one office.

Section 2. The officers of the Association shall be elected annually by the Board of Directors immediately following the annual meeting of the Council of Co-Owners and shall serve for the twelve (12) month period next succeeding. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall be duly elected and shall qualify.

Section 3. The President shall be the principal executive officer of the Association, shall preside at all meetings of the Board and all meetings of the membership, shall appoint committees and shall have general charge of and shall control the affairs of the Association according to such rules and

regulations as the Board shall determine.

Section 4. There shall be a Vice President who shall perform such duties as may be assigned to him by the Board. In case of death, disability or absence of the President, he shall be vested with all the powers and perform all duties of the President. The Vice President shall also be chairman of the Operations Committee.

Section 5. There shall be a Treasurer who shall keep the funds of the Condominium and shall disburse them to meet the ordinary and usual expenses of the Condominium and for other purposes as required by the Master Deed, the Act and/or upon order of the Board of Directors after such disbursement order has been entered in the minutes of the Board at a duly constituted meeting and shall have such other duties as may be assigned to him. He shall render a financial report to each regular meeting of the Board and to the Annual Meeting of the Council of Co-Owners. The Treasurer shall be bonded at the expense of the Association. 82

Section 6. If required by the Board of Directors, the assistant treasurer, if any, shall be bonded at the expense of the Association. The assistant treasurers and the assistant secretaries, in general, shall perform such duties as shall be assigned to them by the Treasurer or the Secretary or by the President. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors upon a two-thirds (2/3) majority vote whenever in its judgment the best interests of the Association will be served thereby, but such removal shall be without prejudice of the contract rights, if any, of the officers so removed.

Section 7. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

## ARTICLE XI

### Meetings

Section 1. There shall be an Annual Meeting of the Council of Co-Owners (Association) held within the same quarter of the calendar year as the organizational meeting was held (which must be held within six (6) months of the date Developer has conveyed to third parties more than half (1/2) of the Apartments in the Regime, provided Developer shall call or provide the means to call such organization meeting) and at a time and place designated by the President. Notice of the annual meeting shall be given to all Co-Owners by mail at least twenty (20) days prior to the date of the meeting.

Section 2. Special meetings of the Council of Co-Owners may be called by the Board. Also, upon request of voting members totaling fifty (50%) percent of the total votes of the Association in writing made to the Secretary stating the purpose therefor, a special meeting shall be called by the Secretary of the Association to be held within forty (40) days thereafter. Special meetings of the Council of Co-Owners may be held at the call of the President upon five (5) days notice by mail to all members. Such notice shall state the purpose for which the special meeting is called and no other business shall be transacted at said meeting.

Section 3. Voting members holding fifty-one (51%) percent of the total votes of the Council of Co-Owners must be present personally or by proxy to constitute a quorum at all Annual and Special Meetings of the Council of Co-Owners. Should voting members holding fifty-one (51%) percent of the vote not be present or constitute a quorum at an Annual Meeting of the membership, a special Board meeting may be called by the President or the Secretary and by action of two-thirds (2/3) of the entire membership of the Board of Directors a quorum may be declared provided there are Voting Members holding at least twenty-five (25%) percent of the total outstanding votes of the Council of Co-Owners present and that the business to be conducted at such meeting does not require that a greater number of Voting Members be present.

Section 4. Any action required by law to be taken at a meeting of the Council of Co-Owners or any action which may be taken in a meeting

of the Council of Co-Owners may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by Voting Members holding not less than two-thirds (2/3) of the entire votes entitled to vote on the subject matter thereof and further provided the same is not otherwise prevented by these By-Laws, the Master Deed or the Act.

Section 5. When notice to Co-Owners is required, the mailing of such notice to the last known address of the Co-Owner in the Association's records shall constitute notice. R4

## ARTICLE XII

### Obligations of Co-Owners

Section 1. Each Co-Owner is obligated to pay all annual, monthly and special assessments and charges levied and imposed by the Council of Co-Owners and/or through its Board of Directors for such purposes as are enumerated in the Master Deed, in the Act and in these By-Laws. Such charges or assessments so levied shall be paid on or before the date(s) affixed by resolution of the Board. Written notice of the change in any assessment and the date the payment shall be paid shall be sent to each Co-Owner at the address given by such Co-Owner to the Secretary of the Council. All common assessments shall be pro-rated dependent upon each Co-Owner's percentage of ownership in the common elements as is determined and set forth in the Master Deed and the Exhibits thereto. Such assessments shall include monthly payments to a general operating reserve in a reserve fund for replacements and all other things as required or set forth in the Master Deed, the Act and/or these By-Laws.

Section 2. The amount of assessment levied shall be paid on or before the date due. If not so paid, the amount of such assessment plus any other charges thereon including interest at the maximum limit provided by the Act and the cost of the delinquency and cost of collection, including attorneys' fees, shall constitute and become a lien on the Co-Owner's Apartment and share of the common elements and common surplus appurtenant thereto. Upon recording of the lien with the proper governmental authority for Beaufort County, South Carolina, such lien rights shall be as provided for and in accordance with the terms and provisions of the Master Deed and

the Act. The notice of assessment which shall state the amount of such assessment and such other charges and give the number of the Apartment which has been assessed shall be mailed to the Co-Owner thereof. Upon payment of such said assessments and charges or other satisfaction thereof, if a lien has been recorded, the Board shall, within a reasonable time, cause to be recorded a notice stating the satisfaction of and release of said lien. The priority of the lien hereinabove set forth shall be as provided in the Master Deed and/or the Act.

Section 3. The lien provided herein may be foreclosed by suit by the Board acting on behalf of the Council in like manner as a mortgage and in such event, the Council may be a bidder at the foreclosure sale. The Council through its Board or duly authorized agent may also pursue any other remedy against any Co-Owner owing money to it which is available to it by law or in equity for the collection of debt.

Section 4. Unless prohibited by law, the lien rights granted the Council of Co-Owners may be assigned in whole or as to any one or more particular items to any third party.

Section 5. Upon request, the Board shall furnish a statement certifying that all assessments then due have been paid or indicating the amount then due.

Section 6. The Council through its Board shall suspend any Co-Owner not paying assessments when due and such Co-Owner and any lessee, guest or invitee or other person planning to occupy that Co-Owner's Apartment by reason of permission of that Co-Owner or use the facilities of the Condominium shall be refused entrance into the Condominium and use of the facilities thereof until all assessments and penalties to which such Co-Owner is subject have been paid.

Section 7. Each and every Co-Owner shall perform promptly all maintenance and repair work required of individual Co-Owners by the Master Deed, the Act or these By-Laws or which is within his own Apartment which, if omitted, would affect the Condominium in its entirety or in a part belonging to some other Co-Owner(s). The Council shall be responsible for all maintenance and repair work required of the Council in the Master Deed, these By-Laws and/or the Act.

A Co-Owner shall reimburse the Council if there be any expenditures incurred in repairing and/or replacing any common elements or facilities damaged by such Co-Owner, his family, guests, invitees or lessees.

Section 8. Each Apartment, other than any Apartment owned by Sea Cabin Corporation or its express designee(s), shall be utilized for residential purposes only, provided, however, such shall not prevent rent or lease of his Apartment by a Co-Owner to a lessee or rentor to use for residential purposes.

11-86

Section 9. No Co-Owner shall make any structural modifications or alterations in his apartment or upon any common elements without the approval of the Council of Co-Owners through the Board of Directors.

Section 10. No Co-Owner, his family, guests, invitees or lessees shall place or cause to be placed in any common areas or facilities any furniture, package(s) or object(s) of any kind. Such areas shall be used for no purpose other than normal transit through them and/or use of the facilities provided.

Section 11. Each Co-Owner shall and does hereby grant right of entry to the Board or its duly authorized agent in the case of any situation provided for in the Master Deed or the Act whether such Co-Owner is present at the time or not.

Section 12. No occupant of an apartment shall post any advertisements or posters of any kind in or on the Condominium property except as authorized by the Board or as is permitted in the Master Deed; provided, however, this provision shall not be applicable to Sea Cabin Corporation during the period it is managing, renting or selling apartments.

Section 13. Occupants of apartments shall use extreme care about making noises or the use of musical instruments, radio, television and/or amplifiers that may disturb other occupants and in the event so notified by the Board or its duly authorized agent such occupant shall immediately cease and desist such activity.

It is prohibited to hang garments, rugs, etc., from the windows or from any sides or from any of the buildings or parts thereof.

It is prohibited to dust rugs, etc., from the windows or to clean rugs, etc., by being on the exterior part of any of the buildings.

It is prohibited to throw or place garbage or trash outside the disposal installation(s) provided for such purposes.

Section 14. No Co-Owner, occupant or lessee of an apartment shall install wiring for electrical or telephone installation, television antenna, ~~machines or~~ air conditioning units, etc., on the exterior of the buildings or that protrude through the walls or roof of any building except as authorized by the Board.

Section 15. Nothing herein contained shall limit in any manner the power of the Council and/or Board to issue or promulgate such Rules and Regulations as are deemed necessary or desirable for the use, occupancy and enjoyment of the Condominium by the Co-Owners and/or occupants thereof. Further, all obligations imposed by the Master Deed, its Exhibits and/or the Act are hereby incorporated by reference as further obligations as fully as if herein set forth.

Section 16. The Board of Directors shall have the right to enter into such agreements as it deems desirable to provide common services or to lease equipment for the use and enjoyment of the Co-Owners or any one or more Co-Owners. Such rights shall include but not be limited to the right to enter into lease and/or use and/or purchase agreements with third parties to provide recreational equipment and facilities and/or to install, sell and/or lease to the Condominium a MATV system and/or cable television system and/or television sets. Furthermore, the initial Board of Directors appointed by Sea Cabin Corporation, the Developer, shall have the right to enter into such agreements on behalf of and for the Council of Co-Owners, its Board and the Co-Owners which agreement(s) shall be binding upon the Council of Co-Owners and each and every Co-Owner.

## ARTICLE XIII

### MORTGAGES

Section 1. Any Co-Owner who mortgages his condominium Unit or any interest therein shall notify the Board of Directors of the name and address of his mortgagee and the Board shall maintain such information in a book entitled "Mortgagees of Condominium Units".

Section 2. The Board shall, at the request of such mortgagee, report any unpaid assessments due from the Co-Owner of such condominium Unit so mortgaged.

Section 3. Any and all Institutional Mortgagees shall have all rights and powers granted unto them by the Master Deed and/or The Act and nothing herein contained shall supercede such rights and powers. In the event any right or duty or power herein delegated or granted unto the Council or Board by these By-Laws is given to an Institutional Mortgagee by reason of the Master Deed and/or The Act or should that Institutional Mortgagee by reason of the Master Deed and/or The Act have any voice in such decisions, then such Institutional Mortgagee is hereby given and granted such rights and powers and vote in such decisions as are thereby granted.

#### ARTICLE XIV

##### RULES AND REGULATIONS

The Board of Directors shall be and is hereby empowered to promulgate and issue such Rules and Regulations from time to time and to amend and alter any Rules and Regulations theretofore promulgated and issued as it may in its sole discretion determine necessary and desirable for the continued maintenance and upkeep, use and enjoyment of any apartments, common areas of facilities contained within the Condominium, subject, however, to such restrictions upon such as contained in the Master Deed, its Exhibits and The Act together with any Rules and Regulations issued thereunder. Such Rules and Regulations shall be binding upon and enforceable upon all Co-Owners, their families, guests, invitees and/or lessees, and all occupants of Apartments.

ARTICLE XV

CONTRACTS, CHECKS, DEPOSITS, AGREEMENTS AND FUNDS

Section 1. The Board of Directors may authorize any officer or officers or agent or agents of the Council to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Council and/or the Co-Owners thereof. Such authority may be general or confined to specific instances.

Section 2. All checks, drafts or orders for the payment of notes or **90** other evidences of indebtedness issued in the name of the Council shall be signed by such officer or officers, agent or agents of the Council (pursuant to a management agreement) in such manner as shall from time to time be determined by the resolution of the Board. In the absence of such determination by the Board, such instruments shall be signed by the Treasurer (or duly authorized assistant treasurer) and by the President (or Vice President).

Section 3. All funds of the Council of Co-Owners and/or received by it from or on behalf of the Co-Owners shall be deposited from time to time to the credit of the Council at such banks, insurance companies, trust companies or other depository as the Board or the property manager, if appropriate, pursuant to a management agreement, may select or as the circumstances and purposes of such deposits may require.

Section 4. The Board may accept on behalf of the Council any contribution, gift, bequest or devise for the general purposes or for any of the special purposes of the Council.

## ARTICLE XVI

### CERTIFICATES OF MEMBERSHIP

Section 1. The Board shall provide for the issuance of certificates evidencing membership in the Association to each Co-Owner which shall be in such form as may be determined by the Board. Such certificates shall be signed by the President and by the Secretary and shall be sealed with the seal of the Association, if any. All certificates shall be consecutively numbered. The name and address of each Co-Owner and the date of issuance of the certificates shall be entered on the records of the Association. If any certificates may become lost, mutilated or destroyed, a new certificate may be issued therefore upon such terms and conditions as the Board may determine.

Section 2. Upon purchase of the Condominium Unit, a certificate of membership shall be issued in the name of the Co-Owner thereof and delivered to him by the Secretary. Such certificate shall be non-transferable and shall be immediately surrendered to the Board upon termination of ownership for any reason. Further, should such Co-Owner fail to surrender such certificate upon termination of ownership such termination shall automatically terminate and such membership certificate shall become null and void.

Section 3. Any Co-Owner failing to pay assessments when due may have his membership in the Association and his use of his Apartment and the facilities of the Condominium suspended by the Board. Any Co-Owner thus suspended shall immediately be notified in writing by the Secretary.

ARTICLE XVII

BOOKS AND RECORDS

Section 1. The Council and the Board shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Council, of the Board and committees having any authority of the Board and/or the Council and shall keep at the registered office a record giving the names and addresses of the Co-Owners who are Voting Members.

Section 2. For purposes of voting at all meetings of the Council of Co-Owners, that person designated as Voting Member for a particular apartment shall be conclusively so presumed to be the Voting Member therefor until the Secretary be notified of a change in the Voting Member. The names of the Voting Members entitled to vote at any meeting and may not thereafter be changed without the express permission of the Board. For purposes of this section, deposit of notice in the United States mail prepaid or personal delivery shall constitute delivery.

## ARTICLE XVIII

### MISCELLANEOUS

Section 1. Each person elected and qualified as a Director or Officer (including the initial Board of Directors appointed by Developer and Officers selected by it) shall be indemnified by the Council against expenses actually and necessarily incurred by and in connection with the defense by such person of any action, suit or proceeding in which he is made a part by reason of his being a Director or Officer except as to matter as to which he is adjudged to be liable for gross negligence or willful misconduct. The right of indemnification shall inure to each Director or Officer when such matter occurred during the time that such person was a Director or Officer even though such action takes place after such Director or Officer has been succeeded in office by someone else. Such payment by the Council shall be included as a part of the Common Expenses. 92

Section 2. Any question as to the interpretation of these By-Laws shall be determined by simple majority of the full Board.

Section 3. The Council of Co-Owners and its Board of Directors, through its Board of Directors, may assign any or all of its rights, duties, powers and obligations hereunder, under the Master Deed and the Act unless expressly prohibited by law. Consistent therewith, the Board of Directors is hereby authorized and empowered, should it in its sole discretion determine appropriate, to on behalf of itself, the Council of Co-Owners and the present and future Co-Owners thereof enter management and other agreements with third parties so assigning for the management of the Regime and/or use, benefit and/or enjoyment of the Co-Owners thereof.

Section 4. Robert's Rules of Order shall apply in any meeting of the Board or of the Council unless in conflict with the Master Deed or the Act in which case these By-Laws, the Master Deed and/or The Act shall control.

ARTICLE XIX

COMPLIANCE

These By-Laws are set forth to comply with the requirements of the South Carolina Horizontal Property Act, Title 27, Chapter 31, Code of Laws of South Carolina, 1976. In case any of these By-Laws conflict with the provisions of The Act, the provisions of The Act shall apply. In the event of any conflict between these By-Laws and the Master Deed, the provisions of the Master Deed shall control.

ARTICLE XX

AMENDMENTS

These By-Laws may be amended by a vote of two-thirds of the total vote of the Condominium, which represents two-thirds of the total value of the Property, unless some other or greater vote is required herein, in the Master Deed and/or in The Act. The percentages and vote set forth in the Master Deed and Exhibits thereto are based upon the value of each apartment in relation to the entire Condominium property.

10-15

ARTICLE XXI

INCORPORATION

Nothing herein contained shall prevent the Association from, in the future, incorporating, if such be approved by a two-thirds vote of the ~~Voting Members~~ and not objected to by any Institutional Mortgagee of record provided, however, such shall not work to void or avoid any rights, duties, obligations or liabilities of the Association or of any individual Co-Owner under the Master Deed, The Act or herein, or therefore made or entered into, whether then executory or not.

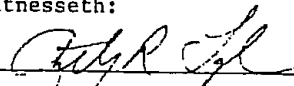
ARTICLE XXII

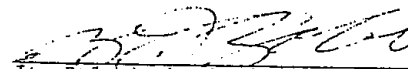
DISSOLUTION

Termination of the Condominium shall automatically dissolve this Association. It may also be dissolved in the manner provided by law. Upon dissolution those funds held by the Association for the Co-Owners shall be turned over to the Association's successor as governing entity of the Condominium, or if the Condominium be terminated, after payment of all debts and expenses, divided as provided according to the percentage ownership interests of the Co-Owners in the Common Elements and disbursed as provided in The Act and/or the Master Deed, provided, however, the residual of any property of any nature owned by the Association not held by it on behalf of the Co-Owners or any of them, shall, if appropriate, be turned over to one or more organizations which, themselves, are exempt from Federal Income Tax as organizations described in Sections 501(e) (3) and 170(c) of the Internal Revenue Code and from South Carolina Income Tax, or to the Federal, State or Local Government for exclusively public purposes.

THESE BY-LAWS are hereby adopted, accepted and fully ratified as THE BY-LAWS OF HILTON HEAD ISLAND BEACH AND TENNIS RESORT PHASE I HORIZONTAL PROPERTY REGIME COUNCIL OF CO-OWNERS this 28<sup>TH</sup> day of JANUARY, 1981.

Witnesseth:

  
Wilson Middle

 (SEAL)  
Its Duly Authorized Agent

ATTEST:

 (SEAL)

"EXHIBIT 4"  
LEASE AGREEMENT

THIS AGREEMENT, made and entered into this 28th day of January, 1981, by and between Reception Corporation, a South Carolina corporation, with its principal office in the City of Columbia, South Carolina, hereinafter called Reception Corporation, and Hilton Head Island Beach and Tennis Resort Phase I Horizontal Property Regime Council of Co-Owners on behalf of itself and each and every Co-Owner thereof, Hilton Head Island, South Carolina, County of Beaufort, State of South Carolina, hereinafter called "Lessee".

Reception Corporation and Lessee do hereby mutually agree as follows:

1. Reception Corporation will furnish and lease unto Lessee, and Lessee does hereby lease from Reception Corporation, for the term and under the terms and conditions herein set forth the number and type of television sets and/or equipment herein specified. Said equipment shall be delivered by Reception Corporation (with the exception of conduit which is to be supplied by Lessee at its expense), in rooms located upon premises owned or leased or otherwise lawfully operated by Lessee located on Hilton Head Island, County of Beaufort, State of South Carolina. Lessor shall not be liable for delay in, or failure to make delivery of equipment or installation, caused by circumstances beyond its reasonable control, including, but not limited to, Acts of God, fire, flood, wars, accidents, labor or different contingency. The number and types of television sets and/or equipment leased under the terms hereof are as follows and are the model, type and design selected by the Lessee as suitable, in its judgment, for Lessee's purpose.

One (1) 19" Solid State Telerent Color Television  
for each Condominium apartment included in the Condominium  
Regime;

One Locking furniture swivel for each television set  
so provided; and

Cable, antenna systems, distribution equipment and  
amplification equipment for signal distribution.

All equipment to be prepaid by Reception Corporation.

2. SERVICE

Reception Corporation shall keep and maintain, or cause to be kept and maintained at its sole expense, said leased equipment in good operating order, condition and repair during the full term hereof except for damage to or repair to such equipment as might be made necessary by the negligent acts or omissions of the Lessee, his agents and/or employees. Reception Corporation shall promptly replace any defective set or injured part or parts thereof, provided, however, that in the event replacement of any defective set or sets such substituted equipment shall be subject to all the terms hereof.

It is the obligation of the Lessee to notify Reception Corporation of any deficiency in service as rendered by Reception Corporation or its service representative. Reception Corporation shall not be liable to Lessee for any loss, damage or expense of any kind or nature, directly or indirectly caused by the television equipment covered hereby--or because of any failure thereof, or because of any interruption of service or loss of use or for any loss of business or damage whatsoever or howsoever caused, and Reception Corporation shall in no event be liable for any special or consequential damages. Lessee further agrees there shall be no abatement of rental during the time that may be required for repair, adjustment, servicing, or replacement of the equipment covered hereby.

### 3. NON-ASSIGNMENT LEASE

The equipment leased hereunder shall not be transferred, delivered or sublet to any other person, firm or corporation, and this agreement shall not be assigned by Lessee except upon prior written consent of Reception Corporation.

### 4. LOCATION

Lessee shall not remove said equipment or any part thereof from the premises where installed; nor sell or encumber any of said Leased equipment. Lessee further agrees to make no alteration in or repairs to said equipment except through authorized service representative of Reception Corporation.

### 5. TERM

The term hereof shall be for a period of eighty-four (84) months beginning on the date of the completion of the delivery of the equipment on premises of Lessee, said date to be confirmed in writing by Lessee upon request of Reception Corporation.

### 6. RENT PAYMENTS

As rental for said equipment, Lessee shall pay to Reception Corporation, at Columbia, South Carolina, during the full term hereof, the sum of \$12.50 per set delivered per month as "Base Rental" plus tax. Upon each anniversary from the date of this agreement during the term of this agreement and any renewals hereof, the Base Rental shall be adjusted in accordance with and by the same percentage as the percentage change in the cost of living index shown by the Consumer Price Index (or similar government index) for the proceeding twelve month period or by fifteen (15%) percent, whichever is less; provided, further, that in no event shall the Base Rental during the term of this agreement and any renewals hereof ever be less than \$12.50 per month. Base rental payments plus tax are due on or before the last day of each month, the first of which shall be due on or before the 1st day of the month following the delivery of equipment. In the event that Lessee requests partial delivery of equipment, Lessee agrees to pay billing on an interim basis, with such billing based on rates for equipment in use, and upon completion of delivery, the full term of this lease shall commence.

### 7. OWNERSHIP

The equipment, together with wiring, reception and distribution facilities, leased under the terms hereof shall at all times be the sole property of Reception Corporation, its successors and assigns, and Lessee shall have no property interest therein, conditions herein contained. Said equipment shall remain personal property and, no matter how connected with or attached to the premises of Lessee, will not become a part of the realty or fixture therein, and Lessee, if so requested by Reception Corporation, will obtain written consent of any other party holding a mortgage, encumbrance or lien on the premises of Lessee, or of any purchaser of the premises of Lessee in the event of sale of same, that said equipment shall remain personal property. Lessee shall not at any time during the term hereof transfer, assign, mortgage, or otherwise encumber any interest in said personal property.

### 8. DELIVERY

Should Lessee and/or his agent order delivery of equipment and installation on specified dates, and Lessee's premises are not ready for installation of same, Lessee assumes full responsibility for storage, insurance, and any redelivery charges on equipment.

#### 9. INSPECTION

Lessee grants unto Reception Corporation the right to inspect said equipment at all reasonable times during the full term hereof.

#### 10. INDEMNITY

Lessee shall be responsible to all third parties, including paying guests, for any injury received as a result of the installation of said television sets in or about the premises of Lessee and shall carry public liability insurance to save said Reception harmless in the event of such injury except such personal injury or property damage as may be occasioned solely by negligent acts or omissions of agents or employees of Reception Corporation.

#### 11. INSURANCE

Reception Corporation agrees during the term of this lease to replace or repair any of its equipment, including television sets in guest rooms, which is stolen, burglarized, damaged by fire or maliciously damaged while on the premises of Lessee, excepting television sets or equipment in storage awaiting use of service, providing: (a) Lessee reports within 48 hours of occurrence any such loss or damage to Reception Corporation and to local law enforcement authorities--notice of loss to be sent to Reception Corporation by Certified Mail, (b) Lessee furnishes in such report all available information regarding such loss, including name and address of last occupant of room and room number in which loss occurred (if applicable), auto license number and other pertinent information which would assist in recovery of loss, (c) Lessee and its employees, agents and representatives cooperate fully with Reception Corporation and local law enforcement authorities in their subsequent efforts to effect recovery and prosecution if necessary. Lessee agrees to notify Reception Corporation immediately in the event of subsequent recovery of property covered by any and all loss reports.

Lessee agrees at all times to maintain and exercise due care, caution and watchfulness in the protection and accounting for the equipment under lease. Failure to cooperate in providing such care, caution and watchfulness shall make the terms and provisions of Item 11 "INSURANCE" null and void and Lessee shall be responsible for the replacement of and/or repair to equipment for which such insurance is provided. In the event loss or damage proves to have been caused by employees, agents or representatives of Lessee, or if Lessee fails to comply with "a", "b", or "c" above, it shall be the responsibility of the Lessee to pay Reception Corporation for its cost of replacement or repair of Reception Corporation equipment involved in such loss. In the event that service by Reception Corporation is not included in this agreement, Lessee agrees to maintain the theft equipment installed hereunder, otherwise, theft and burglary insurance will be null and void in the event of any losses while the equipment is inoperative.

#### 12. TAXES

Lessee agrees to be responsible for the collection and payment of any local, state and federal fees, sales, use or property taxes or penalties that may be applicable now or any time during the term of this lease to the property covered hereby or the use or rental thereof.

#### 13. RENEWAL

At the expiration of the term hereof, this lease agreement shall be automatically renewed for additional terms of two (2) years, unless either party hereto should give written notice to the other party hereto at least sixty (60) days prior to the expiration of the term hereof or at least sixty (60) days prior to the expiration of any additional term of two (2) years thereafter, of the desire of such party to terminate this agreement.

#### 14. DEFAULT

In the event that any payment of rental shall have become due as herein provided and shall remain unpaid for ten (10) days or in the event of any other breach of the terms or conditions of this lease by Lessee which breach shall not have been cured within ten (10) days after notice thereof by mail, post paid to Lessee's last known address, or should Lessee be adjudged as bankrupt or there be filed against Lessee a petition under the bankruptcy laws, or if any insolvency proceeding is initiated by or against Lessee, or if any equipment covered hereby is attached, seized or taken under any judicial process, all of the entire remaining unpaid rental payments shall, at the option of Reception Corporation, become immediately due and payable. If Lessee does not (a) pay the entire remaining rental payments under the lease or (b) cure its breach of the provisions of this lease, then and in that event, Reception Corporation shall have the right, without giving further notice to Lessee, to remove the property thereby without liability and Lessee shall forthwith pay any and all damages, including attorneys fees, suffered by Reception Corporation. Further, in the event of non-payment, Reception Corporation shall be, and hereby is, subrogated to the lien rights of the Council of Co-Owners as to each Co-Owner failing to pay his share of Common Expenses necessary to make the rental payments herein required to the extent of the amount(s) due and owing to Reception Corporation, but unpaid, which shall include the right to file notice of and perfect a lien(s) against such Co-Owner(s) as granted to the Council of Co-Owners by the South Carolina Horizontal Property Act, (Title 27, Chapter 31, South Carolina Code of Laws, 1976). 10.

Lessee agrees to pay late charges of five cents (\$.05) per dollar in addition to the regular monthly payment or installment, if payments hereunder are not made within ten (10) days after due date, but not exceeding \$100.00, or the lawful maximum, if any. Reception Corporation's failure to exercise a right or remedy under this lease or to require strict performance by the Lessee or any provisions of this lease shall not waive or diminish Reception Corporation's right thereafter to demand strict compliance with any such right or provision or with any other rights or provisions. Waiver by Reception Corporation of any default by the Lessee shall not constitute waiver of any other or subsequent default.

#### 15. SURRENDER

Upon expiration of this lease, Lessee shall remove the leased equipment from the premises referred to herein and surrender such equipment in good operating condition to Reception Corporation or its assignee and if the Lessee fails to so remove and surrender the leased equipment, Reception Corporation shall have the right to enter any premises where the leased equipment may be located and take possession and remove all such equipment either with or without permission and without prejudice to any other rights or remedies of Reception Corporation.

If Reception Corporation determines, upon termination or expiration of the lease agreement, that, as a result of causes other than its failure to provide service as expressly required herein, the equipment covered hereby is not in good operating condition, reasonable wear and tear excepted, the Lessee shall upon termination or expiration of the lease (a) restore the equipment in good operating condition at its sole expense or (b) reimburse Reception Corporation for the reasonable expense of so restoring the equipment.

16. Should the equipment leased herein be covered by a Conditional Sale Contract, Chattel Mortgage or Security Agreement on which Reception Corporation is the purchaser or obligor, it is understood and agreed that this lease is subject and subordinate to the terms and conditions of said Conditional Sale Contract, Chattel Mortgage or Security Agreement.

#### 17. NOTICE

Any notice required to be given by one party hereto to the other party hereto shall be in writing and sent by certified mail addressed postage prepaid to the mail address of the other party hereto as shown herein.

#### 18. AMENDMENTS

This agreement constitutes the entire and only agreement between the parties with respect to leasing the equipment covered hereby and any representation, promise or conditions with respect to said leasing not set forth in this agreement or such amendments as may be accepted in writing by the designated officers of either party, shall not be binding on either party.

#### 19. SOUTH CAROLINA LAW

Should any question arise as to the validity, construction, interpretation, or performance of this lease agreement in any court of any State of the United States, or of Canada, it is agreed that the law of the State of South Carolina shall govern without reference to the place of execution or performance of same.

The invalidity of any provision of this agreement shall not affect the validity of any other provision hereof. This agreement and any amendment hereto shall become binding upon the parties hereto when executed by a duly authorized officer or agent of Lessee.

#### 20. ASSIGNS

All rights, remedies and powers reserved or given to Reception Corporation shall inure to the benefit of Reception's assigns.

#### 21. INTERIM BILLING

Lessee shall be billed per terms herein on the 1st day of the month following delivery of each TV increment, and when units are delivered, the 84 month lease term will commence.

IN WITNESS WHEREOF, the parties hereto have executed this agreement, on and as of the day and year first above written, one duplicate original copy being retained by each of the parties hereto.

SIGNED: \_\_\_\_\_ (LESSEE)

HILTON HEAD ISLAND BEACH AND TENNIS RESORT PHASE I  
HORIZONTAL PROPERTY REGIME COUNCIL OF CO-OWNERS

By: \_\_\_\_\_  
Witness: \_\_\_\_\_

ATTEST FOR HILTON HEAD ISLAND BEACH AND TENNIS RESORT  
PHASE I HORIZONTAL PROPERTY REGIME COUNCIL OF CO-OWNERS

ATTEST: Robin A. Hook

RECEPTION CORPORATION

BY: Robert Waver

Witness: Cathy R. [Signature]

Witness: William S. [Signature]

ATTEST FOR RECEPTION CORPORATION

ATTEST: [Signature]

8:00 O'LOCK  
S. C.  
JAN 29 1981  
BOOK 373  
PAGE 1  
Clerk of Court of Common Pleas  
Fees \$  
IN BOOK 111  
PAGE 1109  
OF February 1981  
Mason and [Signature]