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MASTER DEED OF YACHT COVE VILLAS

HORIZONTAL PROPERTY REGIME I

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BEAUFORT COUNTY TAX MAP REFERENCE

Dist	Map	Submap	Parcel	Block
520	11		145A	

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STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

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ALRO INTERNATIONAL, INC.,)
A Pennsylvania Corporation,) MASTER DEED
) YACHT COVE VILLAS HORIZONTAL
TO) PROPERTY REGIME I
) (A MULTI-PHASED HORIZONTAL
YACHT COVE VILLAS HORIZONTAL) PROPERTY REGIME)
PROPERTY REGIME I)

TO ALL WHOM THESE PRESENTS MAY COME:

WHEREAS, Alro International, Inc. (the "Developer") is a Pennsylvania Corporation having its principal place of business located at 221 Orchard Lane, Sewickley, Pennsylvania, 15143; and

WHEREAS, the Developer is the owner of that certain real property, more fully described in Exhibit "A" attached hereto (the "Land"), located at Hilton Head Island, South Carolina; and

WHEREAS, the Developer has constructed seven (7) Condominium Units, together with common areas and amenities on the Land; and

WHEREAS, the Developer deems it appropriate to organize a horizontal property regime by duly executing and recording this Master Deed in the Office of the Clerk of Court for Beaufort County, South Carolina; and

WHEREAS, the Developer owns additional real property more fully described in Exhibit "K-1" attached hereto, and desires to reserve the right to submit this additional real property and all improvements constructed thereon to the horizontal property regime being organized pursuant to this Master Deed.

WHEREAS, Deborah S. Thomas owns certain real property more fully described in Exhibit "K-2" attached hereto, which is adjacent to the real property described in Exhibit "A" and Exhibit "K-1", and the Developer and Deborah S. Thomas, their heirs, assigns and successors, desire to reserve the right to submit this real property and all improvements constructed thereon to the horizontal property regime being organized pursuant to this Master Deed.

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NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the Developer hereby submits the Land, together with all easements, rights, and appurtenances thereunto belonging, to the provisions of Sections 27-31-10 through 27-31-300 of the South Carolina Code of Laws (1976) and hereby creates thereon a horizontal property regime to be known as Yacht Cove Villas Horizontal Property Regime I, subject to the following:

ARTICLE I

Definitions

Section 1.1 Definitions. Unless defined herein or unless the context requires otherwise, the words defined in Section 27-31-20, South Carolina Code of Laws, (1976), when used in this Master Deed or any amendment hereto, shall have the meaning therein provided. The following words, when used in this Master Deed or any amendment hereto, unless the context requires otherwise, shall have the following meanings:

(a) "Act" means the Horizontal Property Act of South Carolina, South Carolina Code of Laws (1976), as amended,

Sections 27-31-10 through 27-31-300, and as may be further amended from time to time. 1224

(b) "Assessment" means the amount assessed against an Owner and his Unit, from time to time, by the Association in the manner provided herein.

(c) "Assigned Value" means the value assigned to each Unit in accordance with Exhibit "F" attached hereto and utilized for the purposes of computing the Percentage Interest appurtenant to such Unit, which Assigned Value shall not constitute the sales price of the Unit or be relied upon as the representation of the actual value of the Unit.

(d) "Annual Assessment Period" means the period commencing on the first day of January of each calendar year and ending on the last day of December of the next succeeding calendar year.

(e) "Association" means Yacht Cove Villas Owners Association, Inc., being an association of, and limited to, Owners of the Units located in the Regime in the form of a non-profit, non-stock membership association which has been incorporated in accordance with the Declaration for Incorporation attached hereto as Exhibit "G".

(f) "Board of Directors" or "Board" means the Board of Directors of the Association, and "Director" or "Directors" means a member or members of the Board.

(g) "Building(s)" means that structure(s) described in Exhibit "B" attached hereto, as amended from time to time.

(h) "By-Laws" means the By-Laws of the Association attached hereto as Exhibit "H", as amended from time to time.

(i) "Common Area" means all of the Regime property after excluding the Units and Limited Common Area, including, but not limited to:

(i) The land on which the Units are constructed, the foundations, roofs, stairways, exterior portions of perimeter walls, floors separating units, low-bearing interior walls and partitions, slabs, concrete floors, pipes, wires, conduits, air ducts, and public utility lines, including the space actually occupied by the above.

(ii) Exterior building corridors and stairwells, elevators, elevator equipment rooms, electrical rooms, trash and trash compactor rooms, pump rooms, equipment rooms, telephone distribution rooms, storage rooms and atrium areas and plasters.

(iii) Parking facilities located on the Property.

(iv) All roads, walkways, paths, trees, shrubs, yards, gardens and any irrigation system.

(v) All installation outside of the Units for service such as power, light, natural gas, telephone, television, water, sewer, drainage, irrigation and other similar utilities.

(vi) All water, sewer, drainage and irrigation pipes, including all attachments and devices thereon or thereat, excluding those which may be designated in this Master Deed as part of the Units, excluding those which are the property of the Regime or its agents or company.

(vii) All areas not designated as Limited Common Area and not described as lying within the boundaries of a Unit, and all other elements of the Property constructed or to be constructed on the Property constituting the Regime rationally of a common use or necessary to the existence, upkeep and safety of the Property and in general all other devices or installations existing for common use.

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(viii) Recreational amenities as may be constructed and annexed to the Regime subject to the provisions of this Master Deed.

(ix) A non-exclusive easement and right-of-way for access, egress and ingress to and from the Regime and each Unit and improvements contained therein across that certain private road known as Yacht Cove Drive to and from William Hilton Parkway (U.S. Highway 278) and any other public or private streets and roads adjoining or abutting Yacht Cove Drive subject to the provisions of that certain Easement Agreement referred to in Article X, Section 10.6 of this Master Deed.

(j) "Common Expenses" means (i) all expenses incident to the administration, maintenance, repair, and replacement of the Common Area and Limited Common Area, after excluding therefrom such expenses which are the responsibility of an Owner; (ii) expenses determined by the Association to be common expenses and which are lawfully assessed against Owners; (iii) expenses declared to be common expenses by the Act or the Regime

Documents; and (iv) reasonable reserves established for the payment of any of the foregoing. 1227

(k) "Developer" means Alro International, Inc., a Pennsylvania corporation, its successors and assigns. The term "Developer" shall also include Deborah S. Thomas, her heirs and assigns, in so far as the rights and benefits set forth herein shall inure to her in the event she shall develop the property described in Exhibit "K-2" and incorporate it into this Master Deed.

(l) "Land" means the certain real property described in Exhibit "A" attached hereto.

(m) "Limited Common Area" means those areas so designated in Exhibit "D" attached hereto.

(n) "Master Deed" means this document, as amended from time to time.

(o) "Owner" means the record owner, whether one or more persons, of fee simple title in and to any Unit, excluding, however, those persons having such interest merely as security for the performance of an obligation.

(p) "Percentage Interest" means the percentage of undivided interest each Owner owns as tenant-in-common in the Common Area and Limited Common Area, and "Total Percentage Interests" means the aggregate of all the percentage interests.

(q) "Plans" means and includes the architectural plans of the Project which are filed as an attachment to this Master Deed, said plans having been prepared by Ferebee Walters and

Associates, Inc., Architect-Planners-Designers, entitled "Yacht Cove Villas", and certified by a licensed engineer and/or architect in accordance with the provisions of the Act. 1228

(r) "Project" means the Land, the buildings, and all other improvements and structures located thereon, and all easements, rights, and appurtenances belonging thereto, submitted to the Act by this Master Deed.

(s) "Regime" means the horizontal property regime established by this Master Deed, including all appurtenances and incidents of ownership attendant therewith.

(t) "Regime Documents" means and includes this Master Deed, all Exhibits hereto, the documents of incorporation of the Association, the By-Laws, and the Rules and Regulations, all as amended from time to time.

(u) "Rules and Regulations" means the rules and regulations, from time to time promulgated by the Board of Directors, governing the use of the Common Area, Limited Common Area, and Units.

(v) "Site Plan" means and includes the survey of the Land and improvements attached hereto as Exhibit "B" showing the boundaries of the land and the location of the Units and amenities of the Project thereon.

(w) "Transition" means the time period commencing on the date of recording of this Master Deed and ending on the earlier of:

(i) Five (5) years after the date of the first conveyance of the Unit to a person other than the Developer; or

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(ii) Ninety (90) days after the conveyance of fifty-one (51%) percent of the maximum number of Units to be contained in the Project to persons other than the Developer.

(x) "Unit" means that part of the Project intended for independent use by an Owner situate within the Unit Boundaries designated in Exhibit "E". Each Unit is identified in Exhibit "B" by a specific number, which number shall be sufficient to identify the Unit for all purposes.

(y) "Unit Estate" means all the components of ownership held by an Owner, including the rights and interests of the Owner in and to the Unit, the rights of use of the Limited Common Area, and the undivided interest in the Common Area and Limited Common Area. Unless the context requires otherwise, all references to "Units" herein shall include the "Unit Estate".

ARTICLE II

Administration

Section 2.1 The Association. The administration of the Regime shall be the responsibility of the Association which shall be made up of all the Owners of Units in the Regime. The Association and the Owners shall be governed by this Master Deed and the By-Laws, attached hereto as Exhibit "H", as the same may be amended from time to time.

Section 2.2 Professional Management. Management of the Project shall be conducted by a professional management company

retained by the Association; provided, however, that the Association shall not enter into any management contract with a term of longer than one (1) fiscal year and all contracts shall contain reasonable compensation and termination provisions consistent with provisions generally prevailing for management contracts relating to condominium projects located in Beaufort County, South Carolina.

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Section 2.3 Agreements. The Association shall be, and hereby is, authorized to enter into such agreements, including, without limitation, management contracts, as it may deem necessary or desirable for the administration and operation of the Regime. Each Owner, by acquiring or holding an interest in any Unit, thereby agrees to be bound by the terms and conditions of all such agreements entered into by the Board of Directors on behalf of the Association.

Section 2.4 Access to Information. The Association shall make available to Owners and holders, insurers or government guarantors of any mortgage, current copies of the Regime Documents and the books, records, contractual arrangements, and financial statements of the Association. "Available" means available for reasonable inspection, upon request, during normal business hours or under other reasonable circumstances. Any party entitled to the benefits of this Section 2.4 shall be permitted to designate one or more agents who shall be permitted to represent said party in connection with any and all reviews of

the Regime Documents and books, records, contractual arrangements, and financial statements of the Association. 1231

Section 2.5 Financial Statements. No later than one hundred twenty (120) days after the close of any fiscal year of the Association, the Association shall cause financial statements for such fiscal year to be prepared, and copies of these financial statements shall be provided free of charge to any party entitled to the benefits of Section 2.4 promptly upon request.

Section 2.6 Rules and Regulations. The Board of Directors shall be entitled to promulgate reasonable rules and regulations, from time to time, which shall be binding upon the Association and all Owners and lessees of Owners, their families, invitees, and guests regarding the use and enjoyment of Units, the Limited Common Area, and Common Area. The initial Rules and Regulations of the Association are contained in Exhibit "I" attached hereto. Copies of the current Rules and Regulations shall be furnished to Owners and lessees of Owners upon request.

ARTICLE III

Property Rights

Section 3.1 General Description and Development Plan. The name of the Regime located on the real property on Hilton Head Island, Beaufort County, South Carolina, and more particularly described in Exhibit "A" (and which may at a latter date include the property described in Exhibits "K-1" and "K-2") is "Yacht Cove Villas Horizontal Property Regime I". The Regime presently

consists of the property described in Exhibit "A", constituting the first phase of the Regime, together with the improvements situated thereon, and generally described as 0.955 acres known as Phase I, Building 200 of Yacht Cove Villas Horizontal Property Regime I. The improvements in Phase I include, but are not limited to, one (1) Building containing three (3) stories (first and second stories of heated living space over a garage) and a total of seven (7) Condominium Units, as said Units are shown and labeled on the Plans. The Regime also includes paved parking areas, drives, roads, utility systems, amenities and other improvements, including other Common Areas and Limited Common Areas described below and shown on the Plats and Plans referenced herein and made a part hereof. However, the Developer expressly reserves the right, during the course of construction, to revise, modify or change, in whole or in part, the plans and specifications for construction (see Sections 13.1 and 13.2, below); provided, however, that the Developer shall adhere to the general scheme of development as set forth in the Plans.

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Section 3.2 Units. Each Unit Estate shall, for all purposes, constitute a separate parcel of real property which, subject to the provisions of this Master Deed, may be owned in fee simple and which may be conveyed, transferred, leased, and encumbered in the same manner as any other real property. Each Owner, subject to the provisions of the Act and this Master Deed, shall be entitled to the exclusive ownership and possession of his Unit.

Section 3.3 Common Area and Limited Common Area.

(a) Percentage Interest. The Owners shall own the Common Area and Limited Common Area as tenants-in-common, with each Unit having appurtenant thereto the Percentage Interest in the Common Area and Limited Common Area as set forth in Exhibit "F" attached hereto; provided, however, that the use of the Limited Common Area shall be restricted as set forth in Section 3.3(e). The Percentage Interest appurtenant to each Unit has been determined by dividing the assigned value of the respective Unit, as shown on Exhibit "F", by the aggregate value of all of the Units, as shown on Exhibit "F". The value assigned to any Unit in Exhibit "F" shall not fix the market value of the Unit and shall only be utilized for purposes of computing the Percentage Interest appurtenant to the respective Unit.

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(b) Inseparability of Percentage Interests. The Percentage Interest in the Common Area and the Limited Common Area cannot be separated from the Unit to which it appertains and shall be automatically conveyed or encumbered with the Unit even though such interest is not expressly mentioned or described in the Deed or other instruments.

(c) No Partition. The Common Area and Limited Common Area shall remain undivided and no right to partition the same or any part thereof shall exist except as provided by the Act, the By-Laws, and this Master Deed.

(d) Use of Common Area. The Common Area shall be used in accordance with the intended purposes without hindering the

exercise of, or encroaching upon, the rights of other Owners. The Board of Directors shall, if any question arises, determine the purpose for which a part of the Common Area is intended to be used. All Owners and lessees of Owners, their families, invitees, and guests shall abide by all Rules and Regulations, from time to time in effect, governing the use of the Common Area. The Common Area shall be subject to all easements and use rights provided for herein.

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(e) Use of Limited Common Area. Anything to the contrary contained herein notwithstanding, ownership of each Unit shall entitle the Owner or Owners thereof to the use of the Limited Common Area adjacent and appurtenant to such Unit and so designated in Exhibit "D", which exclusive use may be delegated by such Owner to persons who reside in his Unit. All Owners and lessees of Owners, their families, invitees, and guests shall abide by all Rules and Regulation, from time to time in effect, governing the use of the Limited Common Area.

Section 3.4 Status of Title to the Project. The Developer represents and warrants to the Association and all Owners that, as of the effective date hereof, the Developer has a reasonably safe, marketable, and fee simple title to the Land. The rights and interests of all Owners in and to the Common Area and Limited Common Area shall be subject only to (i) liens for real estate taxes for 1984 and subsequent years; (ii) existing and/or recorded easements, conditions, declarations, reservations and restrictions of record; (iii) applicable governmental

regulations, including zoning laws, which may be imposed upon the Project from time to time; provided, however, that the Developer warrants that the foregoing do not unreasonably interfere with the use of the Project for residential purposes; and (iv) easements and use rights, if any, reserved by the Developer as set forth in Exhibits "A", "K-1" and "K-2", attached hereto. In addition, the Developer warrants that it will pay all parties who have provided materials to, or rendered services in connection with, the construction of the Project in a timely manner and shall indemnify and hold the Association and the Owners harmless from all liens, claims, or causes of action of persons who have supplied materials to, or rendered services in connection with, the construction of the Project. 1235

Section 3.5 Reservation of Easements and Use Rights. The Common Area shall be subject to all easements and use rights, reserved by the Developer as set forth herein and, in particular, in Article X, below.

Section 3.6 Limited Warranty from Developer.

(a) Common Area or Limited Common Area. AT CLOSING, DEVELOPER SHALL TRANSFER TO UNIT OWNERS, THE REGIME, OR THE ASSOCIATION, AS THE CASE MAY BE, ALL OF DEVELOPER'S RIGHT, TITLE, AND INTEREST IN AND TO ANY MANUFACTURER'S WARRANTY FURNISHED TO DEVELOPER COVERING ANY EQUIPMENT OR APPLIANCE INSTALLED IN OR ON THE COMMON AREAS OR LIMITED COMMON AREAS, AND DEVELOPER MAKES NO WARRANTY OR AGREEMENT OF ANY KIND WITH RESPECT TO ANY SUCH EQUIPMENT OR APPLIANCE. IF WRITTEN NOTICE IS GIVEN TO DEVELOPER

BY A UNIT OWNER, THE REGIME, OR ASSOCIATION, AS THE CASE MAY BE, 1236
WITHIN THIRTY (30) DAYS OF DISCOVERY OF ANY DEFECT NOT CAUSED BY
DEVELOPER, HIS AGENTS, GUESTS, OR INVITEES, THEN DEVELOPER WILL,
AT NO COST TO THE UNIT OWNER, REGIME, OR ASSOCIATION, AS THE CASE
MAY BE, FOR A PERIOD OF ONE (1) YEAR FROM THE DATE OF CLOSING,
REPAIR OR REPLACE THE DEFECTIVE PORTION OF THE COMMON AREA OR
LIMITED COMMON AREA. THIS WARRANTY SHALL NOT APPLY TO FIXTURES
AND APPLIANCES COVERED BY A WARRANTY OR A MANUFACTURER OR DEALER
FOR WHICH DEFECTS THE UNIT OWNER, REGIME, OR ASSOCIATION, AS THE
CASE MAY BE, SHALL HAVE SUCH RIGHTS AS ARE DEFINED IN THE
APPLICABLE WARRANTY DOCUMENTS. DEVELOPER SHALL NOT BE
RESPONSIBLE FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING
FROM ANY DEFECT. DEVELOPER MAKES NO WARRANTY OR REPRESENTATION,
EXPRESS OR IMPLIED, AS TO THE FITNESS, DESIGN, OR CONDITION OF
ITEMS OF TANGIBLE PERSONAL PROPERTY OR FIXTURES, THEIR
MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE. Each
Owner, in accepting a Deed from the Developer or any other party
to a Unit, expressly acknowledges and agrees that this Section
3.6(a) establishes the sole liability of the Developer to the
Association and the Owners related to defects in the Common Area
and/or Limited Common Area and the remedies available with regard
thereto.

(b) Units. AT CLOSING, DEVELOPER SHALL TRANSFER TO A
UNIT OWNER ALL OF DEVELOPER'S RIGHT, TITLE, AND INTEREST IN AND
TO ANY MANUFACTURER'S WARRANTY FURNISHED TO DEVELOPER COVERING
ANY EQUIPMENT OR APPLIANCE INSTALLED IN THE UNIT, AND DEVELOPER

MAKES NO WARRANTY OR AGREEMENT OF ANY KIND WITH RESPECT TO ANY SUCH EQUIPMENT OR APPLIANCE. IF WRITTEN NOTICE IS GIVEN TO DEVELOPER BY A UNIT OWNER WITHIN THIRTY (30) DAYS OF DISCOVERY OF ANY DEFECT NOT CAUSED BY THE UNIT OWNER, HIS AGENTS, GUESTS, OR INVITEES, THEN DEVELOPER WILL, AT NO COST TO THE UNIT OWNER, FOR A PERIOD OF ONE (1) YEAR FROM THE DATE OF CLOSING, REPAIR OR REPLACE THE DEFECTIVE PORTION OF THE UNIT. THIS WARRANTY SHALL NOT APPLY TO FIXTURES AND APPLIANCES COVERED BY A WARRANTY OF A MANUFACTURER OR DEALER, FOR WHICH DEFECTS THE UNIT OWNER SHALL HAVE SUCH RIGHTS AS ARE DEFINED IN THE APPLICABLE WARRANTY DOCUMENTS. DEVELOPER SHALL NOT BE RESPONSIBLE FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING FROM ANY DEFECT. THIS WARRANTY IS PERSONAL TO ORIGINAL UNITS OWNERS, AND SHALL AUTOMATICALLY TERMINATE AND BE OF NO FURTHER FORCE OR EFFECT UPON AN ORIGINAL UNIT OWNER'S SALE, TRANSFER, OR CONVEYANCE OF HIS, HER, OR ITS UNIT. DEVELOPER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, AS TO THE FITNESS, DESIGN, OR CONDITION OF ITEMS OF TANGIBLE PERSONAL PROPERTY OR FIXTURES, THEIR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. Each Owner, in accepting a Deed from the Developer or any other party to a Unit, expressly acknowledges and agrees that this Section 3.6(b) establishes the sole liability of the Developer to the Owner related to defects in the Unit and the remedies available with regard thereto.

Section 3.7 Unit Deeds. All conveyances of Units by the Developer or any Owner shall be accomplished through the use of a

Unit Deed in substantially the form of Exhibit "J" attached hereto. 1238

ARTICLE IV

Assessments

Section 4.1 Creation of Lien and Personal Obligation for Assessments. Each Unit Estate is, and shall be, subject to a lien and permanent charge in favor of the Association for the Assessments set forth herein. Each Assessment, together with interest thereon and cost of collection thereof as hereinafter provided, shall be a permanent charge and continuing lien upon the Unit Estate against which it relates, and shall also be the joint and several personal obligation of each Owner of such Unit Estate at the time the Assessment comes due and upon such Owner's successor in title if unpaid on the date of the conveyance of such Unit Estate, and each and every Owner, by acquiring or holding an interest in any Unit Estate, thereby covenants to pay such amount to the Association when the same shall become due.

Section 4.2 Annual Assessments. No later than November 15th of each year, the Board of Directors shall prepare a proposed Annual Assessments for the next Annual Assessment Period and provide copies thereof to all Owners. The Board shall be available at the annual meeting of the Association (as discussed in the By-laws attached hereto as Exhibit "H") to discuss the proposed Annual Assessment. No later than December 15th of each year, the Board shall establish the Annual Assessment for the next succeeding Annual Assessment Period by estimating the Common

Expenses to be incurred during such Annual Assessment Period, 1239
prorating such Common Expenses among the Owners of the Units in
accordance with their respective Percentage Interest, and giving
written notice to each Owner of the Annual Assessment fixed
against his Unit for such next succeeding Annual Assessment
Period; provided, however, that the Annual Assessment for the
first Annual Assessment Period shall be as set forth in Exhibit
"L" attached hereto. The Annual Assessments levied by the
Association shall be collected as provided for in Section 4.4.

The Annual Assessments shall not be used to pay for the
following, including, but not limited to:

(a) Casualty insurance of individual Owners on their
possessions within the Units and liability insurance of such
Owners insuring themselves and their families individually, which
shall be the sole responsibility of such Owners.

(b) Telephone or electrical utility charges for each
Unit, which shall also be the sole responsibility of the Owners
of such Units;

(c) Ad valorem taxes assessed against Units; and

(d) Other charges or expenses related solely to
individual use or occupancy of any Unit.

(e) Assessments charged directly to Owners pursuant to
any master or umbrella declaration to which the Regime is
subject.

(f) Private mortgage insurance.

It is anticipated that ad valorem taxes and other governmental assessments, if any, upon the Project will be assessed by the taxing authority upon the Unit Estate and that each assessment will include the assessed value of the Unit and of the undivided interest of the Owner in the Common Area and the Limited Common Area; provided, however, that for the current calendar year, the ad valorem taxes shall be based upon the condition of the Land as of January 1, and the Developer shall be liable for that portion of the taxes applicable to the period prior to the recordation of this Master Deed. When current and ad valorem taxes are due and payable, the remainder of the ad valorem taxes for the current calendar year shall be pro-rated between the Developer and each Owner based upon the Owners Percentage Interest and based upon the number of days each owned the Unit as evidenced by the date of the Unit Deed. Any such taxes and governmental assessments upon the Project, which are not so assessed, shall be included in the Association's budget as a recurring expense and shall be paid by the Association as a Common Expense. Except as otherwise provided herein, each Owner is responsible for making his own return of taxes and such return shall include such Owner's undivided interest in the Common Area and Limited Common Area as such undivided interest is determined by law for purposes of returning taxes.

1240

Section 4.3 Special Assessments. In addition to the Annual Assessments, the Board of Directors may levy, in any calendar year, "Special Assessments" for the purpose of supplementing the

Annual Assessments if the same are inadequate to pay the Common Expenses and of defraying, in whole or in part, the cost of any reconstruction, repair, or replacement of the Limited Common Area or the Common Area (including the necessary fixtures and personal property related thereto); provided, however, that any such Special Assessments shall have the assent of Owners representing a majority of the Total Percentage Interests, voting in person or by proxy, at a meeting at which a quorum is present, duly called for the express purpose of approving such Assessment. Written notice of such meeting shall be sent to all Owners not less than ten (10) days, nor more than thirty (30) days, in advance of the meeting, which notice shall set forth the purpose of the meeting. The period of the Special Assessments and manner of payment shall be determined by the Board.

Section 4.4 Date of Commencement of Annual Assessments; Due Dates. Although the Annual Assessment is calculated on a yearly basis for the Annual Assessment Period, each Owner of a Unit shall be obligated to pay to the Association or its designated agent such assessment in equal, monthly installments on or before the first day of each month during such Annual Assessment Period except as otherwise provided in Section 4.5(b).

The obligations of Owners regarding the payment of monthly portions of the Annual Assessments provided for in this Article IV shall, as to each Unit, commence and be prorated upon the title conveyance by the Developer (such date shall become the "commencement date"); provided, however, that for the current

fiscal year, the Developer shall be obligated to contribute to the Association an amount equal to any deficit created by expenditures of the Association in excess of Assessments received from Owners (excluding any Special or Working Capital Assessment), with all prepaid expenditures to be accounted for on an accrual basis. The first monthly payment of the Annual Assessment for each such Unit shall be an amount equal to the monthly payment for the fiscal year in progress on such commencement date, divided by the number of days in the month of conveyance and multiplied by the number of days then remaining in such month. 1242

The Association shall, upon demand at any time, furnish to any Owner liable for any such Assessment a certificate in writing, signed by an Officer of the Association, setting forth whether the same has been paid. A reasonable charge, as determined by the Board, may be made for the issuance of such certificate. Such certificate shall be conclusive evidence of payment of any Assessment stated to have been paid as to any person or entity who has relied on the certificate to his detriment.

Section 4.5 Effect of Non-Payment of Assessment; the Personal Obligation of the Owner; the Lien; Remedies of Association

(a) If an Assessment is not paid on the date when due, as hereinabove provided, then such Assessment, together with such late charges and interest thereon and any cost of collection

thereof as hereafter provided, shall be a charge and continuing lien on the Unit Estate to which it relates and shall bind such property in the hands of the Owner, his heirs, legal representatives, successors, and assigns. The personal obligation of the Owner to pay such Assessment, however, shall remain his personal obligation. Furthermore, such prior Owner and his successor in title shall be jointly and severally liable with respect thereto, notwithstanding any agreement between such prior Owner and his successor in title. 1243

(b) In the event any Assessment is not received within ten (10) days of the due date thereof, a late charge of Twenty-Five and 00/100 (\$25.00) Dollars in the form of a service fee shall be added to the Assessment and shall be due and payable on demand. In addition, in the event any Assessment is not received within thirty (30) days of the due date thereof, interest at the rate of one and one-half (1-1/2%) percent per month (not to exceed the highest lawful rate) shall be added to the entire Assessment due and owing (including any accelerated portions) and shall be payable on demand. Interest will continue to accrue until the Assessment is paid in full.

(c) The Association may bring legal action against the Owner, personally, obligated to pay the same or foreclose its lien against the Unit Estate to which it relates or pursue both such courses at the same time or successively. In any event, the Association shall also be entitled to recover reasonable attorney's fees actually incurred and all other costs of

collection. Each Owner, by his acceptance of a Deed or other transfer of a Unit, vests in the Association or its agent, the right and power to bring all actions against him, personally, for the collection of such charges as a debt and to foreclose the aforesaid lien in any appropriate proceeding at law or in equity.

1244

The Association shall have the power to bid on the Unit at any foreclosure sale and to acquire, hold, lease, mortgage, and convey the same. No Owner may be relieved from liability from the Assessment provided for herein by abandonment of his Unit or otherwise.

(d) During any period in which an Owner shall be in default in the payment of any Annual or Special Assessment levied by the Association, the voting rights of the Owner, their families, invitees and guests and the right to use and enjoy the Common Area may be suspended by the Board of Directors until such time as the Assessment has been paid.

Section 4.6 Subordination of the Charges and Liens to Mortgages.

(a) The lien and permanent charge for the Assessments (together with late charges, interest, fees, and costs of collection) authorized herein with respect to any Unit is hereby made subordinate to the lien of any mortgagee or his assigns placed on such Unit Estate if, but only if, all such Assessments with respect to such Unit Estate having a due date on or prior to the date such mortgage is filed for record have been paid. The lien and permanent charge hereby subordinated is only such lien

and charge as relates to Assessments authorized hereunder having a due date subsequent to the date such mortgage is filed for record and prior to the satisfaction, cancellation, or foreclosure of such mortgage.

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(b) Such subordination is merely a subordination and shall not relieve the Owner of the mortgaged Unit Estate of his personal obligation to pay all Assessments coming due at a time when he is the Owner; shall not relieve such Unit Estate from the lien and permanent charge provided for herein (except as to the extent the subordinated lien and permanent charge is extinguished against a mortgagee or such mortgagee's assignee or transferee by foreclosure); and no sale or transfer of such Unit Estate to the mortgagee or to any other person pursuant to a foreclosure sale shall relieve any previous Owner from liability for any Assessment coming due before such sale or transfer.

(c) To the extent any subordinated lien and permanent charge for any Assessment is extinguished by foreclosure of any mortgage, then the amount or amounts otherwise secured thereby cannot otherwise be collected shall be deemed a Common Expense collectable from all Owners including the person who acquires title through the foreclosure sale.

Section 4.7 Reserves. The Board of Directors shall establish and maintain an adequate reserve fund for the periodic maintenance, repair, and replacement of the Common Area and Limited Common Area. The Board of Directors shall include amounts needed to maintain an adequate reserve fund in its

estimation of the Common Expenses for each fiscal year and shall cause deposits to the reserve fund to be made in connection with the collection of the Annual Assessment.

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Section 4.8 Working Capital Assessment. Notwithstanding anything to the contrary in this Master Deed, a working capital fund shall be established for the Association by collecting from each Owner who acquires title to his Unit from the Developer a Working Capital Assessment amounting to two-twelfths (2/12) of the Annual Assessment then in effect, which Assessment shall be due and payable at the time of transfer of each Unit by the Developer to any other respective Owner; provided, however, that in the event all of the Units are not transferred by the Developer within sixty (60) days from the date hereof, the Developer shall advance the Working Capital Assessment on behalf of the Owners of all unsold Units and shall be entitled to reimbursement from such Owners for said Assessments, without interest, at the time of transfer of the respective Units.

ARTICLE V

Insurance and Casualty Losses

Section 5.1 Hazard Insurance.

(a) The Association shall obtain, maintain, and pay the premiums, as a Common Expense, upon a "master" or "blanket" type policy or policies of property insurance covering the entire Project, except (i) land, foundation, excavation, or other items normally excluded from coverage; (ii) all improvements and betterments made to Units by Owners at their expense; and (iii)

personal property of Owners and lessees of Owners, their families, invitees, and guests. Such coverage shall also insure supplies, equipment, and other personal property of the Association. All policies of property insurance shall be single-entity condominium insurance coverage. The master insurance policy shall afford, at a minimum, protection against loss or damage by fire and other perils normally covered by standard extended coverage endorsements; and all other perils which are customarily covered with respect to condominium projects similar in construction, location, and use, including all perils normally covered by a standard "all risk" endorsement, where such is available. The policy shall be in an amount equal to one hundred (100%) percent of the current replacement cost of the Project, exclusive of land, foundations, excavation, and other items normally excluded from coverage, and "agreed value" and "inflation guard" endorsements shall also be obtained, if available. A "deductible amount" not to exceed the lesser of Ten Thousand (\$10,000.00) Dollars or one (1%) percent of the policy face amount may be included at the discretion of the Board of Directors if a material savings in premium cost results therefrom, but the deductible amount shall be considered a Common Expense and borne by the Association regardless of the number of Owners directly affected by the loss and reserves shall be established therefore.

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(b) The Board of Directors shall cause to be conducted an annual insurance review for the purpose of determining the

full insurable value of the entire Project, including all buildings, Units, Limited Common Area, and the Common Areas, without respect to the depreciation of improvements on the Land (with the exception of improvements) by one or more qualified persons. The information obtained from this review shall be utilized in connection with satisfaction of the insurance required hereof.

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(c) The name of the insured under the master policy shall be substantially as follows: Yacht Cove Villas Owners Association, Inc., for the use and benefit of the individual Owners of Units in Yacht Cove Villas Horizontal Property Regime I. Loss payable provisions shall be in favor of the Association and the Trustee, as a trustee for each Owner, and each such Owner's mortgagee as the interests of such parties may appear. Each Owner and his respective mortgagee, if any, shall be beneficiaries of the policy in a percentage equal to the Percentage Interests attributable to the Unit owned by such Owner. All policies shall contain a standard mortgagee clause, or equivalent endorsement (without contribution), which is commonly accepted by private institutional mortgage investors in the area in which the property is located, and which appropriately names all mortgagees or their servicers in such form as requested by such mortgagees or their servicers.

(d) All policies shall be written with a company licensed to do business in the State of South Carolina, holding a general policy-holder rating of "A" or better by Best's

Insurance Reports, and in a financial category of Class VI or better in Best's Key Rating Guide. Policies are unacceptable where (i) under the terms of the insurance carrier's charter, by-laws, or policy, contributions or assessments may be made against the Association Owners, mortgagees, or the designees of mortgagees; (ii) by the terms of the carrier's charter, by-laws, or policy, loss payments are contingent upon action by the carrier's Board of Directors, policy holders, or members; or (iii) the policy includes any limiting clause (other than insurance conditions) which could prevent mortgagees or Owners from collecting insurance proceeds. Policies may not be cancellable or substantially modified without at least ten (10) days' prior written notice to the Association and each mortgagee which is listed as a scheduled holder of a first mortgage in the insurance policy. Policies also shall contain a "special condominium endorsement", or its equivalent, which provides for the following: recognition of any insurance trust agreement; a waiver of the rights of subrogation against Owners, individually; the insurance is not prejudiced by any act or omission or negligence of individual Owners which is not in the control of such Owners collectively; and the policy is primary in the event the Owner has other insurance covering the same loss.

(e) The Association shall provide copies of all policies to Owners and/or mortgagees requesting the same for a charge not to exceed reasonable copying costs. In addition, the Association shall cause to be provided evidence of insurance

forms which provide the following: (i) a minimum of ten (10) days' notice to each mortgagee listed as a scheduled holder of a first mortgage in the insurance policy prior to cancellation, non-renewal, or any change adverse to the interests of the mortgagee; (ii) the amount of types of coverage afforded; (iii) indicate by descriptive name any special endorsements made a part of the master policy; and (iv) be executed by an authorized company representative.

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(f) Each Owner may obtain additional insurance at his own expense; provided, however, that no Owner shall be entitled to exercise his right to maintain insurance coverage in such a way as to decrease the amount which the Association, on behalf of all the Owners and their mortgagees, may realize under any insurance policy which the Association may have in force on the Project at any particular time. Any Owner who obtains an individual insurance policy covering any portion of the Project, other than the personal property belonging to such Owner, shall file a copy of such policy with the Association within thirty (30) days after purchasing such insurance. Each Owner, at his own expense, may obtain on his Unit, or the contents thereof, title insurance, homeowner's liability insurance, theft, and other insurance covering improvements, betterments, and personal property damaged and lost. Each Owner shall be required to notify the Association of all improvements made by such Owner to his Unit, the value of which exceeds Five Thousand and 00/100 (\$5,000.00) Dollars.

Section 5.2 Flood Insurance. The Association shall obtain, maintain, and pay the premiums, as a Common Expense, upon a "master" or "blanket" type policy of flood insurance made available under the National Flood Insurance Program covering the Project for so much thereof as may be covered under the available policies of insurance. Coverage of such policy shall not be less than the lesser of (i) the maximum coverage available under the National Flood Insurance Program for all buildings and other insurable property; or (ii) one hundred (100%) percent of the current "replacement cost" of all such buildings and other insurable property. Such policy shall be in a form which meets the criteria set forth in the most current guidelines on the subject issued by the Federal Insurance Administrator.

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Section 5.3 Liability Insurance. The Association shall obtain, maintain, and pay the premiums, as a Common Expense, upon a policy of comprehensive general liability insurance coverage covering, at a minimum, all of the Common Area and Limited Common Area. Coverage limits shall be in amounts generally required by private institutional mortgage investors for projects similar in construction, location, and use to the Project; provided, however, that such coverage shall be for at least One Million and 00/100 (\$1,000,000.00) Dollars for bodily injury, including death of persons and property damage arising out of a single occurrence. Coverage under this policy shall include, without limitation, legal liability to the insured for property damage, bodily injury, and death of persons in connection with the

operation, maintenance, and use of the Common Area, and legal liability arising out of workmen's compensation laws. All mortgagees, upon written request, may be listed as scheduled holders of first mortgages in the insurance policy. Such policy must provide that it is not cancellable or substantially modifiable, by any party, without at least ten (10) days' prior written notice to the Association and each party listed as a scheduled holder of a mortgage in the insurance policy.

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Section 5.4 Fidelity Bonds. The Association shall obtain, maintain, and pay the premiums, as a Common Expense, upon a blanket fidelity bond for all Officers, Directors, Trustees, and employees of the Association and all other persons handling or responsible for funds belonging to, or administered by, the Association; provided, however, that the professional management company assisting with the administration of the Regime shall be responsible to provide its own blanket fidelity bond which meets the requirements of this Section 5.4. The total amount of the fidelity bond coverage required shall be based upon the best business judgment of the Board of Directors and shall not be less than the estimated maximum funds, including reserve funds, in the custody of the Association or the professional management company, as the case may be, at any given time during the term of each bond; provided, however, that in no event shall the aggregate amount of such bonds be less than the sum equal to two-twelfths (2/12) of the Annual Assessment, plus reserve funds. Fidelity bonds shall meet the following requirements:

(i) the Association shall be named as an obligee; (ii) the bonds shall contain waivers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions; and (iii) the bond shall provide that it may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least ten (10) days' prior written notice to the Association and each mortgagee listed as a schedule holder of a first mortgage in the fidelity bond. 1253

The Association shall obtain, maintain and pay the premiums, as a Common Expense, on a policy of directors and officers liability insurance in such amount as determined by the Board of Directors.

The Board of Directors shall be authorized on behalf of the Association to obtain and maintain such other and further insurance as the Board of Directors may determine from time to time.

Section 5.5 Authority to Adjust Loss. The exclusive authority to negotiate, settle, and otherwise deal in all respects with insurers and adjust all losses under policies provided for herein shall be vested in the Board of Directors or its duly authorized agent for the benefit of all Owners and mortgagees; provided, however, that all Owners and mortgagees having an interest in such loss shall be advised in advance of all actions anticipated to be taken of a material nature related to the adjustment of the loss. Each Owner, in accepting a Deed

to a Unit, expressly appoints the Directors, and each of them, **1254**
his due and lawful attorneys-in-fact, with full power of
substitution, to act on behalf of the Owner as fully as the Owner
could act in person on all matters related to the authority
granted in this Section 5.5, including executing all documents
required in connection therewith on behalf of the Owner.

Section 5.6 Damage and Destruction.

(a) Immediately after all or any part of the Project
covered by insurance is damaged or destroyed by fire or other
casualty, the Board of Directors, or its duly authorized agent,
shall proceed with the filing and adjustment of all claims
arising under such insurance and obtain reliable and detailed
estimates of the cost of repair or reconstruction of the damaged
or destroyed property. Repair or reconstruction, as used in this
Section 5.6, means repairing or restoring the damaged property to
substantially the same condition in which it existed immediately
prior to the fire or other casualty, with each Unit, the Common
Area, and the Limited Common Area having the same vertical and
horizontal boundaries as before.

(b) Any such damage or destruction to the Project
shall be repaired unless all the Owners unanimously agree in
writing not to repair, reconstruct, or rebuild in accordance with
the provisions of the Act. If not reconstructed, the indemnity
shall be delivered in accordance with the provisions of
Paragraph (c) of this Section 5.6. Except as otherwise provided,
any such damage or destruction which renders any Unit

untenantable or uninhabitable, or any such damage or destruction to the Common Area or Limited Common Area, shall be repaired and reconstructed as promptly as practicable. No mortgagee shall have any right to participate in the determination as to whether the damage or destruction shall be repaired, reconstructed, or rebuilt.

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(c) In the event that it is determined by the Association in the manner prescribed above that the damage or destruction shall not be repaired, reconstructed, or rebuilt, then, and in that event:

(i) The Project shall be deemed to be owned by the Owners as tenants-in-common.

(ii) The undivided interest in the Project of each Owner shall be a percentage equal to the Percentage Interest appurtenant to the Unit theretofore owned by the Owner.

(iii) All liens affecting any of the Units shall be deemed to be transferred in accordance with the existing priorities to the undivided interest of the Owners of the respective Units.

(iv) The Project shall be subject to an action for partition at the instance of any Owner, in which event the net proceeds of the sale shall be deposited with the Trustee.

(v) The Association shall proceed to satisfy all of its liabilities and convert all of its assets to cash which shall be deposited with the Trustee.

(vi) The proceeds from the sale of the Project, **1256**
the liquidation of the assets of the Association, and the insurance proceeds related to the damage or destruction to the Project shall be considered one fund which, after paying the reasonable expenses of the Trustee, shall be distributed to all the Owners and their respective mortgagees, as their interest may appear, in percentages equal to the respective undivided interest in the Project of said Owners. Distributions to such Owners and their mortgagees shall be made pursuant to certificates provided for in Section 5.6.

Section 5.7 Insufficient Proceeds to Repair

(a) If the damage or destruction for which the insurance proceeds are paid to the Trustee is to be repaired or reconstructed and such proceeds are not sufficient to defray the cost thereof, the Board of Directors shall levy a Special Assessment against the Owners of damaged or affected Units in sufficient amounts to provide funds to pay in excess of the insurance proceeds for costs of repair or reconstruction. Additional Special Assessments may be made at any time during or following the completion of any repair or reconstruction. That portion of such Assessments levied against each Owner shall be equal to that percentage computed by dividing the Percentage Interest appurtenant to such Owner's Unit by the aggregate Percentage Interests appurtenant to all Units damaged or affected.

(b) Any and all sums paid to the Association under and **1257**
by virtue of those Special Assessments provided for in Paragraph
(a) of this Section 5.7, shall be deposited by the Association
with the Trustee. Such proceeds from insurance and Assessments,
if any, received by the Trustee shall be disbursed as provided
for in Section 5.5.

ARTICLE VI

Condemnation

Section 6.1 General. Whenever all or any part of the
Project shall be taken by any authority having the power of
condemnation or eminent domain, each Owner shall be entitled to
notice thereof; provided, however, that the exclusive right to
negotiate, settle, and otherwise deal in all respects with the
condemning authority as to the taking of the Common Area and
Limited Common Area shall be vested in the Board of Directors or
its duly authorized agent on behalf of the Association. Each
Owner, in accepting a Deed to a Unit, expressly appoints the
Directors, and each of them, his due and lawful attorneys-in-
fact, with full power of substitution, to act on behalf of the
Owner as fully as the Owner could act in person in all matters
related to the authority granted in this Section 6.1, including
executing all documents required in connection therewith on
behalf of the Owner. The award made for such taking shall be
payable to the Trustee. Unless otherwise required by law at the
time of such taking, any award made therefor shall be disbursed
by the Trustee, as hereinafter provided for in this Article VI.

Section 6.2 Non-Essential Areas. If the taking does not include any portion of any Unit or any portion of the Common Area or Limited Common Area essential to the continued occupancy of any Unit, then the Board of Directors shall be permitted to replace any non-essential improvements to the extent deemed appropriate and the Trustee shall disburse the proceeds of such awards in the same manner as hereinabove provided for and in connection with the repair, reconstruction, or rebuilding of improvements after damage or destruction, with all excess proceeds to be distributed to the Association.

Section 6.3 Essential Areas. If the taking includes any portion of a Unit, or the Common Area or Limited Common Area essential to the use of any Unit, then the award shall be disbursed, and all related matters, including, without limitation, alteration of the Percentage Interests appurtenant to each Unit, shall be handled by the Board of Directors in a just and equitable manner to all Owners; provided, however, that all action of the Board of Directors shall be pursuant to, and in accordance with, a plan approved by Owners representing at least sixty-seven (67%) percent of the Total Percentage Interests in a duly recorded amendment to this Master Deed. In the event that such an amendment shall not be recorded within ninety (90) days after the taking, then such taking shall be deemed to be, and shall be treated as, damage or destruction which shall not be repaired or reconstructed as provided for in Section 5.6,

whereupon the Regime shall be deemed terminated in the manner 1259
therein prescribed.

ARTICLE VII

Architectural Control

Section 7.1 Approval Required for Changes. To preserve the original architectural appearance of the Project, after the purchase of a Unit from the Developer, its successors, or assigns, no exterior construction of any nature whatsoever, except as specified in the Regime Documents, shall be commenced or maintained upon any building, including, without limitation, the Limited Common Area, nor shall there be any change, modification, or alteration of any nature whatsoever of the design and appearance of any of the exterior surfaces, or facades, nor shall any Owner paint any gate, fence, or roof, nor shall any Owner change the design or color of the exterior lights, nor shall any Owner install, erect, or attach to any part of the exterior any addition or change until after the Plans and specifications showing the nature, kind, shape, height, materials, color, and location of the same shall have been submitted to and approved in writing as to harmony of exterior design, color, and location in relation to the surrounding structures by the Board of Directors.

ARTICLE VIII

Exterior Maintenance

Section 8.1 Responsibility of Association. Except as specifically provided to the contrary herein, the Association

shall maintain the Common Area and Limited Common Area in first-class condition and shall repair or replace, at its expense, all **1260** parts of the Common Area and Limited Common Area as necessary. The cost of such shall be charged to the Owners as a Common Expense, subject to the provisions of Section 8.3.

Section 8.2 Access to Units. The Association shall have the irrevocable right, to be exercised by the Board of Directors or its agent, to have access to each Unit, from time to time, during reasonable hours as may be necessary for the inspection, maintenance, repair, or replacement of any of the Common Area therein or accessible therefrom, or for making emergency repairs therein necessary to prevent damage to the Common Area, Limited Common Area, or to other Units.

Section 8.3 Responsibility of Owner. In the event that the Board of Directors should determine that the need for maintenance or repairs by the Association as provided for in this Article VIII is caused through the willful or negligent act of an Owner or the lessee of an Owner, their families, invitees, or guests, the cost of which is not covered or paid for by insurance, then the cost, both direct and indirect, of such maintenance or repairs shall be added to, and become a part of, the Assessment to which such Owner and his Unit are subject. Each Owner shall maintain, repair, or replace, at his own expense, all portions of his Unit which may become in need thereof, including the heating and air conditioning system for such Unit, all bathroom and kitchen fixtures and appliances, light fixtures, interior non-

loadbearing walls, carpeting, drapes, windows, screens, and other items within the Unit. Further, each Owner shall, at his own expense, maintain, repair, and replace, when necessary, that portion of the air conditioning system servicing his Unit which is located outside his Unit; and each Owner shall, at his own expense, keep the Limited Common Area to which his Unit has exclusive access and to which he has exclusive use clean and neat. If the Owner does not make those repairs to be made by him within thirty (30) days from the date of receipt of written demand from the Association, the same may be repaired by the Association and the cost thereof shall be assessed against the Owner and Unit owned by such Owner.

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ARTICLE IX

Unit Restrictions

Section 9.1 Residential Purposes. All Units shall be, and the same hereby are, restricted exclusively to residential use. No immoral, improper, offensive, or unlawful use shall be made of any Unit and no use or condition shall be permitted which is a source of unreasonable noise or interference with the peaceful possession and quiet enjoyment of any other portion of the Project by other Owners or lessees of Owners, their families, invitees, and guests. All Units shall be kept in a clean and sanitary condition and no rubbish, refuse, or garbage shall be allowed to accumulate. No fire hazard shall be allowed to exist and no use or condition shall be permitted which will increase any rate of insurance related to the Project. In addition, all

Owners and lessees of Owners, their families, invitees, and guests shall abide by all Rules and Regulations in effect from time to time governing the use of Units.

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Section 9.2 Construction and Sale Period. Anything contained herein to the contrary notwithstanding, it shall be permissible for the Developer to maintain, during the period of construction and sale of Units, upon such portion of the Project as the Developer may deem necessary, such facilities as in the sole opinion of the Developer may be reasonably required, convenient, or incidental to the construction and sale of Units, including, but without limitation, a business office, storage area, signs, model units, and sales office.

Section 9.3 Animals and Pets. No animals, livestock, or poultry of any kind shall be raised, bred, or kept on any part of the Project, except that dogs, cats, or other normal household pets may be kept by the respective Owners inside their respective Units, provided that they are not kept, bred, or maintained for any commercial purpose and do not create any health hazard or, in the sole discretion of the Board of Directors, unreasonably disturb the peaceful possession and quiet enjoyment of any other portion of the Project by other Owners and lessees of Owners, their families, invitees, and guests.

Section 9.4 Exterior Antennas. No exterior television or radio antennas shall be placed on any portion of the Project without prior written approval of the Board of Directors.

Section 9.5 Leasing of Units. Any Owner shall have the right to lease or rent his Unit. All leases or rental agreements shall be in writing and shall be specifically subject to the Regime Documents.

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Section 9.6 Timesharing and/or Interval Use. No Owner(s) of a Unit or group of Units shall be permitted to utilize or subject any Unit within the Regime to time-sharing or interval use or ownership as expressed or defined in Chapter 32 Code of Laws of South Carolina, 1976 as amended, without the express written consent of the Association. Notwithstanding the foregoing to the contrary, the Developer expressly reserves the right to utilize, subject and encumber any Unit(s) developed and owned by the Developer to time-sharing or interval ownership as permitted and provided and in accordance with Chapter 32 Code of Laws of South Carolina, 1976, for so long as the Developer retains the right to submit additional phases to the Regime.

Section 9.7 Use, Restrictions, Run With Land. The Developer hereby declares and affirms that the use restrictions described herein shall be deemed restrictive covenants running with the Land and are imposed as a limitation and burden upon each Unit and upon the Developer and upon all future Unit Owners.

Section 9.8 Other Covenants and Restrictions, Run With Land: See Exhibit "A" attached hereto and made a part hereof.

Section 9.9 Water, Sewage, Sprayfield, and Irrigation Systems. Developer shall comply with any applicable water restrictive covenants and laws pertaining to water usage, and the

improvements to be constructed on the Property in respect to the same shall be satisfactory to all applicable regulatory authorities. Further, any construction on the Property by Developer shall include the installation of an irrigation system for the spraying of advance waste water-treated effluent on all such areas permitted by said authorities. Developer shall spray such treated effluent in the maximum amounts permitted by said regulatory authorities, and the design, construction, and operation of such irrigation systems shall be approved by said authorities.

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ARTICLE X

Easements

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Section 10.1 Encroachments. If any portion of the Common Area and/or Limited Common Area encroaches upon any Unit or any Unit encroaches upon any other Unit or upon any portion of the Common Area and/or Limited Common Area as a result of settling or shifting of a building, an easement shall exist for the encroachment and for the maintenance of the same so long as the building stands. If any building, any Unit, and/or any adjoining part of the Common Area and/or Limited Common Area shall be partially or totally destroyed as a result of fire or other casualty or as a result of eminent domain proceedings, and then rebuilt, encroachments of parts of the Common Area and/or Limited Common Area upon any Unit or of any Unit upon any other Unit or upon any portion of the Common Area and/or Limited Common Area due to such rebuilding, shall be permitted, and valid easements for such encroachments and the maintenance thereof shall exist so long as the subject building shall stand.

Section 10.2 Utilities, Etc. There is hereby granted a blanket easement upon, across, over, and under all the Project for ingress, egress, installation, replacing, repairing, and maintaining a master television antenna system and all utilities, including, but not limited to, water, gas, sewers, telephones, and electricity. Such easements grant to appropriate utility companies the right to erect and maintain the necessary poles and other necessary equipment on the Project and to affix and

maintain utility wires, circuits, and conduits on, above, across, and under the roofs and exterior walls of the Units. In addition, the Board of Directors shall be entitled to grant additional permits, licenses, and easements over the Common Area for utilities, roads, and other purposes reasonably necessary or useful for the proper maintenance and operation of the Project.

Section 10.3 Easement for Construction. Notwithstanding anything herein to the contrary, the Developer and persons designated by the Developer shall have an easement to enter upon and cross over the Common Areas for purposes of ingress and egress of all portions of the Project; to use portions of the Common Areas and any Units owned by the Developer for construction or renovation related purposes including the storage of tools, machinery, equipment, building materials, appliances, supplies and fixtures, and the performance of work respecting the Project; and to maintain and correct drainage of a surface, or roof or storm water; provided, however, that nothing contained herein shall authorize the Developer to undertake such actions as will materially and adversely interfere with the use and enjoyment of the Project by any Owner.

Section 10.4 Easement for Sales Purposes. Developer and persons designated by the Developer shall have an easement to maintain one or more sales offices, management offices and models throughout the Project and to maintain one or more advertising signs on the Common Areas while the Developer is selling Units in the Project or any contemplated expansion thereof. Developer

reserves the right to place models, management offices and sales offices in any Units owned by the Developer and on any portion of the Common Areas, in such number or such size and in such location as Developer deems appropriate. So long as Developer shall be selling Units in the Project or any contemplated expansion thereof, Developer shall have the right to restrict the use of a reasonable number of parking spaces, for purposes including, but not limited to, the providing of spaces for use by prospective Unit purchasers, Developer's employees and others engaged in sales, maintenance, construction or management activities. 1267

Section 10.5 Easement for General Maintenance, Landscaping, and Lagoon and Storm Drainage Systems Maintenance.

The Developer has granted and reserved and does hereby grant and reserve a perpetual non-exclusive easement and right for pedestrian and vehicular access, ingress and egress, over and across certain portions of the Property encumbered hereby for general maintenance purposes, including, but not limited to, landscaping and maintenance of the lagoon and storm drainage systems.

Section 10.6 Easement Agreement for Yacht Cove Drive. The provisions of the Master Deed are subject to that certain Easement Agreement by and between Greenbrooke Homes Company and Calhoun Thomas, Jr. and Deborah S. Thomas dated January 27, 1987 and recorded January 29, 1987 in Deed Book 469 at Page 2009 in