

2. Subject to the provisions of this Agreement, the Mortgagee subordinates the lien and security interests created by the Loan Documents to the provisions of the Master Deed and the rights of the Association (as defined in the Master Deed) and all owners of Units in the Regime whose Units have been released from the lien and security interest of the Loan Documents.

1369

3. The Developer acknowledges and agrees that the lien and security interest of the Loan Documents shall remain a first priority lien and security interest in and to each Unit Estate as defined in the Master Deed, which includes the undivided interest in the Common Area appurtenant to each Unit.

4. The lien and security interest of the Loan Documents may be released as to each Unit upon the execution and delivery by the Mortgagee of an appropriate partial release of mortgage lien and security interests (and any required UCC Financing Statement release).

5. The Mortgagee agrees that upon any foreclosure of the lien and security interest of the Loan Documents, the Regime will not be disturbed and that the sole remedy of the Mortgagee will be to cause a sale or transfer of individual Units in the Regime as to which the lien and security interest of the Loan Documents remains attached.

6. This Agreement applies only to the Land and not to any of the Additional Real Property. This Agreement shall be expanded to apply to the Additional Real Property when and if such property is to be added to the Regime; provided, however, that the prior written consent of the Mortgagee shall be obtained in each such instance.

7. The Mortgagee agrees to execute appropriate amendments to the Uniform Commercial Code Financing Statements presently of record to evidence the subordination of the security interest of the Loan Documents as specified herein.

8. In all other respects the Loan Documents shall remain in full force and effect.

"M-2"

IN WITNESS WHEREOF, the parties have executed this Subordination Agreement this 5th day of December, 1988.

WITNESSES:

MORTGAGEE:

MORTGAGE SERVICE CORPORATION - 1370

2) Man Song

1) By: Lewis D. Lomewski
Its: President

3) Patricia Stevens

1) By: [Signature]
Its: (E.V.P.) Secy.

NOTARIAL PUBLIC
BY: [Signature]
Member, Pennsylvania Association of Notaries

DEVELOPER:

ALRO INTERNATIONAL, INC.

2) Man Song

1) By: [Signature]
Elias Alsabti, President

3) Patricia Stevens

1) By: [Signature]
Robin Alsabti, Secretary

NOTARIAL PUBLIC
BY: [Signature]
Member, Pennsylvania Association of Notaries

STATE OF PENNSYLVANIA)
COUNTY OF BEAVER)

PROBATE

PERSONALLY appeared before me 5) Maria Suarez who, **1371**
(first witness)

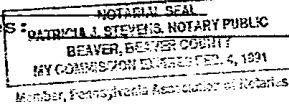
after first being duly sworn, deposes and says that s/he saw the within-named Alro International, Inc., by Elias Alsabti, its President, and by Robin Alsabti, its Secretary, sign, seal, and, as its act and deed, deliver the within-written Subordination Agreement for the uses and purposes therein mentioned, and that s/he with (6) Patricia J. Stevens witnessed the other witness
(Notary)

whose signature appears above, witnessed the execution thereof.

7) Maria Suarez
(WITNESS)

SWORN TO before me this
5th day of December, 1988.

8) Patricia J. Stevens (L.S.)
Notary Public for
My Commission Expires:



4) STATE OF PENNSYLVANIA)
COUNTY OF BEAVER)

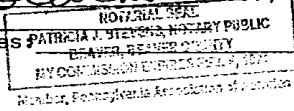
PROBATE

PERSONALLY appeared before me Maria Suarez who,
(first witness) 1372
after first being duly sworn, deposes and says that s/he saw the
within-named Mortgage Service Corporation by Lewis F. Laniewski
its President, and by
Robert Churan its Exec. Vice Pres & Secretary sign,
seal, and, as its act and deed, deliver the within-written
Subordination Agreement for the uses and purposes therein
mentioned, and that s/he with Patricia J. Stevens witnessed
(Notary)
the other witness whose signature appears above, witnessed the
execution thereof.

7) Maria Suarez
(WITNESS)

SWORN TO before me this
5th day of December, 1988.

8) Patricia J. Stevens (U.S.)
Notary Public for
My Commission Expires



"M-5"

EXHIBIT A

Legal Description of the Land

YACHT COVE VILLAS HORIZONTAL PROPERTY REGIME I

1373

ALL that certain piece, parcel or tract of land located on Hilton Head Island, Beaufort County, South Carolina and designated as Phase 1 containing 0.955 acres more or less as reflected on a plat thereof prepared by M.A. Dunham, P.L.S. S.C. No. 11590 for Sea Island Engineering, Inc. and entitled "BOUNDARY AND EASEMENT PLAT FOR: YACHT COVE VILLAS, PARCEL 2, YACHT COVE PUD", which said Plat has been recorded in the Office of the Register of Mesne Conveyance for Beaufort County, South Carolina in Plat Book 35 at Page 162. According to said Plat, said property is bounded on the Northwest by lands now formerly of Greenbrooke Homes, on the Southwest by Phase 2, and on the Southeast and Northeast by lands now or formerly of Deborah S. Thomas.

TOGETHER with all rights, title, interest, hereditaments, improvements, appurtenants pertaining thereto;

TOGETHER with a twenty (20') foot wide access and utility easement running in a generally southerly direction from Phase 1 to the right-of-way of Yacht Cove Drive as shown on said Plat.

TOGETHER with an access and utility easement running generally Westerly from Phase 1 to Yacht Cove Drive as shown on said Plat.

TOGETHER with an access and utility easement running generally Easterly from the boundary line of Phase 1 as shown on the aforementioned Plat.

TOGETHER with a twenty (20') foot wide drainage easement across Phase 2 from the Lagoon located on Phase 1 as shown on said Plat in a generally Westerly direction to the right-of-way of Yacht Cove Club Drive.

TOGETHER with access to U.S. Highway 278 along Yacht Cove Drive as reflected on a Plat thereof recorded in the Office of the RMC for Beaufort County, South Carolina in Plat Book 34 at Page 162.

TOGETHER with right of storm drainage flow from Phase 1 to the waters of Broad Creek across properties of the Grantor or others at such location as may be determined from time to time by the Grantor. In no event, however, will Grantor deny the orderly drainage from Phase 1 to Broad Creek.

"M-6"

SUBJECT however 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 the Office of the RMC for Beaufort County, South Carolina;

1374

AND ALSO SUBJECT to a reservation of right into the Grantor herein and its successors and assigns to give, grant, and convey unto third parties normal, usual and ordinary utility easements for storm drainage, sanitary sewer lines, advanced waste water treated effluent disposal lines and portable waste lines across Phase 1 so long as said reservation and use does not interfere with the orderly development of the seven (7) condominium units and their amenities to be constructed on Phase 1.

AND ALSO SUBJECT to those certain restrictions and covenants set forth in the instruments recorded in the Office of the RMC for Beaufort County, South Carolina in Deed Book 435 at Page 1636; Deed Book 461 at Page 1767; Deed Book 470 at Page 703; Deed Book 342 at Page 743; Deed Book 492 at Page 865; and Deed Book 501 at Page 2113.

AND ALSO SUBJECT to those easements and matters of record reflected on plat recorded in the R.M.C. Office for Beaufort County, South Carolina, in Plat Book 30 at Page 31 and as revised by Plat recorded in Plat Book 31 at Page 102; and Plat Book 34 at Page 162.

AND ALSO SUBJECT to ingress and egress reserved by Grantor and others over the thirty five (35') foot of Yacht Cove Drive as shown and located on the Southern portion of the property.

AND ALSO SUBJECT to a twenty (20') foot right of ingress and egress across and adjacent to the easterly boundary line of Phase 1 leading from Yacht Cove Drive to the access and utility easement adjacent to the Northeastern property line of Phase 1. The Grantee shall have the right to relocate the easement from time to time so long as Grantor is not denied a minimum twenty (20') foot access to her property.

The parties further covenant that Yacht Cove Villas, Parcel 2 shall be used for residential purposes only, including, but not limited to, the construction and use of single family homesites, patio lots, condominiums, and amenities such as swimming pools, tennis courts, and club houses (except that the use of one or more residential lots, homes or condominiums for real estate sales will be permitted).

"M-7"

Grantee, its successors or assigns, shall be responsible for and pay two (2%) percent of the maintenance cost for Yacht Cove Drive running generally from the Southern boundary line of Parcel 2, Yacht Cove Plantation to the Southern boundary line of Parcel 4, Yacht Cove Plantation, all as reflected on a Plat thereof recorded in the office of the Register of Mesne Conveyance for Beaufort County, South Carolina in Plat Book 34 at Page 162. **1375**

This being the same property conveyed to ALRO INTERNATIONAL, INC., by Deed from Deborah S. Thomas, dated April 27, 1988, and recorded May 19, 1988, in the Office of the Clerk of Court for Beaufort County, South Carolina, in Deed Book 501 at Page 2113.

The within Master Deed was prepared by George G. L. Palmer, Esquire, of the law firm of Palmer, Brooks and Bowen, P.A., 3 Pensacola Place (Post Office Box 7545), Hilton Head Island, Beaufort County, South Carolina 29928
(Telephone Number: 803-842-5541)

"M-8"

STATE OF SOUTH CAROLINA)
) OWNER'S AND CONTRACTOR'S AFFIDAVIT
COUNTY OF BEAUFORT)

1376

On this 5th day of December, 1988, before me personally Elias Alsabti, President of Alro International, Inc., a Pennsylvania corporation, and John Tilton, President of Tilton Construction Company, Inc., a South Carolina corporation, General Contractor, to me personally known, who being duly sworn on their oaths, did say that they are the owner of the property hereafter described and the General Contractor in connection with the construction or repair of the improvements located on said property as indicated above (if the work "None" appears in the above space preceding "General Contractor", owner stated that said construction or repair was made under his own supervision, no general contractor having been employed) and that all of the persons, firms, and corporations, except those whose names, if any, appear on the Waiver of Liens attached hereto, including the General Contractor and all subcontractors, who have furnished services, labor, or materials, according to plans and specifications, or extra items, used in the construction or repair of such improvements, have been paid in full, that there are no mechanics' or materialmen's liens against said property and no claims outstanding which would entitle the holder thereof to claim a lien against the property (except those claims, if any, which are waived by the Waiver of Liens attached hereto) and that such construction or repair has been fully completed and accepted by the owner. General Contractor hereby waives and releases his right to file a mechanics' or materialmen's lien against said property; and

Further, that there are no financing statements, chattel mortgages, conditional bills of sale or retention of title agreements affecting any fixtures or any cabinets, mantles, awnings, doors or windows or screens therefor or any plumbing, lighting, heating, cooking, refrigerating, ventilating, or air conditioning equipment or apparatus used separately or in combination as packaged units or installments in connection with the improvements of the property; and

That this Affidavit is made for the purpose of inducing First American Title Insurance Company to issue its policy or policies insuring the title to said property without exception or providing insurance against, loss or damage on account of any claims or mechanics, materialmen, and laborers, and said affiants do hereby jointly and severally agree to indemnify and hold First American Insurance Corporation harmless of and from any and all loss, cost, damage, and expense of every kind, including Attorneys' fees, which said First American Title Insurance

EXHIBIT "N"

Corporation shall or may suffer or incur or become liable for under its said policy or policies directly or indirectly, out of such improvements, repairs, or other construction on the property hereafter described or on account of any such mechanics' or materialmen's lien or claim or claims, or in connection with the enforcement of its rights under this agreement. -1377

The real estate and improvements referred to herein are situated in the County of Beaufort, State of South Carolina, and are briefly described

Phase I, Building 200, Yacht Cove Villas Horizontal Property Regime I, Units 201, 202, 203, 204, 205, 206, 207, inclusive.

WITNESSES:

OWNER OF PROPERTY:

ALRO INTERNATIONAL, INC.

x Lois M. Smart

By: [Signature]
Elias Alsabti, President

x Susan E. Charles

Attest: [Signature]
Robin Alsabti, Secretary

GENERAL CONTRACTOR:

TILTON CONSTRUCTION COMPANY, INC.

Michelle D. Taylor

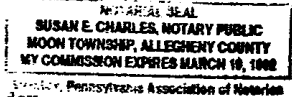
By: [Signature]
John Tilton, President

Catherine A. Joyce

Attest: [Signature]

Executed, subscribed, and sworn to before me the day and year first above written.

[Signature]
Notary Public for Allegheny County
My Commission Expires: 3/1/99



Executed, subscribed, and sworn to before me the day and year first above written.

Catherine A. Joyce
Notary Public for South Carolina
My Commission Expires: 9/8/98

1378

CERTIFICATE OF OCCUPANCY
TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

THIS IS TO CERTIFY THAT THE STRUCTURE SITUATED AT LOT Yacht Cove Villa-Bldg 2,
STREET, DIST. 500, MAP 11, PARCEL 5 B, HAS BEEN
CONSTRUCTED New, ALTERED _____, MOVED IN ACCORDANCE WITH THE STANDARD BUILDING CODE
AND/OR THE ZONING ORDINANCE FOR HILTON HEAD ISLAND INCLUDING ANY AND ALL RELATED CODES OR
ORDINANCES ADOPTED BY THE TOWN. IT IS FURTHER DECLARED THAT THE STRUCTURE HAS BEEN
INSPECTED AND IS PHYSICALLY SOUND AND STRUCTURALLY AND MECHANICALLY SAFE FOR HUMAN OCCUPANCY.

OWNER ALRO International CONTRACTOR Tilton Enterprises
OCCUPANCY Residential TO BE USED AS Multi-Family
DATE 12/6/88 BUILDING PERMIT NO. 8181

NOTE: TOWN SEAL REQUIRED FOR APPROVAL
CONTRACTOR COPY

CERTIFICATE OF COMPLIANCE - SITE WORK

DSP/
FILE NO 907

DATE 18 Nov 88 DEVELOPMENT/BUILDING PERMIT NO. BP 8181
PROJECT AND PHASE NAME YACHT COVE VILLAS, BLDG 200, PH I

PROJECT LOCATION YACHT COVE

- () TOTAL PROJECT/PHASE COMPLETE
 TEMPORARY* () TOTAL PROJECT/PHASE INCOMPLETE - SURETY REQUIRED
 PARTIAL* () PORTION OF PROJECT/PHASE COMPLETE - NO SURETY REQUIRED
 () PORTION OF PROJECT/PHASE COMPLETE - SURETY REQUIRED

1379

*NOTE: (a) IF NEW ITEMS COME INTO NON-COMPLIANCE DURING THE LIFE OF A TEMPORARY OR PARTIAL CERTIFICATE OF COMPLIANCE, THOSE ITEMS SHALL BE CORRECTED BEFORE THE ISSUANCE OF A FINAL CERTIFICATE OF COMPLIANCE.

(b) TEMPORARY/PARTIAL EXPIRATION DATE _____

ITEMS TO BE BONDED	AMOUNT	COMMENTS OR SPECIFICATIONS
() ROADWAY, PAVING OR PARKING	\$ _____	_____
() SIDEWALKS, WALKWAYS, OR BIKE PATHS	\$ _____	_____
() DRAINAGE OR EROSION	\$ _____	_____
() TREE PLANTING OR REPLACEMENT	\$ _____	_____
() PUBLIC AMENITIES, POOLS, TENNIS COURTS, ETC.	\$ _____	_____
() UTILITIES - WATER, SEWER, POWER, STORM DRAIN, ETC.	\$ _____	_____
() LANDSCAPING - PLANT/ GROUND COVER, SEEDING	\$ _____	_____
() OTHER - SIGNAGE, CLEAN-UP, MISCELLANEOUS	\$ _____	_____
(SUB TOTAL)	\$ _____	_____

RECORDED THIS 18 DAY
OF January 1988
IN BOOK 11 PAGE 1206

FEES, \$ _____
May Ann Gray
AUDITOR, BEAUFORT COUNTY, S. C.

\$ _____ + 15% (10% CONTINGEN FEE & 5% ADMINISTRATION FEE)

DATE SURETY PAID _____ \$ _____ TOTAL AMOUNT OF SURETY
 DATE FILING FEE PAID _____ \$ _____ AMOUNT OF FILING FEE
 FORM OF SURETY: () CASH () CHECK () LETTER OF CREDIT () BOND
 FORM OF SUPPORT DATA: () CONTRACTOR'S PROPOSAL () ENGINEER'S ESTIMATE

Palmer

FILED AT	BEAUFORT COUNTY S. C.	RECORDED IN BOOK
10:09 A.M.	DEC 07 1988	517 PAGE
<u>Floyd St. Dalton</u>		
REGISTER OF MESNE CONVEYANCE		

CC: DIR. PLAN & INSP
CHIEF OF INSP
PLANNING FILE
ENG FILE
SURETY FILE

APPROVED BY Bud Coulter
TOWN ENGINEER OR DESIGNEE