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BEAUFORT COUNTY AUDITOR

MASTER DEED
OF
STERLING LAND VENTURES I, LTD.
FOR
THE PRESERVE AT INDIGO RUN HORIZONTAL PROPERTY REGIME
AND
BY-LAWS FOR
THE PRESERVE AT INDIGO RUN OWNERS' ASSOCIATION, INC.

November 13, 2003

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**THIS MASTER DEED EVIDENCES THE ESTABLISHMENT OF A HORIZONTAL
PROPERTY REGIME ENCOMPASSING PRE-EXISTING RENTAL BUILDINGS
PURSUANT TO THE CONVERSION REQUIREMENTS OF THE SOUTH CAROLINA
HORIZONTAL PROPERTY ACT, i.e. SOUTH CAROLINA CODE SECTION 27-31-410, et**

seq.

BETHEA, JORDAN
& GRIFFIN, P.A.
ATTORNEYS AND
COUNSELORS AT LAW

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BEAUFORT COUNTY TAX MAP REFERENCE

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STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

STERLING LAND VENTURES I, LTD.)

TO)

MASTER DEED ESTABLISHING
THE PRESERVE AT INDIGO RUN
HORIZONTAL PROPERTY REGIME
(PHASE I)

THE PRESERVE AT INDIGO RUN HORIZONTAL)
PROPERTY REGIME)

At Hilton Head Island, County of Beaufort, State of South Carolina, on this 13th day of November, in the year of our Lord Two Thousand Three, Sterling Land Ventures I, Ltd., a Georgia limited partnership organized under the laws of Georgia and authorized to transact business in South Carolina, with its principal places of business in Atlanta, Georgia and Hilton Head Island, South Carolina, (hereinafter referred to as "Declarant"), does hereby declare:

1. **LAND.** Declarant is the sole owner of the land described in Exhibit "A" attached hereto and made a part hereof which is more particularly shown on the plat thereof, said plat being described on Exhibit "A" and being recorded in the Beaufort County Land Records Office, South Carolina, in Plat Book 96 at Page 63

2. **PROPERTY; REGIME; ASSOCIATION.** Declarant does hereby, by duly executing this Master Deed, submit the land referred to in Section 1, together with the buildings and improvements erected thereon, and all easements, rights and appurtenances belonging thereto (hereinafter referred to as the "Property") to the provisions of the Horizontal Property Act of South Carolina (the "Act"), and does hereby state that it proposes to create and does hereby create, with respect to the Property, a Horizontal Property Regime that shall be known as **The Preserve at Indigo Run Horizontal Property Regime** (hereinafter sometimes referred to as the "Regime") to be governed by and be subject to the provisions of this Master Deed and the provisions of the Act. Declarant does further declare that it has caused to be incorporated under the laws of the State of South Carolina an association known as **The Preserve at Indigo Run Owners' Association, Inc.** (hereinafter referred to as the "Association") which shall, pursuant to the provisions of Section 27-31-90 of the Act, constitute the incorporated Council of Co-Owners of the Regime and shall be governed by this Master Deed and the By-Laws attached hereto.

3. **IMPROVEMENTS.** The improvements constructed on and forming a part of the Property are constructed in accordance with the as built survey referenced on Exhibit "A" hereto (the "Plat") and the floor plans referenced on Exhibit "C-1" hereto and made a part hereof (the "Plans"), which survey was prepared by Gasque & Associates, Inc., David S. Gasque, R.L.S. No. 10506, and floor plans which were prepared by Humphrey & Partners Architects, architects duly licensed to practice in the State of South Carolina under Registration Certificate Number 98055. Attached to this Master Deed as Exhibit "C-2" is a certificate by said architect that the condominium Villas constructed on the Property were constructed substantially in compliance with said plans.

4. **DEFINITIONS.** The terms used in this Master Deed and in the Exhibits hereto shall have the meanings stated in the Horizontal Property Act and as follows, unless the context otherwise requires:

(a) Act means the Horizontal Property Act as currently set forth in Title 27, Chapter 31 of the Code of Laws of South Carolina, 1976, as amended.

(b) Assessment means a Co-owner's pro rata share of the Common Expenses which from time to time is assessed against a Co-owner by the Association.

(c) Association means the Council of Co-Owners as defined by the Act, and also means **The Preserve at Indigo Run Owners' Association**, the corporate form by which the Council of Co-Owners shall operate the Regime.

(d) Board of Directors or Board means the group of persons selected, authorized and directed to manage and operate the Association as provided by the Act, this Master Deed and the By-Laws.

(e) Building means a structure or structures, containing in the aggregate two or more Villas, comprising a part of the Property.

(f) Common Elements means the General and Limited Common Elements, as defined herein in Section 7 and in the Act.

(g) Common Expenses means the expenses for which the Co-owners are liable to the Association and include:

(1) expenses of administration, expenses of maintenance, insurance, operation, repair or replacement of the Common Elements, and of the portions of Villas which are the responsibility of the Association.

(2) expenses declared Common Expenses by provisions of this Master Deed.

(h) Common surplus means the excess of all receipts of the Association, including but not limited to, Assessments over the amount of Common Expenses.

(i) Co-owner means a person, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof, who owns a Villa.

(j) Condominium means a Villa in **The Preserve at Indigo Run Horizontal Property Regime**.

(k) Condominium ownership means the individual ownership of a particular Villa in a building and the common right to a share, with other Co-owners, in the General and Limited Common Elements of the Property.

(l) Council of Co-Owners means all the Co-owners as defined herein and it shall also refer to the Association as herein defined.

(m) Declarant means Sterling Land Ventures I, Ltd., a Georgia limited partnership with its principal places of business located on Hilton Head Island and in Atlanta, Georgia, and its successors and assigns.

(n) Majority of Co-owners means the Co-owners owning fifty-one (51%) percent or more of the statutory value of the Property as a whole as referenced in Section 11.

(o) Master Deed means this deed or declaration establishing and recording the Property of the Regime and all exhibits hereto.

(p) Owner (See "Co-owner" above in Section 4(i)).

(q) Person means an individual, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof.

(r) Property means and includes the land, the Buildings, all improvements and structures thereon, as shown and described on Exhibits "A" and "B" and all easements, rights and appurtenances belonging thereto.

(s) Regime means **The Preserve at Indigo Run Horizontal Property Regime** created by the Master Deed and all references to the Association, as herein defined, shall likewise include reference to the Regime and vice versa.

(t) Villa as used herein has the same connotation as the term "Apartment" as used in the Act and means a part of the Property intended for any independent residential use including one or more rooms or enclosed spaces located on one or two floors (or parts thereof) in a Building, and with a direct exit to a public street or highway, or to a common area or areas leading to such street or highway. (**Note:** In some of the project documentation the Villas may be referred to as "residences" or "units" or "apartments").

(u) Utility services means and shall include, but shall not be limited to, electric power, hot and cold water, heating, refrigeration, air conditioning, telephone, cable or satellite television, gas, garbage and sewage disposal.

5. DESCRIPTION OF VILLAS; USE; REPAIRS, ALTERATIONS.

5.1 GENERAL DESCRIPTION OF VILLAS. The Property includes ten (10) Buildings (Buildings 33 through 42) with two (2) stories, each Building containing six (6) individual Villas for a total of sixty (60) Villas, all of which are to be used for residential purposes only. The Buildings contain composite shingle roofs and stucco exteriors. The Villas are capable of individual utilization on account of having their own exits to the Common Elements of the Property and a particular and exclusive property right thereto, and also an undivided interest in the General and Limited Common Elements of the Property, as hereinafter listed in this Master Deed, necessary for their adequate use and enjoyment all of the above in accordance with the Act.

5.2 **INDIVIDUAL VILLA TYPES.** There are six (6) basic types of Villas in **The Preserve at Indigo Run Horizontal Property Regime** all of which are on one (1) floor, said types described as follows:

<u>Floor Plan Type</u>	<u>Floor</u>	<u>No. of Bedrooms</u>	<u>No. of Bathrooms</u>	<u>Garage</u>	<u>Approx. Sq. Ft.*</u>
Azalea (A1)	Second	1	1	None	936
Hawthorne (B1)	Second	2	2	Single car	1,281
Palmetto (B2 lower)	First	2	2	Single car (2)	1,513
Magnolia (B2 upper)	Second	2	2	Double car	1,665
Camellia (C1 lower)	First	3	2	Double car	1,683
Cypress (C1 upper)	Second	3	2	Double car	1,813

[* The approximate square footage is computed by net area to include the square footage from exterior face of all frame walls that enclose heated or air conditioned space. It does not include patios, porches, garages, or exterior storage closets/areas.]

5.3 **WALK THROUGH DESCRIPTION OF VILLAS.** The six (6) basic floor plans for the **Regime** are described as follows: (**Note:** all references to square footage are approximations).

(a) **Azalea ("Unit A-1" on Plans)** - The Azalea is an upstairs one bedroom/one bathroom home with a living room and a separate dining area. The kitchen opens into the living room and dining room and has an adjacent washer/dryer room. A short hallway from the dining room provides access to the bedroom and bathroom. The bedroom includes a walk-in closet and French doors leading to a small balcony. Another balcony and exterior storage is located off of the living room. An interior stairway leads to the front door on the ground level.

(b) **Hawthorne ("Unit B-1" on Plans)** - The Hawthorne is an upstairs two bedroom/two bathroom home with a living room and a separate dining area. The kitchen opens to the living room and dining room and has an adjacent washer/dryer room. The bedrooms are accessed off of separate sides of the living room (i.e., a roommate style floor plan). Both bedrooms include walk-in closets. Access to the balcony and exterior storage is provided from the living room and from the master bedroom. Access to the single car garage containing approximately 281 square feet is provided by an interior stairway.

(c) **Palmetto ("Unit B-2 Lower" on Plans)** - The Palmetto is a downstairs two bedroom/two bathroom home with a living room and a separate dining area. Access to the kitchen is from the dining room. The kitchen includes a breakfast nook and a pantry. A short hallway from the dining room provides access to both bedrooms, both bathrooms and a laundry room. The master bedroom includes a walk-in closet as well as a bathroom with a separate shower and dual vanities. Access to the patio is provided from the kitchen and from the master bedroom. Access to the two (2) single car garages containing approximately 612 square feet is provided from the laundry room.

(d) **Magnolia ("Unit B-2 Upper" on Plans)** - The Magnolia is an upstairs two bedroom/two bathroom home with a living room and a separate dining room. Access to the kitchen is from the dining room. The kitchen includes a breakfast nook and a double pantry.

A short hallway from the dining room provides access to both bedrooms, both bathrooms and a laundry room. The master bedroom includes a walk-in closet as well as a bathroom with a separate shower and dual vanities. Access to the balcony is provided from the kitchen and from the master bedroom. Access to the double car garage containing approximately 390 square feet is provided by an internal stairway.

(e) **Camellia ("Unit C-1 Lower" on Plans)** - The Camellia is a downstairs three bedroom/two bathroom home with a living room and a separate dining area. Access to the kitchen is from the dining room. The kitchen includes a breakfast nook and a pantry. A short hallway from the dining room provides access to the master bedroom and a laundry room. The master bedroom includes a bathroom with a separate shower and dual vanities. A second hallway provides access to the second and third bedrooms and the second bathroom. All three bedrooms offer walk-in closets. Access to the patio is provided from the kitchen and from the master bedroom. Access to the double car garage containing approximately 532 square feet is provided from the laundry room.

(f) **The Cypress ("Unit C-1 Upper" on Plans)** - The Cypress is an upstairs three bedroom/two bathroom home with a living room and a separate dining room. Access to the kitchen is from the entry foyer. The kitchen includes a breakfast nook and a double pantry. Access to the master bedroom and a laundry room is provided from the entry foyer. The master bedroom includes a bathroom and a separate shower and dual vanities. A short hallway provides access to the second and third bedrooms and the second bathroom. All three bedrooms offer walk-in closets. Access to the balcony is provided from the kitchen and from the master bedroom. Access to the double car garage containing approximately 402 square feet is provided by an internal stairway.

5.4 **VILLAS/NUMBERING SYSTEM/TYPE.** - The sixty (60) Villas contained in the Phase I Buildings are located and numbered as follows:

Building 33

<u>Villa No.</u>	<u>Type</u>
3310	Hawthorne
3311	Azalea
3320	Magnolia
3321	Palmetto
3322	Camellia
3323	Cypress

Building 34

<u>Villa No.</u>	<u>Type</u>
3410	Hawthorne
3411	Azalea
3420	Magnolia
3421	Palmetto
3422	Camellia
3423	Cypress

Building 35

<u>Villa No.</u>	<u>Type</u>
3510	Azalea
3511	Hawthorne
3520	Cypress
3521	Camellia
3522	Palmetto
3523	Magnolia

Building 36

<u>Villa No.</u>	<u>Type</u>
3610	Azalea
3611	Hawthorne
3620	Cypress
3621	Camellia
3622	Palmetto
3623	Magnolia

Building 37

<u>Villa No.</u>	<u>Type</u>
3710	Hawthorne
3711	Azalea
3720	Magnolia
3721	Palmetto
3722	Camellia
3723	Cypress

Building 38

<u>Villa No.</u>	<u>Type</u>
3810	Hawthorne
3811	Azalea
3820	Magnolia
3821	Palmetto
3822	Camellia
3823	Cypress

Building 39

<u>Villa No.</u>	<u>Type</u>
3910	Azalea
3911	Hawthorne
3920	Cypress
3921	Camellia
3922	Palmetto
3923	Magnolia

Building 40

<u>Villa No.</u>	<u>Type</u>
4010	Hawthorne
4011	Azalea
4020	Magnolia
4021	Palmetto
4022	Camellia
4023	Cypress

Building 41

<u>Villa No.</u>	<u>Type</u>
4110	Hawthorne
4111	Azalea
4120	Magnolia
4121	Palmetto
4122	Camellia
4123	Cypress

Building 42

<u>Villa No.</u>	<u>Type</u>
4210	Azalea
4211	Hawthorne
4220	Cypress
4221	Camellia
4222	Palmetto
4223	Magnolia

The mailing address for an individual Villa is 4 Indigo Run Drive, Villa No. _____, Hilton Head Island, South Carolina 29926."

As described below in Section 8, the Building and Villa types for the Future Phase Property, if applicable, of the Regime will be generally consistent with Villa types in Phase I as herein provided.

All of the aforementioned Villas are more particularly shown on the Plans thereof attached hereto on Exhibit "C-1" which Plans are incorporated herein in the same manner as if expressly set forth in this Section 5.4 and said plans, together with the Villa numbers and square footage of area in each Villa, and likewise together with the description of Villa boundaries as hereinafter set forth in Section 5.5, shall constitute a complete description of the Villas within the Regime.

5.5 BOUNDARIES; GENERAL RULE.

(a) The upper and lower boundaries of each Villa are the interior unfinished surfaces of the floors and ceilings of each Villa. The perimetric boundaries of each Villa, extended to an intersection with the upper and lower boundaries are as follows:

(1) As to all Villa exterior walls which physically divide the Villa from Common Elements of the Building, or from another Villa, it shall be the vertical plane of the unfinished surface of the interior wallboard subject to such encroachments as now exist or may be caused or created by the construction, settlement or movement of the Building or by permissible repairs, construction or alterations. All insulated glass windows and all doors directly accessing the Villa are part of the Villa.

(2) All vertical planes of each Villa shall extend to intersections with each other.

(b) All lath, wallboard, tiles, paint, finished flooring, carpet, and any other materials constituting any part of the finished surfaces of the walls, floors, and ceilings which are the boundaries of a Villa, together with all telephones, and all built-in light fixtures, wires, service outlets, vent outlets, heating and cooling equipment and duct work, electrical switches, thermostats, toilet and other bathroom fixtures and any and all other similar mechanical or physical fixtures which are within the perimetric walls or ceilings and serving a single Villa or within the space above the ceiling and below the floor of the Villa or, in the case of the heating, air conditioning and ventilation system, located outside the Villa, are a part of the Villa.

(c) The garages, and in the case of the second floor Villas, the stairways leading to the garages are considered part of the Villa.

(d) Any flue, duct, chase, conduit, bearing wall, bearing column, joists, rafters, and all other similar mechanical or physical fixtures except those designated in paragraph (b) above, whether or not it lies partially within and partially outside the designated boundaries of a Villa, is a Common Element.

(e) Subject to the provisions of paragraph (d), all spaces, interior non-bearing partitions, and other fixtures and improvements within the boundaries of a Villa installed with the perimetric walls or ceilings whether, as a part of the original construction or as a part of subsequent construction, are a part of the Villa.

5.6 OWNER'S RESPONSIBILITIES FOR MAINTENANCE AND REPAIR

(a) While generally an Owner is responsible for the maintenance and repair of the area described above in Section 5.5 as being included in a Villa, notwithstanding the generality of the foregoing description of Villa boundaries, each Villa Owner shall also be responsible for maintenance and repair of the following, whether it shall be defined as within a Villa or not:

(1) the doorways, windows, vents, and other structural elements in the walls, floors, and ceilings of the Villa which are regarded as enclosures of space;

(2) the doors opening into the Villa and into any mechanical area integral to the Villa, including the frames, casings, hinges, handles, and other fixtures which are part of the doors;

(3) the window glasses, screens, frames, wells, and casings which are part of the windows opening from the Villa;

(4) the plumbing and mechanical vents which exclusively serve the Villa;

(5) the appliances, air conditioning and heat pump units, (compressors, air handlers and condensers), water heaters, lavatories, bath tubs, toilets, carpeting, floor covering, flooring, trim, ceilings, walls, insulation, fireplace and other fixtures, furnishings, and building materials which are part of the Villa at the time of initial

closing from Declarant to the Villa Owner, and any subsequent replacements thereof;

(6) the screens, lattice work, partitions, railings, or balustrades bounding or enclosing any deck, walkways, porch or service area that is integral and exclusive to the Villa, and the concrete surface, and/or topping within any such area;

(7) all pipes, wires, ducts, and other plumbing, mechanical, and electrical appurtenances which are integral and exclusive to the Villa, including lamps attached to the exterior of the Villa;

(8) for the Hawthorne, Palmetto, Magnolia, Camellia, and Cypress Villa Type, the Owner's garage (single(s) or double) on the ground level which constitutes a part of the Villa; and

(9) any damage to the Villa itself or to a contiguous (i.e. either adjacent, upstairs or downstairs) Villa caused by a negligent action or inaction within the Owner's Villa, which directly or indirectly causes damage to the other Villa or to the Villa itself.

Notwithstanding the foregoing, by allocating responsibilities of maintenance and repair to Owners, it is not the intention of Declarant to affect the ultimate insurance obligations or the reconstruction obligations of the Regime.

(b) Except in the event of an emergency situation, in the event that the Association determines that any Owner has failed or refused to discharge properly his obligations with respect to the maintenance, cleaning, repair, or replacement of items for which he is responsible under this Master Deed, then the Association shall give such Owner written notice of the Association's intent to provide such necessary maintenance, cleaning, repair, or replacement at such Owner's sole cost and expense, and setting forth with reasonable particularity the maintenance, cleaning, repair, or replacement deemed necessary. Except in the event of emergency situations, such Owner shall have fifteen (15) days in which to complete said maintenance, cleaning, repair, or replacement in a good and workmanlike manner, or in the event that such maintenance, cleaning, repair, or replacement is not capable of completion within said fifteen (15) day period, to commence said maintenance, cleaning, repair, or replacement and diligently proceed to complete said maintenance, cleaning, repair, or replacement in a good and workmanlike manner. In the event of emergency situations or the failure of any Owner to comply with the provisions hereof after such notice, the Association may provide any such maintenance, cleaning, repair, or replacement at such Owner's sole cost and expense, and said cost shall be added to and become a part of the Assessment to which such Owner and his Villa are subject and shall become a lien against such Villa as provided herein.

5.7 USES OF VILLAS.

(a) Each Villa is restricted as to use by the Owner or Owners thereof, their lessees and invitees, it being the intent of the Declarant that the Building be used for residential purposes only which are consistent with and appropriate to the design of the Building.

(b) The Declarant herein subjects the Regime to the further limitation and restriction that it shall be used and occupied for whole-time residential dwellings. Reference is made to Section 15 infra regarding prohibition of time-sharing plans and multiple ownership plans.

(c) No Villa Owner shall do, suffer, or permit to be done, anything in his Villa which would impair the soundness or safety of the Regime, or which would be noxious or offensive or an interference with the peaceful possession and proper use of other Villas, or which would require any alteration of or addition to any of the Common Elements to be in compliance with any applicable law or regulation, or which would otherwise be in violation of law.

(d) In case of any emergency originating in or threatening any Villa, regardless of whether the Owner or his tenant, if any, is present at the time of such emergency, the Association's Board of Directors and all managerial personnel shall have the right to enter such Villa for the purpose of remedying or abating the cause of such emergency, and such right of entry shall be immediate. To facilitate entry in the event of any such emergency, the Owner of each Villa, if required by the Association, shall deposit under the control of the Association a key to such Villa.

(e) Reference is made to By-Laws attached hereto as Exhibit "D" for specific rights and authority of the Board with respect to Common Elements.

(f) Reference is made to the initial Rules and Regulations attached to the ByLaws as Appendix "A" enacted for the orderly use and enjoyment of the Villas and Common Elements.

(g) Notwithstanding anything else to the contrary in this Section 5.7, the Declarant, and its designated agents, shall be permitted to use one or more Villas for purposes of a real estate sales models, leasing, management and/or operations offices.

(h) Declarant further reserves the right, but not the obligation, to improve and/or to maintain the Common Elements of the Regime. In the event any of the improvements constituting common elements of the Regime herein are not being maintained by the Association in a manner in keeping with the overall image of The Preserve at Indigo Run for as long as Declarant is the owner of any villa in the Regime or any of the Future Phase Property, Declarant, in the Declarant's reasonable discretion, may provide notice to the Association of the deficiencies; and in the event that the Association does not take remedial action within thirty (30) days from the date of said notice, then Declarant may take necessary action to improve and/or maintain the Common Elements and shall be reimbursed by the Association for the reasonable costs expended.

(i) The Declarant 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 Villa and upon the Declarant and upon all future Owners of Villas.

5.8 **DEEDS TO VILLAS.** On the transfer of a Villa, a deed effecting that transfer conveys all the seller's interests in that Villa to the purchaser, including the seller's interest in the real and personal property of the Association, any reserve accounts applicable to that Villa, and in any cause of action or chose in action either of the Association or arising out of his ownership of that Villa, whether or not those interests are expressly described in the deed.

5.9 **ASSESSMENTS FOR COMMON EXPENSES; RESPONSIBILITIES FOR MAINTENANCE.** The obligations of all Villa Owners with regard to assessments for Common Expenses and the maintenance and repair of the individual Villas shall be as provided in the By-Laws of the Association which are attached hereto as Exhibit "D".

5.10 **RELOCATION OF BOUNDARIES BETWEEN VILLAS.**

(a) Declarant intends to provide a flexible and certain method consistent with the Act in the best interest of the Association and all of its members by which boundaries between individual Villas may be relocated. Subject to the provisions of this Master Deed and other provisions of law, a Villa Owner(s) may apply to relocate boundaries of a Villa subject to the conditions and procedures described below in Section 5.10(b) et seq.

(b) The Owner of a Villa or Owners of adjoining Villas may, at any time, deliver a letter to the President of the Association stating their intentions to subdivide or relocate the boundaries between their Villas, together with a plan of their Villas which conforms with Sections 27-31-100, 27-31-110 and 27-31-120 of the Act showing the proposed relocated boundaries of those Villas. In such case, with respect to every proposed Villa which will result from the proposed relocation:

(1) each Villa to be created must contain at least 875 square feet of Villa space as herein defined;

(2) at least one boundary of each Villa to be created must be coterminous with a partition wall, extending in one plane for at least 6 feet, which divides the Villa from a hallway constituting a Common Element in the Building; and

(3) each Villa must comply with all applicable laws, rules, regulations, codes and/or ordinances, including, but not limited to, those relating to health, fire, safety and parking, and adequate provision must be made for any required fire and emergency exits, mechanical and support systems of the Buildings, utilities, as well as assurance that there is no impairment of the structural integrity of the Villa and/or Building or that there is no increase in any Owner's insurance costs.

(4) All expenses of the Association, including legal fees, architectural, surveying and consultant's fees, shall be borne by the requesting Villa Owner(s).

(c) Within sixty (60) days after receipt of a letter from a Villa Owner pursuant to Section 5.10(b), the President shall:

(1) cause an amendment to the Master Deed to be prepared which conforms to this Master Deed and the Act, together with a certified amendment to

the plans which conforms to the requirements of the Act. The amendment to the Master Deed shall reallocate the assigned appurtenant interests among all the Villas resulting from the subdivision or relocation of boundaries in proportion to the relative sizes of those Villas but shall not affect in any manner the percentage of interest appertaining to the other Villas not otherwise redefined. The Amendment to Master Deed shall, to the extent necessitated by the subdivision, take into consideration potential redefinition of boundaries of the newly constituted Villa(s) as compared to the definition above in Section 5.5. In the event that the subdivision of a Villa results in the creation of what would normally be a Common Element within the Building so subdivided (e.g. the roof, foundation, structural elements, mechanical systems, exterior walls) such Common Element shall be a limited Common Element to those resulting Villas within said subdivided Villa; provided, in no event shall the Owner(s) of the other Villas be responsible for the costs of operation, maintenance, repair or replacement of any such limited Common Element appurtenant to such a subdivided Villa; and

(2) upon payment by the affected Villa owners of all permit, recording, legal, architectural and other fees incurred by the Association, the President of the Association shall execute the Amendment to the Master Deed and record same including the plats and plans subdividing or relocating the Villa(s) and showing the altered boundaries of the Villas and their dimensions and identifying numbers.

(d) The amendments to the Master Deed and plans to reallocate Villas are only effective when executed in the manner required by this Section 5.10 and recorded. The consents to the amendment by the mortgagees of the affected Villas shall also be recorded.

5.11 ALTERATIONS IN VILLAS.

(a) A Villa Owner may make any improvements or alterations to his Villa that do not impair the structural integrity or mechanical systems, or lessen the support of, any portion of any other Villa.

(b) Subsequent to a subdivision of a Villa pursuant to Section 5.10 or in the situation where a Villa Owner already owns adjoining Villas, after giving notice to the Association, a Villa Owner may alter a partition wall between such adjoining Villas owned by him to create an opening in that wall. Such an alteration does not constitute a relocation of boundaries between Villas as defined in Section 5.10 of this Article.

(c) Any Villa Owner altering a Villa pursuant to this Section or Section 5.10 shall: (1) provide for waivers of all mechanics lien rights which may arise as a result of the alteration; (2) provide certificates of insurance insuring against all losses commonly insured against arising out of the work naming the Association as an additional insured; (3) indemnify and hold the Association and other Villa Owners harmless from the effect of the work and the acts or omissions of anyone under such Villa Owner's direction or control; (4) minimize the disturbance of other Villa Owners and their business activities during the work; (5) provide evidence to Association of all permits as may be required; and (6) reimburse the Association for any expenses incurred by the Association, including but not limited to legal and other consulting fees.

(d) When any alterations approved by the Association are completed, the affected Villa Owners shall deliver to the Association a copy of the 'as built' plans and specifications certified to by an architect licensed to practice in South Carolina.

6. **AREAS COMPRISING PROPERTY.** The Property as originally constructed has a total of approximately 7.42 acres on which is situated ten (10) residential buildings occupying approximately 61,300 square feet, and the remaining approximately 262,039 square feet is made up of parking, sidewalks, outside landscape areas and other Common Elements. The Villas within the Buildings are located on two (2) floors.

7. **COMMON ELEMENTS:** The Common Elements of the Property are as follows:

7.1 **General Common Elements:** General Common Elements are as follows:

(a) The Property, excluding the Limited Common Elements and the Villas, and including, but not limited to the land on which the Villas are constructed, the foundations, roofs, exterior portions of perimeter walls, including exterior wall surfaces, those portions of partitions and walls separating Villas not otherwise part of the Villa, gutters, load-bearing columns or walls, slabs, public utility lines; and pipes, wires or conduits located within slabs or elsewhere in the Buildings other than as described in Section 5.5. In each instance there shall also be included the space actually occupied by the above.

(b) Parking facilities located on the Property, which are shown on the plat of the Property referenced in Exhibit "B".

(c) All roads, walkways, paths, breezeway areas, wood decking and boardwalks, seating areas, trees, shrubs, yards, (except such as are designated as Limited Common Elements) gardens, planter areas, trellis', etc.

(d) The equipment rooms, trash areas, common maintenance storage rooms and closets, and sprinkler systems and area occupying same.

(e) All installations, and area occupying same, outside of the Villas for services such as power, light, gas (including underground storage tanks) telephone, television (including satellite dishes), water and other similar utilities.

(f) All sewer, drainage and irrigation pipes, excluding those which are the property of the utility district.

(g) Such easements through the Villas for pipes, ducts, plumbing, wiring and other facilities for the furnishing of utility services to Villas, General Common Elements and Limited Common Elements and easements for access, maintenance, repair, reconstruction or replacement of structural members, equipment, installations and appurtenances, and for all other services necessary or convenient to the existence, maintenance, safety and use of the Property, whether or not such easements are erected during construction of the Property or during re-construction of all or any part thereof, except such easements as may be defined as Limited Common Elements.

(h) All areas not designated as a Limited Common Element and not described as lying within the boundary of a Villa as described in Section 5.5 hereof and all other elements of the Property constructed or to be constructed on the Property, rationally of 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.

It is noted that the contemplated Future Phase Property to be made a part of the Regime will include additional Common Elements in the form of the mail kiosk, the entry gates, the recreational facilities as constructed which includes thereon a tennis court, swimming pool, trellis and deck, pool, cabana walking paths, cutting garden, fountain area, the clubhouse and on-site office facility all of which will be more particularly described in future amendments to this Master Deed.

7.2 **LIMITED COMMON ELEMENTS:** Limited Common Elements as defined in the Act are those Common Elements reserved for the use of certain Villa owners to the exclusion of other owners. In The Preserve at Indigo Run, the Limited Common Elements are as follows:

(a) All balconies, patios and decks immediately adjacent to each Villa or to which each Villa has direct access from the interior thereof as shown on the floor plans identified as Exhibit "C-1".

(b) The space lying between the upper boundary of each Villa as described in Section 5.5 and the floor or roof above such Villa subject to easements for utilizing service as previously described.

(c) In the case of the Azalea Villa, the uncovered parking spaces located in the parking area of varying dimensions, all of which are numbered consistent with the Villa numbers and which are assigned specifically to each Azalea Villa for the sole and exclusive use of the Co-Owner. These Limited Common Elements are non-severable from the Villa and are deemed to be automatically conveyed with the Villa without any specific reference to same being required in the conveyance documents.

(d) All other areas depicted as Limited Common Elements to the Villas on the floor plans attached as Exhibit "C-1".

8. **GENERAL PLAN OF DEVELOPMENT.**

8.1 **GENERAL.** The Declarant has constructed the Property described herein (which shall sometimes be referred to as The Phase I Property) and further intends to complete conversion of the Villa Buildings contiguous to the Property which is the subject of this Master Deed. The additional property shall be referred to as Phase II through Phase IV, if applicable, or as "Future Phase" Property. The Future Phase Property, as and if applicable, is described in Exhibit "A" attached hereto and made a part of and said Phase is shown on the plat attached hereto as Exhibit "B". The total number of Villas for all Phases shall be two hundred fifty-two (252).

8.2 **CONVERSION.** The improvements being submitted to the Regime were constructed by Declarant in the 2000/2001 time frame as a multi-family apartment complex. As such, the Villas referenced herein have previously been occupied. This Master Deed is intended to satisfy all of the requirements of the Act relating to conversion of existing rental, residential properties to the condominium form of ownership. As such, attached hereto as Exhibit "C-3" and incorporated herein is a report from an independent registered

engineer licensed to practice in South Carolina containing a good faith estimate of the remaining useful life to be expected for each item reported on, together with a list of any notices of uncured violations of building codes or other County or municipal regulations, if any, together with an estimated cost of curing those violations. Exhibit "C-3" is intended to be a good faith estimate of useful life and shall not constitute a warranty of Declarant or of said engineer. The intention of the report is to provide a summary of the present condition of all general Common Elements as listed in said report.

8.3 **FUTURE PHASE PROPERTY.** With regard to the Future Phase Property herein referred to, Declarant reserves the right, in the manner more particularly hereinafter set forth, to cause the Future Phase Property to become an integral part of the Regime once an appropriate Amendment to this Master Deed has been filed as hereinafter provided. It is presently planned that each subsequent phase will consist of one or more buildings, of two (2) stories each, containing six (6) Villas. The Buildings will be numbered 1 through 32 consecutively. Said Future Phase Villas are of similar form, design and general valuation and have been constructed with similar basic materials as the Buildings constructed on the Phase I Property.

9. **RESERVATION OF RIGHT OF DECLARANT FOR FUTURE PHASE PROPERTY.** Declarant, its successors and assigns, hereby expressly reserves the right, to be exercised in its sole discretion, to submit the Future Phase Property to the provisions of this Master Deed and thereby cause the Future Phase Property to become and forever be a part of the Regime in the same manner as if being a part thereof in every particular upon the initial execution and filing of this Master Deed. This right may be exercised by Declarant, its successors, grantees and assigns only upon the execution by it or them of an amendment to this Master Deed which Amendment shall be filed in the Register of Deeds Office for Beaufort County, South Carolina not later than December 31, 2015. Any such amendment shall conform to the various provisions and conditions precedent established in this Master Deed and shall expressly submit the Future Phase Property, as applicable to all of the provisions of this Master Deed and the ByLaws of the Regime, a copy of which ByLaws is attached hereto as Exhibit "D" and made a part hereof, as either or both may be amended between the date of said Master Deed and ByLaws, and the filing of said Amendments to this Master Deed to include the Future Phase Property. While reference has been made to Future Phase Property as a whole, it is the Declarant's present intention that the property be developed in several phases, and it is possible that depending upon construction scheduling, the Declarant may bring in Villas within the Future Phase Property in one or more stages or sub-phases. If so, separate Amendments will be filed and in such event, such sub-phase would be referred to as, e.g. Phase II-A, Phase II-B, etc. Upon the exercise, if any, of this right to include the Future Phase Property as a part of this Regime, the provisions of this Master Deed and all Exhibits hereto shall then be understood and construed as embracing the Phase I (the basic "Property" herein defined) and the Future Phase Property, together with all improvements then constructed thereon. Should this right of inclusion or annexation not be exercised within the time herein prescribed and in the manner herein prescribed, such right shall in all respects expire and be of no further force or effect.

10. **REVOCATION AND AMENDMENT.** The dedication of the Property to the Horizontal Property Regime herein shall not be revoked, or the Property removed from the Regime, or any of the provisions herein amended unless all of the Co-owner and the mortgagees of all the mortgages covering the Villas unanimously agree to such revocation, or amendment, or removal of the Property from the Regime by duly recorded instrument; provided, however, that without the consent of the Villa Owners or Mortgagees, the Declarant, or its successors in title, and/or the Villa Owners may amend this Master Deed in the manner set forth in Section 5.10 as it relates to relocation and in Sections 8 and 9 so as to subject the Future Phase Property to the provisions of this Master Deed and the act so as to make the Future Phase Property an integral part of the Regime; and provided further, that notwithstanding any provision herein in this Section 10, the Association may amend the provisions of the By-Laws attached hereto as Exhibit "D" as provided for therein in Article XIII or elsewhere in said By-Laws, Any such amendment shall, when read in concert with this

Master Deed, contain all of the particulars required by the said Act as the same is now constituted or may hereafter be amended. And after the recording of such Amendment the Regime shall include all of said applicable Future Phase Property. The Future Phase Villas are to be as described in Sections 8 and 9. The designation of each Villa in the Future Phases by Villa type and its proportionate interest in the common elements is set forth in Section 11.

If Declarant elects to make the Future Phase Property a part of this Regime as herein provided, Declarant shall cause to be prepared and made a part of the Amendment by which the Future Phase Property is incorporated into the Regime a schedule designating Villa types, reflecting each Villas proportionate interest in the common elements, which schedule shall be similar in content and format to the schedule set forth in Section 11, prepared using the requirements and guidelines set forth in Section 8 and 9 hereof. Upon the recordation of the Amendments to make the applicable Future Phase Property a part of the Regime, the provisions regarding Revocation and Amendment set forth in this Section 10 shall have equal application thereto.

11. **PERCENTAGE OF INTEREST OF VILLAS.**

11.1 **STATUTORY PERCENTAGE INTEREST.** The percentage of title and interest appurtenant to each Villa and the Villa owners title and interest in the Common Elements (both General and Limited) of the Property and the proportionate share in the profits and common monthly expenses as well as the proportionate representation for voting purposes in the meeting of the Association is based on the proportionate value of each Villa to the value of the total Property as set forth below.

For purposes of the Act and pursuant to the terms of the Master Deed, the percentage interest appurtenant to each Villa of the Regime shall be established in accordance with the following formula:

$$\frac{V}{A} = P$$

- "P" - Percentage Interest of each Villa.
- "V" - Valuation of the respect Villas as set forth in this Section 11 and in the Amendment to Master Deed for Future Phases.
- "A" - Aggregate Valuation of all Villas existing in the Regime and added to the Regime as provided in Sections 8 and 9 of the Master Deed.

11.2 **VILLA TYPES/STATUTORY VALUES:** The six (6) basic types of Villas have the following statutory value for purposes of the Act:

Azalea	=	\$ 140,400	Magnolia	=	\$ 249,750
Hawthorne	=	\$ 192,150	Camellia	=	\$ 252,450
Palmetto	=	\$ 226,950	Cypress	=	\$ 271,950

11.3 **STATUTORY PERCENTAGE INTEREST:** Based upon the above values, the percentage of undivided interest in the common elements appurtenant to each Villa in the Regime is set forth below in Chart A:

CHART A
PHASE I

<u>Villa/Type</u>	<u>Statutory Value</u>	<u>No. of Villas</u>	<u>Percentage Phase I Each Villa</u>
Azalea	140,400	10	1.05%
Hawthorne	192,150	10	1.44%
Palmetto	226,950	10	1.70%
Magnolia	249,750	10	1.87%
Camellia	252,450	10	1.90%
Cypress	271,950	10	2.04%

11.4 **OVERALL SUMMARY - COMPOSITE CHART B:** Subsequent to the filing of this Master Deed the total number of Villas by Type and Percentage Interest is as follows:

CHART B

<u>Villa Type</u>	<u>Individual % Interest</u>	<u>Total # of Villas</u>	<u>Total Percentage</u>
1. Azalea	1.05%	10	10.50%
2. Hawthorne	1.44%	10	14.40%
3. Palmetto	1.70%	10	17.00%
4. Magnolia	1.87%	10	18.70%
5. Camellia	1.90%	10	19.00%
6. Cypress	2.04%	10	20.40%
TOTAL		60	100.00%

11.5 **FUTURE PHASES.** In the event Declarant elects to expand the Regime as provided for herein, all Villas added to the Regime shall have the same statutory valuations as set forth above; provided, however, that Declarant does reserve the right to modify floor plans for Future Phase Villas and, in such event, the statutory valuation may vary.

The following Chart C demonstrates the adjustment in the percentage interest assuming that Phases II - IV are added to the Regime comprising sixty (60) Villas in each of Phases II and III and then Phase IV with seventy-two (72) villas, and assuming the same average statutory valuation of Villas as Phase I. However, the exact adjustment of percentage interest is not subject to calculation until the exact number of Villas to be added to the Regime is established. There may be a fewer number of Villas. In the event that addition of Villas to the Regime results in a calculation of percentage interest in accordance with the above formula which does not total One Hundred (100%) Percent, the amount necessary to bring such total to One Hundred (100%) Percent shall be allocated by the Board of Directors or its designated Management Agent.

CHART C

ASSIGNED PERCENTAGE INTEREST ASSUMING FUTURE PHASE PROPERTY IS ADDED TO THE REGIME

INDIVIDUAL STATUTORY PERCENTAGE

CUMULATIVE TOTAL # OF Villas	Azalea	Hawthorne	Palmetto	Magnolia	Camellia	Cypress	CUMULATIVE STATUTORY VALUE OF PROPERTY
Phase I 60 Villas	1.05%	1.44%	1.70%	1.87%	1.90%	2.04%	\$13,336,500
Phase II 60 Villas (120)	.52%	.72%	.85%	.96%	.95%	1.02%	\$26,673,000
Phase III 60 Villas (180)	.35%	.48%	.57%	.62%	.63%	.68%	\$40,009,500
Phase IV 72 Villas (252)	.25%	.34%	.41%	.45%	.45%	.49%	\$56,013,300
TOTAL 252 Villas							\$56,013,300

Note: The number of phases, and the number of villas within each phase is projected and is subsequent to change at Declarant's sole discretion. Declarant may also bring in phases in stages, to be known as sub-phases.

11.6 TOTAL VALUE. The total statutory value of the Property in Phase I is \$13,336,500. The total value projected for all Phases is \$56,013,300. Subject to the overall limitations described in Section 8 of the Master Deed, Declarant will not exceed these estimated numbers for the Future Phase.

NOTE: THESE VALUATIONS ARE FOR PURPOSES OF THE SOUTH CAROLINA HORIZONTAL PROPERTY ACT.

The proportionate representation for voting purpose and the percentage of the undivided interest in the Common Elements (both General and Limited) provided in this paragraph shall not be altered without the acquiescence of the Co-owner representing all of the Villas expressed in an amendment to this Master Deed duly recorded as required by Section 10 hereof or except as provided in Sections 5.10 with regard to the amendment of the Master Deed to allow reallocation of boundaries between Villas.

11.7 NO ALTERATIONS. The proportionate representation for voting purpose and the percentage of the undivided interest in the Common Elements (both General and Limited) provided in this Section 11 shall not be altered without the acquiescence of the Co-Owners representing all of the Villas expressed in an amendment to this Master Deed duly recorded as required by Section 10 hereof, unless adjusted per Section 5.10, or except as provided in Sections 8, 9, and 10 with regard to the Amendment of the Master Deed to admit the Future Phase Villas.

12. **ADMINISTRATION AND BY-LAWS.**

12.1 **ASSOCIATION; BY-LAWS.** As noted in Section 2 hereof, Declarant has caused to be incorporated under the laws of the State of South Carolina a corporation known as The Preserve at Indigo Run Owners' Association, Inc., which shall be an incorporated Council of Co-Owners to serve as the body by which the Villa owners will manage the affairs of the Regime. Each Villa owner shall have voting rights in said Association in the same percentage as the percentage of interest his Villa has in the Common Elements. The administration of the Regime, and consequently of the Association, consisting as aforesaid of the Property described above, shall be in accordance with the provisions of the By-Laws which are incorporated herein, made a part hereof and are attached hereto as Exhibit "D".

12.2 **AUTOMATIC MEMBERSHIP IN ASSOCIATION.** Each Villa owner shall automatically become and be a member of the Association so long as he continues to be a Villa owner and shall exercise such percentage of vote in all matters as shown in Section 11. In the event that a Villa is owned by more than one person, the person entitled to cast the vote for the Villa shall be designated by a certificate signed by all the record owners of the said Villa and filed with the Secretary of the Association. Further, should such Villa owner be a corporation, the person entitled to cast the vote for the Villa shall be designated by a certificate signed by the President or Vice President of the corporation and attested to by the Secretary or Assistant Secretary of the corporation and filed with the Secretary of the Association. Should such Villa Owner be a partnership, the person entitled to cast the vote for the Villa shall be designated by a certificate signed by the general partner (or if such general partner is a corporation, by the President or Vice President of such corporation) and filed with the Secretary of the Association. Should such Villa Owner be a limited liability company, the person entitled to vote for the Villa shall be designated by a certificate signed by an authorized member of the limited liability company and filed with the Secretary of the Association. All such certificates shall be valid until revoked, superceded by a subsequent certificate, or until there has been a change in ownership of the Villa concerned. All such certificates shall be valid until revoked, superseded by a subsequent certificate, or until there has been a change in ownership of the Villa concerned.

13. **HORIZONTAL PROPERTY REGIME CONSTITUTED.** As appears above, a Horizontal Property Regime is hereby constituted under and subject to the provisions of the Act, so that Villas may be conveyed and recorded as individual properties capable of independent use and each having its own exit to the Common Elements of the Property, and each Villa Co-owner having an exclusive and particular right over his respective Villa and in addition the specified undivided interest in the Common Elements of the Property.

14. **DECLARANT SUBJECT TO MASTER DEED; DECLARANT USE.**

14.1 **DECLARANT USE; GENERAL.** So long as the Declarant owns one or more of the Villas, the Declarant shall be subject to the provisions of this Master Deed and the Exhibits attached hereto and the Declarant covenants to take no action which will adversely affect the rights of the Regime with respect to the assurances against latent defects in the Property or other rights assigned to the Regime by reason of the establishment of said Regime; provided, however, that Declarant as in the case with any other Villa owner, shall have the absolute right and privilege of leasing any or all of the Villas owned by it for the uses permitted by this Master Deed, and that Declarant's lessees, invitees, guests, etc., shall be entitled to all of the privileges and rights, and be subject to the requirements hereunder, of a Co-owner with respect to the use of the Property excluding voting rights which shall remain with the Declarant.

14.2 **DECLARANT USE AS SALES MODEL.** Provided further, that Declarant, and its successors and assigns, shall be entitled to use one or more of the Villas as models for purposes of a sales

model and/or office until the entire project as well as the contiguous properties to be developed by Declarant has been sold, it being the intent of Declarant that said reserved rights do not conflict with the residential use restriction described hereinabove.

15. **TIME-SHARING/INTERVAL AND FRACTIONAL OWNERSHIP.** The Declarant herein subjects the Phase I Property of the Regime to the further limitation and restriction that it shall be used and occupied for whole-time residential dwelling Villas, and such dwelling Villas shall not be utilized for purposes of time-sharing or interval ownership, time-sharing or interval licenses, time-sharing or interval leases, fractional interest or similar plans as those items are currently generally utilized in the real estate industry or as those or similar terms are expressed or defined in Title 27, Chapter 32, Code of Laws of South Carolina, 1976, as amended i.e. the South Carolina Vacation Time Sharing Act and the South Carolina Multiple Ownership Act.

16. **PROVISIONS AND COVENANTS APPLICABLE TO VILLAS.** Each Co-owner shall comply with the provisions of this Master Deed and authorized amendments thereto; By-Laws, decisions and resolutions of Board or other representatives, as lawfully enacted from time to time, together with any lawfully adopted amendments thereto. The failure to comply with such provisions, decisions, or resolutions shall be grounds for an action to recover sums due for damages or for injunctive relief. The Villas shall also be conveyed subject to the recorded plat and plans of the Property and amendments thereto.

17. **GENERAL CONDITIONS/MISCELLANEOUS MATTERS.**

17.1 **COMMON ELEMENTS NOT PARTITIONED.** Except as provided, the Common Elements shall remain undivided and no Co-owner shall bring any action for partition and/or division.

17.2 **COMMON ELEMENTS NOT SEVERABLE FROM VILLAS.** The undivided interest in the Common Elements, including, but not limited to, those specific Limited Common Elements described above in Section 7.2 shall not be separated from the Villa to which it appertains and shall be deemed conveyed or encumbered with the Villa even though such interest is not expressly mentioned or described in the conveyance or other instrument.

17.3 **NONUSE NOT EXEMPTION OF LIABILITY FOR COMMON EXPENSES.** No Co-owner of a Villa may exempt himself from liability for his contribution toward the common expenses by waiver of the use or enjoyment of any of the Common Elements or by the abandonment of his Villa.

17.4 **ALL USERS OF PROPERTY SUBJECT TO MASTERDEED.** All present or future Co-owner, tenants, future tenants, or any other person that might use the facilities of the Property in any manner, including those who may lease from the Declarant, are subject to the provisions of this Master Deed and any authorized amendments thereto, and that the mere acquisition or rental of any of the Villas shall signify that the provisions of this Master Deed and any authorized amendment thereto are accepted and ratified.

17.5 **ASSESSMENTS SUBORDINATE TO MORTGAGEE TAKING TITLE.** Where a mortgagee or other purchaser of a Villa obtains title by reason of foreclosure or deed in lieu of foreclosure of a mortgage covering a Villa, such acquirer of title, his or its heirs, successors, assigns or grantees, shall not be liable for assessments by the Association which became due prior to the acquisition of title by such acquirer, it being understood, however, that the above shall not be construed to prevent the Association from filing and claiming liens for such assessments and enforcing same as provided by law, and that such assessment shall be subordinate to such mortgage.

17.6 **INSURANCE.** The Board of Directors of the Association shall be required to obtain and maintain those types and forms of insurance as are required by ARTICLE VIII of the By-Laws set forth in Exhibit "D" attached hereto and made a part hereof.

17.7 **RECONSTRUCTION AND REPAIR.** In the event of casualty loss or damage to the Property the provisions of Article IV of the By-Laws as set forth in Exhibit "D" shall govern all matters pertaining to reconstruction and repair.

17.8 **CONDEMNATION.** In the event of a condemnation of a portion of the Property which is subject to this Master Deed, no reallocation of interests in the common areas resulting from a partial condemnation of such a Project may be effected without the prior approval of the Villa Owners and the eligible holders holding mortgages on all remaining Villas, whether existing in whole or in part, and which have at least seventy-five (75%) percent of the votes of such remaining Villas subject to eligible mortgage holders.

The Association shall represent the Villa Owners in any condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of the common areas, or part thereof. Each Villa Owner appoints the Association as attorney-in-fact for such purposes. In the event of a taking or acquisition of part or all of the Common Elements by a condemning authority, the award or proceeds of settlement shall be payable to the Association, or the Insurance Trustee, for the use and benefit of the Villa Owners and their mortgagees as their interests may appear.

17.9 **EASEMENT FOR ENCROACHMENT.** If any portion of the Common Elements now encroaches upon any Villa or if any Villa now encroaches upon any other Villa or upon any portion of the Common Elements, or if any such encroachment shall occur hereafter as a result of: (a) settling of the building; (b) alteration or repair to the Common Elements made by or with consent of the Board or; (c) as a result of repair or restoration or the building or any Villa by damage by fire or other casualty; or (d) as a result of condemnation or eminent domain proceedings, a valid easement shall exist for such encroachment and for the maintenance of the same so long as the building or buildings stand.

17.10 **OTHER REGIME EASEMENTS.** Each Villa Owner shall have an easement in common with the owners of all other Villas to use all pipes, wires, ducts, flues, cables, conduits, public utility lines and other Common Elements, if any, located in any of the other Villas and serving his Villa. Each Villa shall be subject to an easement in favor of the owners of all other Villas to use the pipes, wires, ducts, flues, cables, conduits, public utility lines and other Common Elements serving such other Villas and located in such Villa. The Board shall have the right of access to each Villa to inspect the same to remove violations therefrom and to maintain, repair or replace Common Elements contained therein or elsewhere in the building.

17.11 **SEVERABILITY.** The provisions hereof shall be deemed independent and severable and the invalidity in whole or in part of any section, sub-section, sentence, clause, phrase or word, or other provision of the Master Deed and the By-Laws or any authorized amendment hereto shall not impair or affect in any manner the validity or enforceability of the remaining portions hereof and, in such event, all of the other provisions of this Master Deed shall continue in full force and effect as if such invalid provision had never been included herein.

17.12 **NON-WAIVER.** No provision contained in this Master Deed shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

17.13 **GENDER AND NUMBER.** The use of the masculine gender in this Master Deed shall be deemed to refer to the feminine and neuter gender, and the use of the singular shall be deemed to refer to the plural, and vice versa, whenever the context so requires.

17.14 **APPLICABLE LAW/INTERPRETATION.** This Master Deed is set forth to comply with the requirements of the Act as presently constituted or as hereafter amended. In case any of the provisions stated above conflict with the provisions of said statute, the provisions of said statute shall control. In all cases, the provisions of this Master Deed shall be given that reasonable interpretation or construction which will best effect consummation of the general plan of land use restrictions and affirmative obligations of the Property, which will carry out the intent of the Declarant as expressed herein, and which will preserve the Property as a situs for an attractive, well maintained, retirement community.

Should any provision of this Master Deed or any section, paragraph, sentence, clause, phrase or term in this Master Deed be declared to be void, invalid, illegal, or unenforceable for any reason by the adjudication of the highest court or other tribunal which considers such matters and has jurisdiction over the parties hereto and the subject matter hereof, such judgment shall in no way affect the other provisions hereof which are hereby declared to be severable.

Contrary to the restrictive common law rule of construction, this Master Deed shall by this covenant be interpreted broadly to touch and concern the Property with recognition of modern economic, land use planning and real estate finance and development principles, theories and practices. It is the Declarant's intent, and all Owners who take subject to the Master Deed, to covenant and agree, and are thereby estopped to deny, that any reserved right or function of the Declarant and/or Association, and any other covenant condition, restriction or obligation within these Covenants is intended to promote the use and enjoyment of the Property, is intended to foster the creation, preservation or enhancement or economic or intangible values associated with the Property, and does touch and concern, benefit and burden and run with the Property.

17.15 **CAPTIONS.** The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Master Deed or the intent of any provisions hereof.

17.16 **EXHIBITS.** All Exhibits to this Master Deed shall be an integral part of this instrument.

18. **LIMITED WARRANTIES.** The following Section is taken from the Purchase and Sales Agreement by and between Declarant and all initial purchasers for Villas within the Regime. The purpose of reproducing said Section relating to warranties herein in this Master Deed is to provide actual notice to successors-in-title to original purchasers:

"At Closing, Seller shall execute and deliver to Purchaser a limited warranty certificate providing a limited warranty against substantial defects in materials or construction of the villa for a period of ninety (90) days from the date of Closing. Purchaser acknowledges that this is a limited warranty. This warranty shall not apply to fixtures and appliances covered by a warranty of a manufacturer or dealer, for which defects the Purchaser shall have such rights as are defined in the applicable warranty documents. At Closing, Seller shall transfer to Purchaser all of Seller's right, title and interest in and to any manufacturer's warranty furnished to Seller covering any equipment or appliance installed in the Property, and Seller makes no warranty or agreement of any kind with respect to any such equipment or appliance. Seller shall not be responsible for any incidental or consequential damages arising from any defect. This limited warranty is personal to Purchaser, and shall automatically

terminate and be of no further force or effect upon Purchaser's sale, transfer or conveyance of the Property.

Except as specifically provided above with the limited warranty, SELLER 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. SELLER HEREBY SPECIFICALLY DISCLAIMS IMPLIED WARRANTIES OF HABITABILITY, MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE.

Except as specifically provided herein, the sale of the villa by Seller to Purchaser shall be "as is" and "where is".

19. **JOINDER OF MORTGAGEE.** Attached as Exhibit "E" and incorporated herein is the Joinder of Mortgagee of the Declarant's lender.

IN WITNESS WHEREOF, Declarant has executed this Master Deed, and the appropriate corporate seal affixed hereto this 13 day of NOV in the year of Our Lord Two Thousand Three and in the Two Hundred and Twenty- 8th year of the Sovereignty and Independence of the United States of America.

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF:

STERLING LAND VENTURES I, LTD.

By: **STERLING DEVELOPMENT CORP.**, a Georgia Corporation, its sole General Partner

[Handwritten Signature]

By: [Handwritten Signature]

[Handwritten Signature]

Title:

STATE OF GEORGIA)
COUNTY OF FULTON)

ACKNOWLEDGMENT

I, Linda Ilse Riegel, do hereby certify that Thomas C. Committee of **STERLING LAND VENTURES I, LTD.**, on behalf of the corporation, personally appeared before me this day and acknowledged the due execution of the foregoing instrument and n/a, its n/a, attested the same.

Witness my hand and official seal this 13th day of November, 2003.

[Handwritten Signature] (SEAL)
Notary Public for Georgia
My Commission Expires:
Sept. 24, 2004

LINDA ILSE RIEGEL
Notary Public Paulding County, Georgia
My Commission Expires Sept. 24, 2004

INDEX OF EXHIBITS**THE PRESERVE AT INDIGO RUN HORIZONTAL PROPERTY REGIME**

- Exhibit "A" - Description of Land (Phase I Property); Description of Future Phase Property; Description of Reserved Rights and Permitted Exceptions;
- Exhibit "B" - As-Built Survey (Phase I Parcel)
- Exhibit "C-1" - Elevations and Floor Plans of Building and Villas (prepared by Humphrey & Partners Architects)
- Exhibit "C-2" - Architect's Certificate
- Exhibit "C-3" - Conversion Disclosure
- Exhibit "D" - By-Laws of The Preserve at Indigo Run Horizontal Property Regime and The Preserve at Indigo Run Owners' Association, Inc.
- Exhibit "E" - Joinder of Mortgagee

EXHIBIT "A" TO MASTER DEED OF
THE PRESERVE AT INDIGO RUN HORIZONTAL PROPERTY REGIME
DESCRIPTION OF LAND

All that certain piece, parcel or tract of land situate, lying and being in the Indigo Run Plantation, Hilton Head Island, Beaufort County, South Carolina, having and containing 7.42 acres, more or less, shown and described on the plat entitled "As-Built Survey, The Preserve at Indigo Run Horizontal Property Regime, Phase I", which plat was prepared by Gasque & Associates, Inc. and certified to by Davis S. Gasque, R.L.S. (S.C.) #10506, which said plat is dated August 25, 2003, as revised October 30, 2003 and is recorded in the Land Records of Beaufort County, South Carolina, in Plat Book 96 at Page 63. The property is described by courses and distances, metes and bounds, as follows, to-wit:

To find the **POINT OF BEGINNING** commence at the intersection of the centerline of that Right of Way known as Indigo Run Parkway and the centerline of that Right of Way known as Leg-O-Mutton Road and from said point of commencement proceeding N58°03'34"E for a distance of 89.91 feet to a point; thence proceeding N42°32'51"W for a distance of 9.90 feet to a point; thence proceeding S88°39'44"E for a distance of 177.10 feet to a point; thence proceeding along a curve for a distance of 132.54 feet in a Northeasterly direction, said curve having a radius of 374.00 feet, a chord bearing of N81°11'06"E for a chord distance of 131.85 feet to a point; thence proceeding N71°01'57"E for a distance of 104.30 feet to a point; thence proceeding N12°56'12"W for a distance of 340.42 feet to a concrete monument; thence proceeding N57°20'45"E for a distance of 207.39 feet to a concrete monument; thence proceeding N62°24'35"E for a distance of 54.27 feet; thence proceeding N75°47'32"E for a distance of 310.57 feet to a concrete monument; thence proceeding N52°22'41"E for a distance of 195.75 feet to a concrete monument; thence proceeding N65°28'05"E for a distance of 83.57 feet to a point which marks the **POINT OF BEGINNING** for the subject property; from said **POINT OF BEGINNING** proceeding N14°03'14"E for a distance of 245.87 feet to a point; thence proceeding N84°35'14"E for a distance of 56.79 feet to a point; thence proceeding S83°43'54"E for a distance of 45.12 feet to a point; thence proceeding S69°02'38"E for a distance of 42.32 feet to a point; thence proceeding N85°40'42"E for a distance of 42.87 feet to a point; thence proceeding N83°26'23"E for a distance of 48.16 feet to a point; thence proceeding S88°03'48"E for a distance of 12.03 feet to a point; thence proceeding N67°48'35"E for a distance of 26.43 feet to a point; thence proceeding N49°29'07"E for a distance of 16.73 feet to a point; thence proceeding S44°03'48"E for a distance of 5.64 feet to a point; thence proceeding S19°05'07"E for a distance of 100.08 feet to a point; thence proceeding S24°30'25"E for a distance of 55.91 feet to a point; thence proceeding S44°31'45"E for a distance of 44.07 feet to a point; thence proceeding N54°33'18"E for a distance of 21.77 feet to a point; thence proceeding N81°33'16"E for a distance of 43.15 feet to a point; thence proceeding S69°19'01"E for a distance of 41.51 feet to a point; thence proceeding S63°52'14"E for a distance of 43.23 feet to a point; thence proceeding S49°00'39"W for a distance of 66.53 feet to a point; thence proceeding S45°12'53"W for a distance of 43.05 feet to a point; thence proceeding S29°44'01"W for a distance of 69.93 feet to a point; thence proceeding S63°07'55"W for a distance of 29.39 feet to a point; thence proceeding S57°11'13"W for a distance of 42.32 feet to a point; thence proceeding S09°13'17"E for a distance of 44.02 feet to a point; thence proceeding S06°19'35"E for a distance of 47.02 feet to a point; thence proceeding S38°33'48"E for a distance of 65.99 feet to a point; thence proceeding N72°23'28"E for a distance of 37.40 feet to a point; thence proceeding S23°30'47"E for a distance of 58.74 feet to a point; thence proceeding S55°16'35"E for a distance of 54.66 feet to a point; thence proceeding S07°50'33"W for a distance of 25.61 feet to a point; thence proceeding S32°31'37"W for a distance of 50.99 feet to a point; thence proceeding S28°11'05"W for a distance of 42.40 feet

to a point; thence proceeding S05°44'42"E for a distance of 32.63 feet to a point; thence proceeding S09°56'08"W for a distance of 117.50 feet to a point; thence proceeding N77°31'32"W for a distance of 208.97 feet to a point; thence proceeding along a curve for a distance of 138.45 feet in a Northwesterly direction, said curve having a radius of 324.48 feet, a chord bearing of N89°27'23"W for a chord distance of 137.41 feet to a point; thence proceeding N11°47'05"W for a distance of 542.29 feet to a point which marks the **POINT OF BEGINNING**.

In case of conflict, if any, between the above mentioned courses and distances, metes and bounds description and the aforementioned plat, said plat shall be controlling.

TOGETHER with the following non-exclusive easements:

- a. Access Easement granted by Indigo Run Plantation Owners Association, Inc. in that certain Access Easement Agreement dated December 3, 1997, and recorded in the Beaufort County Records in Book 995 at Page 904.
- b. Drainage Easement granted by The Town of Hilton Head Island, South Carolina in that certain Drainage Easement Agreement dated December 3, 1997, and recorded in the Beaufort County Records in Book 995 at Page 926.
- c. Sign Easement granted by The Town of Hilton Head Island, South Carolina in that certain Sign Easement dated December 3, 1997, and recorded in the Beaufort County Records in Book 995 at Page 930.

SAVE AND EXCEPT THEREFROM, the right of ingress and egress over and across all roads and walkways shown on the above described plat of The Preserve at Indigo Run Horizontal Property Regime, said reservation being unto the Declarant herein, its successors and assigns and Grantees, said reserved easement expressly for, but not limited to, the purpose of construction and all construction related activities on the Future Phase Property.

FURTHER, the Declarant expressly reserves the right to improve the aforementioned Property by clearing, tree pruning, constructing additional parking and common facilities, including, but not necessarily limited to a controlled access facility, recreational facilities, drainage facilities, and the like, pertaining to The Preserve at Indigo Run Horizontal Property Regime and/or adjacent Future Phase Property.

FURTHER, Declarant expressly reserves the right to install lines, equipment and facilities for utility and drainage purposes and to grant easements over the property for the installation of additional lines, equipment or facilities for utility and drainage purposes from time to time.

FURTHER, Declarant reserves the right, but not the obligation, to improve and/or to maintain the Common Elements of the Regime. In the event any of the improvements constituting common elements of the Regime herein are not being maintained by the Association in a manner in keeping with the overall image of The Preserve at Indigo Run for as long as Declarant is the owner of any villa in the Regime or any of the Future Phase Property, Declarant, in the Declarant's reasonable discretion, may provide notice to the Association of the deficiencies; and in the event that the Association does not take remedial action within thirty (30) days from the date of said notice, then Declarant may take necessary action to improve and/or maintain the Common Elements and shall be reimbursed by the Association for the reasonable costs expended.

FURTHER, the above property is submitted to The Preserve at Indigo Run Horizontal Property Regime subject to the following:

1. Covenants and restrictions as described in that certain document entitled Declaration of Restrictive Covenant Regarding Wetlands Site recorded in Book 1186 at Page 2011, and First Amendment

recorded in Book 1435 at Page 2172, Beaufort County Records, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c), but this policy insures that a violation thereof will not cause a forfeiture of title.

2. Easement granted to Hilton Head Public Service District No. 1 recorded December 9, 1991 in Book 588 at Page 773, Beaufort County Records.
3. Roadway Construction and Access Easement Agreement with Coastal Concrete, Inc. recorded December 27, 1991 in Book 589 at Page 1402, Beaufort County Records.
4. Drainage easement granted to the Town of Hilton Head Island recorded in Book 995 at Page 912, Beaufort County Records.
5. Landscape and buffer easement granted to the Town of Hilton Head Island recorded in Book 995 at Page 917, Beaufort County Records.
6. Pathway Easement Agreement granted to the Town of Hilton Head Island recorded in Book 995 at Page 934, Beaufort County Records.
7. Easements granted to Hargray Telephone Company, Inc. recorded in the Beaufort County Records in Book 1253 at Pages 2565 and 2570.
8. Easement granted to Palmetto Electric Cooperative, Inc. recorded in the Beaufort County Records in Book 1273 at Page 2164.
9. Easement granted to Hilton Head No. 1 Public Service District recorded in the Beaufort County Records in Book 1297 at Page 1732.
10. All matters disclosed on the above described Survey prepared by Gasque & Associates, Inc., dated August 25, 2003, as revised October 30, 2003.
11. Terms and conditions of that certain Access Easement Agreement by and between Indigo Run Plantation Owners Association, Inc. and Sterling Land Ventures I, Ltd., dated December 3, 1997, recorded in the Beaufort County Records in Book 995 at Page 904.
12. Terms and conditions of that certain Drainage Easement Agreement by and between The Town of Hilton Head Island, South Carolina, and Sterling Land Ventures I, Ltd., dated December 3, 1997, recorded in the Beaufort County Records in Book 995 at Page 926.
13. Terms and conditions of that certain Sign Easement granted by The Town of Hilton Head Island, South Carolina in that certain Sign Easement dated December 3, 1997, and recorded in the Beaufort County Records in Book 995 at Page 930.

It is noted that the listing of the above matters 1 through 13 by Declarant is not intended to burden the Property with such matters if, in fact, they do not already apply to the Property, or portions thereof.

FURTHER, the above property is submitted to the Horizontal Property Regime subject to all easements as shown on the above plat of record and to all existing utility easements or easements to be granted in favor

of the Hilton Head No.1 Public Service District, Palmetto Electric Cooperative, Adelphia Cablevision, Hargray Telephone Company, of record in the RMC Office for Beaufort County, South Carolina.

Derivation

The property described above is a portion of the property conveyed to Sterling Land Ventures I, Ltd., by Deed of Indigo Run Limited Partnership dated December 3, 1997, recorded in the RMC Office for Beaufort County, South Carolina, in Book 995 at Page 894.

Future Phase Property

All those certain pieces, parcels or tracts of land situate, lying and being in the Indigo Run Plantation, Hilton Head Island, Beaufort County, South Carolina, having and containing 26.49 acres more or less, as identified on Sheet 1 of 4 as Future Phase, and that otherwise appear on Sheets 2, 3, and 4 of 4 that are not incorporated into Phase I, all as shown and described on the plat entitled "As-Built Survey, The Preserve at Indigo Run Horizontal Property Regime, Phase I", which plat was prepared by Gasque & Associates, Inc. and certified to by Davis S. Gasque, R.L.S. (S.C.) #10506, which said plat is dated August 25, 2003, as revised October 30, 2003 and is recorded in the Land Records of Beaufort County, South Carolina, in Plat Book 96 at Page 63. In addition to the Future Phase Property labeled on Sheet 1 of 4, the Future Phase Property is generally that portion of the property depicted on the aforementioned plat that contains Buildings 1 through 32.

Easement

AND ALSO, a general use easement for those amenities, byways, lanes, paths, walkways, internal roadways, bike trails, and other common areas on the Future Phase Property owned by Declarant, such amenities and common facilities including, e.g., those improvements generally referred to as the Pool Cabana, the Clubhouse, and the mail Kiosk, all of which are intended for the general use of all property owners and tenants of The Preserve at Indigo Run and their proper guests and invitees, which said use shall be upon the terms and conditions as may be established from time to time by Declarant, its successors and assigns for all such property owners, tenants and guests, it being understood that these facilities are, and shall be, restricted as to access, such restrictions reserved as defined in certain covenants of record and as set forth in this Master Deed. The within granted easements are intended to be easements appurtenant to the Villas within Phase I of The Preserve at Indigo Run Horizontal Property Regime more particularly described above and are for the use, benefit, and to be incident to the ownership of the above described Property, as applicable, and any portions thereof, or any condominiums located therein, or thereon, now or at any time in the future; provided further, however, that the use of these facilities is subject also to an allocable share of the maintenance, repair, upkeep, and reserve of such facilities, all of which shall be a part of the Common Expenses of the Regime.

EXHIBIT "C-1"THE PRESERVE AT INDIGO RUN HORIZONTAL PROPERTY REGIME
ARCHITECTURAL DRAWINGS OF FLOOR PLANS/ELEVATIONS

Recorded as part of Exhibit "C-1" to the Master Deed of The Preserve at Indigo Run Horizontal Property Regime are the below sheets of plans as labeled and prepared by Humphreys & Partners Architects, 5350 Alpha Road, Dallas, Texas. The plans, which are incorporated herein by reference, are identified as Job Number 97205, and are recorded in Plat Book 46 at Page 63 of the Official Land Records for Beaufort County, South Carolina.

<u>Exhibit Page No.</u>	<u>Description</u>	<u>Sheet No.</u>	<u>Plan Date</u>
2	Site Plan	A2.01	1/25/1999**
3	Unit A1 & B1 Floor Plans*	A3.10	1/25/1999**
4	Unit B2 Floor Plans*	A3.20	1/25/1999**
5	Unit C1 Floor Plans*	A3.30	1/25/1999**
6	Unit B2 & Unit C1 ANSI Units	A3.40	1/25/1999**
7	Building First Floor Plan	A4.10	1/25/1999
8	Building First Floor Plan ANSI Units	A4.10A	1/25/1999
9	Building Second Floor Plan	A4.11	1/25/1999
10	Building Roof Plan	A4.12	1/25/1999
11	Building Front & Rear Elevation	A4.13	1/25/1999
12	Building Right & Left Elevation	A4.14	1/25/1999
13	Stair Plans & Sections	A6.01	1/25/1999
14	Stair Plans & Sections	A6.02	1/25/1999
15	Stair Plans & Sections	A6.03	1/25/1999

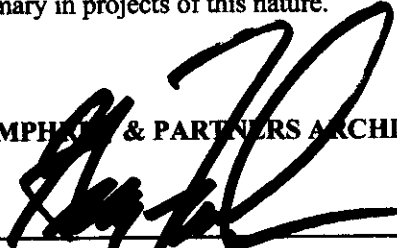
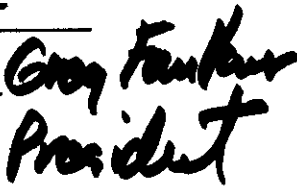
** - Last revised 10/23/03

- * Unit A1 = Azalea Floor Plan
- Unit B1 = Hawthorne Floor Plan
- Unit B2 (lower) = Palmetto Floor Plan
- Unit B2 (upper) = Magnolia Floor Plan
- Unit C1 (lower) = Camellia Floor Plan
- Unit C1 (upper) = Cypress Floor Plan

**Note: Certain references on the Plans to flooring, specifications, i.e. tile, carpet, etc., may not necessarily represent as-built and current conditions.

EXHIBIT "C-2"
TO MASTER DEED
THE PRESERVE AT INDIGO RUN HORIZONTAL PROPERTY REGIME
ARCHITECT'S CERTIFICATE

This is to certify that Phase I of the The Preserve Horizontal Property Regime, consisting of sixty (60) Villas located in Buildings 33 through 42, were built substantially in accordance with the floor plans attached to the Master Deed as Exhibit "B", said Master Deed to be recorded in the Beaufort County Land Records, South Carolina, except for minor variations which are customary in projects of this nature.

HUMPHREYS & PARTNERS ARCHITECTS, INC. L.P.
By: 
S.C. Registration # 98055-CORP. 
Mark Humphreys* 4910
(Arch. of Record)
President

Certified to this 21st
day of Oct, 2003.

Tracy L. Parker (L.S.)
Notary Public for Texas

My Commission Expires: Aug 24, 2006



EXHIBIT "C-3"

THE PRESERVE AT INDIGO RUN HORIZONTAL PROPERTY REGIME

CONVERSION DISCLOSURE

DISCLOSURE OF PHYSICAL CONDITION

THIS DISCLOSURE is being made pursuant to Section 27-31-430 of the South Carolina Horizontal property Act. The purpose of this disclosure is to disclose to all prospective purchasers, including any tenants in possession, the physical condition of the Buildings which constitute the project known as **The Preserve at Indigo Run**. This report is intended to be a good faith estimate of the remaining useful life expected for each item reported. The estimation of remaining useful life assumes that proper maintenance will be provided.

BUILDING NUMBER: Building 33		DATE: October 13, 2003	
Common Element	Present Condition	Remaining Useful Life	Uncured Violations of Building Codes
Exterior/stucco	Good	25 Years	N/A
Exterior/roof	Good	15 Years	N/A
Exterior/windows & doors	Excellent	20 Years	N/A
Site/landscaping	Excellent	30 Years	N/A
Site/paved areas	Excellent	15 Years	N/A
Common amenities/ swimming pool		30 Years	
Common amenities/ Poolhouse		30 Years	
Common amenities/ Tennis court		15 Years	
Common amenities/ Clubhouse/Admin Bldg.		30 Years	
Site/walkway & sidewalks	Excellent	30 Years	N/A
Exterior/garage door	Good	20 Years	N/A
Exterior/balcony railing	Excellent	30 Years	N/A
Exterior/shutters	Excellent	10 Years	N/A
Exterior/chimney caps	Excellent	20 Years	N/A
Perimeter/Foundation	Excellent	30 Years	N/A

As to condition of the common elements referenced above, the following definitions apply:

- Excellent = No visible signs of disrepair.
- Good = Some areas of minor damage where maintenance should be considered before further disrepair increases.
- Fair = Signs of disrepair or in need of maintenance.
- Poor = Visible state of disrepair.

The good faith estimate of use for life shall not constitute a warranty of the undersigned, and shall not be deemed a representation of material fact or an inducement to purchase. The report shall not give rise to any cause of action at law or in equity against the undersigned by anyone receiving a copy of this report. This report is being made pursuant to the provisions of the South Carolina Horizontal Property Act for the purpose of disclosure of the present condition of all general common elements in the Project known as **The Preserve at Indigo Run**.

This disclosure will be recorded as an exhibit to the Master Deed of The Preserve Horizontal Property Regime and therefore will reflect the condition of the common elements as of the date of the inspections made as referenced in this report.

HGBD Int'l

By:


Eric B. Johnson, FAIA

S.C. License No. 3702

DISCLOSURE OF PHYSICAL CONDITION

THIS DISCLOSURE is being made pursuant to Section 27-31-430 of the South Carolina Horizontal property Act. The purpose of this disclosure is to disclose to all prospective purchasers, including any tenants in possession, the physical condition of the Buildings which constitute the project known as **The Preserve at Indigo Run**. This report is intended to be a good faith estimate of the remaining useful life expected for each item reported. The estimation of remaining useful life assumes that proper maintenance will be provided.

BUILDING NUMBER: Building 34		DATE: October 13, 2003	
Common Element	Present Condition	Remaining Useful Life	Uncured Violations of Building Codes
Exterior/stucco	Excellent	25 Years	N/A
Exterior/roof	Good	15 Years	N/A
Exterior/windows & doors	Excellent	20 Years	N/A
Site/landscaping	Excellent	30 Years	N/A
Site/paved areas	Excellent	15 Years	N/A
Common amenities/ swimming pool		30 Years	
Common amenities/ Poolhouse		30 Years	
Common amenities/ Tennis court		15 Years	
Common amenities/ Clubhouse/Admin Bldg.		30 Years	
Site/walkway & sidewalks	Excellent	30 Years	N/A
Exterior/garage door	Good	20 Years	N/A
Exterior/balcony railing	Excellent	30 Years	N/A
Exterior/shutters	Excellent	10 Years	N/A
Exterior/chimney caps	Excellent	20 Years	N/A
Perimeter/Foundation	Good	30 Years	N/A

As to condition of the common elements referenced above, the following definitions apply:

- Excellent = No visible signs of disrepair.
- Good = Some areas of minor damage where maintenance should be considered before further disrepair increases.
- Fair = Signs of disrepair or in need of maintenance.
- Poor = Visible state of disrepair.

The good faith estimate of use for life shall not constitute a warranty of the undersigned, and shall not be deemed a representation of material fact or an inducement to purchase. The report shall not give rise to any cause of action at law or in equity against the undersigned by anyone receiving a copy of this report. This report is being made pursuant to the provisions of the South Carolina Horizontal Property Act for the purpose of disclosure of the present condition of all general common elements in the Project known as **The Preserve at Indigo Run**.

This disclosure will be recorded as an exhibit to the Master Deed of The Preserve Horizontal Property Regime and therefore will reflect the condition of the common elements as of the date of the inspections made as referenced in this report.

HGBD Int'l

By: 

Eric B. Johnson, FAIA

S.C. License No. 3702

DISCLOSURE OF PHYSICAL CONDITION

THIS DISCLOSURE is being made pursuant to Section 27-31-430 of the South Carolina Horizontal property Act. The purpose of this disclosure is to disclose to all prospective purchasers, including any tenants in possession, the physical condition of the Buildings which constitute the project known as **The Preserve at Indigo Run**. This report is intended to be a good faith estimate of the remaining useful life expected for each item reported. The estimation of remaining useful life assumes that proper maintenance will be provided.

BUILDING NUMBER: Building 35		DATE: October 13, 2003	
Common Element	Present Condition	Remaining Useful Life	Uncured Violations of Building Codes
Exterior/stucco	Good	25 Years	N/A
Exterior/roof	Good	15 Years	N/A
Exterior/windows & doors	Good	20 Years	N/A
Site/landscaping	Excellent	30 Years	N/A
Site/paved areas	Good	15 Years	N/A
Common amenities/ swimming pool		30 Years	
Common amenities/ Poolhouse		30 Years	
Common amenities/ Tennis court		15 Years	
Common amenities/ Clubhouse/Admin Bldg.		30 Years	
Site/walkway & sidewalks	Good	30 Years	N/A
Exterior/garage door	Excellent	20 Years	N/A
Exterior/balcony railing	Excellent	30 Years	N/A
Exterior/shutters	Excellent	10 Years	N/A
Exterior/chimney caps	Excellent	20 Years	N/A
Perimeter/Foundation	Good	30 Years	N/A


As to condition of the common elements referenced above, the following definitions apply:

- Excellent = No visible signs of disrepair.
- Good = Some areas of minor damage where maintenance should be considered before further disrepair increases.
- Fair = Signs of disrepair or in need of maintenance.
- Poor = Visible state of disrepair.

The good faith estimate of use for life shall not constitute a warranty of the undersigned, and shall not be deemed a representation of material fact or an inducement to purchase. The report shall not give rise to any cause of action at law or in equity against the undersigned by anyone receiving a copy of this report. This report is being made pursuant to the provisions of the South Carolina Horizontal Property Act for the purpose of disclosure of the present condition of all general common elements in the Project known as **The Preserve at Indigo Run**.

This disclosure will be recorded as an exhibit to the Master Deed of The Preserve Horizontal Property Regime and therefore will reflect the condition of the common elements as of the date of the inspections made as referenced in this report.

HGBD Int'l

By: 
Eric B. Johnson, FAIA
S.C. License No. 3702

DISCLOSURE OF PHYSICAL CONDITION

THIS DISCLOSURE is being made pursuant to Section 27-31-430 of the South Carolina Horizontal property Act. The purpose of this disclosure is to disclose to all prospective purchasers, including any tenants in possession, the physical condition of the Buildings which constitute the project known as **The Preserve at Indigo Run**. This report is intended to be a good faith estimate of the remaining useful life expected for each item reported. The estimation of remaining useful life assumes that proper maintenance will be provided.

BUILDING NUMBER: Building 36		DATE: October 13, 2003	
Common Element	Present Condition	Remaining Useful Life	Uncured Violations of Building Codes
Exterior/stucco	Excellent	25 Years	N/A
Exterior/roof	Good	15 Years	N/A
Exterior/windows & doors	Excellent	20 Years	N/A
Site/landscaping	Excellent	30 Years	N/A
Site/paved areas	Excellent	15 Years	N/A
Common amenities/ swimming pool		30 Years	
Common amenities/ Poolhouse		30 Years	
Common amenities/ Tennis court		15 Years	
Common amenities/ Clubhouse/Admin Bldg.		30 Years	
Site/walkway & sidewalks	Excellent	30 Years	N/A
Exterior/garage door	Excellent	20 Years	N/A
Exterior/balcony railing	Excellent	30 Years	N/A
Exterior/shutters	Excellent	10 Years	N/A
Exterior/chimney caps	Excellent	20 Years	N/A
Perimeter/Foundation	Good	30 Years	N/A

As to condition of the common elements referenced above, the following definitions apply:

- Excellent = No visible signs of disrepair.
- Good = Some areas of minor damage where maintenance should be considered before further disrepair increases.
- Fair = Signs of disrepair or in need of maintenance.
- Poor = Visible state of disrepair.

The good faith estimate of use for life shall not constitute a warranty of the undersigned, and shall not be deemed a representation of material fact or an inducement to purchase. The report shall not give rise to any cause of action at law or in equity against the undersigned by anyone receiving a copy of this report. This report is being made pursuant to the provisions of the South Carolina Horizontal Property Act for the purpose of disclosure of the present condition of all general common elements in the Project known as **The Preserve at Indigo Run**.

This disclosure will be recorded as an exhibit to the Master Deed of The Preserve Horizontal Property Regime and therefore will reflect the condition of the common elements as of the date of the inspections made as referenced in this report.

HGBD Int'l

By: 

Eric B. Johnson, FAIA

S.C. License No. 3702

THE PRESERVE AT INDIGO RUN

DISCLOSURE OF PHYSICAL CONDITION

OR BK 01872 PAGE 0673

THIS DISCLOSURE is being made pursuant to Section 27-31-430 of the South Carolina Horizontal property Act. The purpose of this disclosure is to disclose to all prospective purchasers, including any tenants in possession, the physical condition of the Buildings which constitute the project known as **The Preserve at Indigo Run**. This report is intended to be a good faith estimate of the remaining useful life expected for each item reported. The estimation of remaining useful life assumes that proper maintenance will be provided.

BUILDING NUMBER: Building 37		DATE: October 13, 2003	
Common Element	Present Condition	Remaining Useful Life	Uncured Violations of Building Codes
Exterior/stucco	Good	25 Years	N/A
Exterior/roof	Good	15 Years	N/A
Exterior/windows & doors	Excellent	20 Years	N/A
Site/landscaping	Excellent	30 Years	N/A
Site/paved areas	Excellent	15 Years	N/A
Common amenities/ swimming pool		30 Years	
Common amenities/ Poolhouse		30 Years	
Common amenities/ Tennis court		15 Years	
Common amenities/ Clubhouse/Admin Bldg.		30 Years	
Site/walkway & sidewalks	Excellent	30 Years	N/A
Exterior/garage door	Good	20 Years	N/A
Exterior/balcony railing	Excellent	30 Years	N/A
Exterior/shutters	Excellent	10 Years	N/A
Exterior/chimney caps	Excellent	20 Years	N/A
Perimeter/Foundation	Good	30 Years	N/A

As to condition of the common elements referenced above, the following definitions apply:

- Excellent = No visible signs of disrepair.
- Good = Some areas of minor damage where maintenance should be considered before further disrepair increases.
- Fair = Signs of disrepair or in need of maintenance.
- Poor = Visible state of disrepair.

The good faith estimate of use for life shall not constitute a warranty of the undersigned, and shall not be deemed a representation of material fact or an inducement to purchase. The report shall not give rise to any cause of action at law or in equity against the undersigned by anyone receiving a copy of this report. This report is being made pursuant to the provisions of the South Carolina Horizontal Property Act for the purpose of disclosure of the present condition of all general common elements in the Project known as **The Preserve at Indigo Run**.

This disclosure will be recorded as an exhibit to the Master Deed of The Preserve Horizontal Property Regime and therefore will reflect the condition of the common elements as of the date of the inspections made as referenced in this report.

HGBD Int'l

By: _____


Eric B. Johnson, FAIA

S.C. License No. _____

3702

THE PRESERVE AT INDIGO RUN**DISCLOSURE OF PHYSICAL CONDITION**

THIS DISCLOSURE is being made pursuant to Section 27-31-430 of the South Carolina Horizontal property Act. The purpose of this disclosure is to disclose to all prospective purchasers, including any tenants in possession, the physical condition of the Buildings which constitute the project known as **The Preserve at Indigo Run**. This report is intended to be a good faith estimate of the remaining useful life expected for each item reported. The estimation of remaining useful life assumes that proper maintenance will be provided.

BUILDING NUMBER: Building 38		DATE: October 13, 2003	
Common Element	Present Condition	Remaining Useful Life	Uncured Violations of Building Codes
Exterior/stucco	Good	25 Years	N/A
Exterior/roof	Good	15 Years	N/A
Exterior/windows & doors	Excellent	20 Years	N/A
Site/landscaping	Excellent	30 Years	N/A
Site/paved areas	Excellent	15 Years	N/A
Common amenities/ swimming pool		30 Years	
Common amenities/ Poolhouse		30 Years	
Common amenities/ Tennis court		15 Years	
Common amenities/ Clubhouse/Admin Bldg.		30 Years	
Site/walkway & sidewalks	Excellent	30 Years	N/A
Exterior/garage door	Excellent	20 Years	N/A
Exterior/balcony railing	Excellent	30 Years	N/A
Exterior/shutters	Excellent	10 Years	N/A
Exterior/chimney caps	Excellent	20 Years	N/A
Perimeter/Foundation	Good	30 Years	N/A

As to condition of the common elements referenced above, the following definitions apply:

- Excellent = No visible signs of disrepair.
- Good = Some areas of minor damage where maintenance should be considered before further disrepair increases.
- Fair = Signs of disrepair or in need of maintenance.
- Poor = Visible state of disrepair.

The good faith estimate of use for life shall not constitute a warranty of the undersigned, and shall not be deemed a representation of material fact or an inducement to purchase. The report shall not give rise to any cause of action at law or in equity against the undersigned by anyone receiving a copy of this report. This report is being made pursuant to the provisions of the South Carolina Horizontal Property Act for the purpose of disclosure of the present condition of all general common elements in the Project known as **The Preserve at Indigo Run**.

This disclosure will be recorded as an exhibit to the Master Deed of The Preserve Horizontal Property Regime and therefore will reflect the condition of the common elements as of the date of the inspections made as referenced in this report.

HGBD Int'l

By: 

Eric B. Johnson, FAIA

S.C. License No. 3702

DISCLOSURE OF PHYSICAL CONDITION

THIS DISCLOSURE is being made pursuant to Section 27-31-430 of the South Carolina Horizontal property Act. The purpose of this disclosure is to disclose to all prospective purchasers, including any tenants in possession, the physical condition of the Buildings which constitute the project known as **The Preserve at Indigo Run**. This report is intended to be a good faith estimate of the remaining useful life expected for each item reported. The estimation of remaining useful life assumes that proper maintenance will be provided.

BUILDING NUMBER: Building 39		DATE: October 13, 2003	
Common Element	Present Condition	Remaining Useful Life	Uncured Violations of Building Codes
Exterior/stucco	Good	25 Years	N/A
Exterior/roof	Excellent	15 Years	N/A
Exterior/windows & doors	Excellent	20 Years	N/A
Site/landscaping	Excellent	30 Years	N/A
Site/paved areas	Excellent	15 Years	N/A
Common amenities/ swimming pool		30 Years	
Common amenities/ Poolhouse		30 Years	
Common amenities/ Tennis court		15 Years	
Common amenities/ Clubhouse/Admin Bldg.		30 Years	
Site/walkway & sidewalks	Excellent	30 Years	N/A
Exterior/garage door	Excellent	20 Years	N/A
Exterior/balcony railing	Excellent	30 Years	N/A
Exterior/shutters	Excellent	10 Years	N/A
Exterior/chimney caps	Excellent	20 Years	N/A
Perimeter/Foundation	Excellent	30 Years	N/A

As to condition of the common elements referenced above, the following definitions apply:

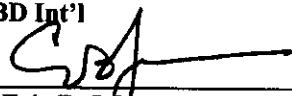
- Excellent = No visible signs of disrepair.
- Good = Some areas of minor damage where maintenance should be considered before further disrepair increases.
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HGBD Int'l

By:



Eric B. Johnson, FAIA

S.C. License No.

3702

DISCLOSURE OF PHYSICAL CONDITION

THIS DISCLOSURE is being made pursuant to Section 27-31-430 of the South Carolina Horizontal property Act. The purpose of this disclosure is to disclose to all prospective purchasers, including any tenants in possession, the physical condition of the Buildings which constitute the project known as **The Preserve at Indigo Run**. This report is intended to be a good faith estimate of the remaining useful life expected for each item reported. The estimation of remaining useful life assumes that proper maintenance will be provided.

BUILDING NUMBER: Building 40		DATE: October 13, 2003	
Common Element	Present Condition	Remaining Useful Life	Uncured Violations of Building Codes
Exterior/stucco	Good	25 Years	N/A
Exterior/roof	Good	15 Years	N/A
Exterior/windows & doors	Excellent	20 Years	N/A
Site/landscaping	Excellent	30 Years	N/A
Site/paved areas	Excellent	15 Years	N/A
Common amenities/ swimming pool		30 Years	
Common amenities/ Poolhouse		30 Years	
Common amenities/ Tennis court		15 Years	
Common amenities/ Clubhouse/Admin Bldg.		30 Years	
Site/walkway & sidewalks	Excellent	30 Years	N/A
Exterior/garage door	Good	20 Years	N/A
Exterior/balcony railing	Excellent	30 Years	N/A
Exterior/shutters	Excellent	10 Years	N/A
Exterior/chimney caps	Excellent	20 Years	N/A
Perimeter/Foundation	Excellent	30 Years	N/A


As to condition of the common elements referenced above, the following definitions apply:

- Excellent = No visible signs of disrepair.
- Good = Some areas of minor damage where maintenance should be considered before further disrepair increases.
- Fair = Signs of disrepair or in need of maintenance.
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HGBD Int'l

By: 
Eric B. Johnson, FAIA
S.C. License No. 3702

DISCLOSURE OF PHYSICAL CONDITION

THIS DISCLOSURE is being made pursuant to Section 27-31-430 of the South Carolina Horizontal property Act. The purpose of this disclosure is to disclose to all prospective purchasers, including any tenants in possession, the physical condition of the Buildings which constitute the project known as **The Preserve at Indigo Run**. This report is intended to be a good faith estimate of the remaining useful life expected for each item reported. The estimation of remaining useful life assumes that proper maintenance will be provided.

BUILDING NUMBER: Building 41		DATE: October 13, 2003	
Common Element	Present Condition	Remaining Useful Life	Uncured Violations of Building Codes
Exterior/stucco	Excellent	25 Years	N/A
Exterior/roof	Excellent	15 Years	N/A
Exterior/windows & doors	Excellent	20 Years	N/A
Site/landscaping	Excellent	30 Years	N/A
Site/paved areas	Excellent	15 Years	N/A
Common amenities/ swimming pool		30 Years	
Common amenities/ Poolhouse		30 Years	
Common amenities/ Tennis court		15 Years	
Common amenities/ Clubhouse/Admin Bldg.		30 Years	
Site/walkway & sidewalks	Excellent	30 Years	N/A
Exterior/garage door	Good	20 Years	N/A
Exterior/balcony railing	Excellent	30 Years	N/A
Exterior/shutters	Excellent	10 Years	N/A
Exterior/chimney caps	Excellent	20 Years	N/A
Perimeter/Foundation	Excellent	30 Years	N/A

As to condition of the common elements referenced above, the following definitions apply:

- Excellent = No visible signs of disrepair.
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HGBD Int'l

By: 

Eric B. Johnson, FAIA

S.C. License No. 3702

DISCLOSURE OF PHYSICAL CONDITION

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BUILDING NUMBER: Building 42		DATE: October 13, 2003	
Common Element	Present Condition	Remaining Useful Life	Uncured Violations of Building Codes
Exterior/stucco	Good	25 Years	N/A
Exterior/roof	Good	15 Years	N/A
Exterior/windows & doors	Excellent	20 Years	N/A
Site/landscaping	Excellent	30 Years	N/A
Site/paved areas	Excellent	15 Years	N/A
Common amenities/ swimming pool		30 Years	
Common amenities/ Poolhouse		30 Years	
Common amenities/ Tennis court		15 Years	
Common amenities/ Clubhouse/Admin Bldg.		30 Years	
Site/walkway & sidewalks	Excellent	30 Years	N/A
Exterior/garage door	Good	20 Years	N/A
Exterior/balcony railing	Excellent	30 Years	N/A
Exterior/shutters	Excellent	10 Years	N/A
Exterior/chimney caps	Excellent	20 Years	N/A
Perimeter/Foundation	Good	30 Years	N/A

As to condition of the common elements referenced above, the following definitions apply:

- Excellent = No visible signs of disrepair.
- Good = Some areas of minor damage where maintenance should be considered before further disrepair increases.
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HGBD Int'l

By: 

Eric B. Johnson, FAIA

S.C. License No. 3702

EXHIBIT "D"

BY-LAWS

OF

THE PRESERVE AT INDIGO RUN HORIZONTAL PROPERTY REGIME

AND FOR

THE PRESERVE AT INDIGO RUN OWNERS' ASSOCIATION, INC.

ARTICLE I

PLAN OF UNIT OWNERSHIP

The following By-Laws shall govern the operation of The Preserve at Indigo Run Owners' Association, Inc.

Section 1. **HORIZONTAL PROPERTY REGIME.** The Property (the term "Property" as used herein means and includes the land, the buildings, all improvements and structures thereon) located in Indigo Run Plantation, Hilton Head Island, in Beaufort County, South Carolina, known as THE PRESERVE AT INDIGO RUN HORIZONTAL PROPERTY REGIME has been, by Master Deed, submitted to the provisions of the Horizontal Property Act of South Carolina, which said Property shall henceforth be known as THE PRESERVE AT INDIGO RUN HORIZONTAL PROPERTY REGIME (hereinafter referred to as "Regime").

Section 2. **ASSOCIATION.** In conjunction with the creation of the above described Regime there also has been incorporated under the laws of the State of South Carolina an Association known as The Preserve at Indigo Run Owners' Association, Inc. (hereinafter referred to as "Association") which shall, pursuant to the provisions of the aforementioned Master Deed, constitute the incorporated Owners' Association for The Regime. The initial offices of the Association shall be at the offices of Sterling Land Ventures I, Ltd., (hereinafter referred to as "Declarant"), at 4 Indigo Run Lane, Hilton Head Island, South Carolina 29926, or such other place as may be subsequently designated by the Board of Directors of the Association.

Section 3. **BY-LAWS APPLICABILITY.** The provisions of these By-Laws are applicable to the Property and the Regime. All terms used herein and not otherwise defined shall have the meaning ascribed to them in the MASTER DEED, certain provisions of which Master Deed may be repeated in full or in part.

Section 4. **PERSONAL APPLICATION.** All present or future Co-Owners, tenants, future tenants, or their employees, or any other person who might use the facilities of the Property in any manner, are subject to the regulations set forth in these By-Laws and in the Master Deed establishing said Regime as they may be amended from time to time. The mere acquisition or rental of any of the dwelling units (hereinafter usually referred to as "Villas") as defined in the Master Deed of the Property or the mere act of occupancy of any of said Villas will signify that these By-Laws, the provisions of the Master Deed and any authorized recorded amendments to the foregoing Master Deed are accepted and ratified, and will be complied with.

ARTICLE II

VOTING, MAJORITY OF CO-OWNERS QUORUM, PROXIES, ELIGIBILITY.

Section 1. Any person who acquires title to a Villa in the Regime is deemed to have consented to be a Member of the Association. There shall be one membership for each Villa owned. Transfer of Villa ownership, either voluntary or by operation of law, shall terminate membership in the Association, and said membership is to become vested in the transferee. If Villa ownership is vested in more than one person, then all of the persons so owning such Villa shall agree upon the designation of one of the Co-Owners of such Villa to act as a Member of the Association. If Villa ownership is vested in a Corporation, said Corporation may designate an individual officer or employee of the Corporation to act as a Member of the Association.

Section 2. VOTING. Voting shall be on a percentage basis and the percentage of the vote to which the Co-Owner is entitled is the statutory percentage assigned to the Villa or Villas in the Master Deed.

Section 3. MAJORITY OF CO-OWNERS. As used in these By-Laws, the term "majority of Co-Owners" shall mean those Co-Owners holding fifty-one (51%) percent or more of the total value of the Property, in accordance with the statutory percentages assigned in the Master Deed, and any authorized amendments thereto.

Section 4. QUORUM. Except as otherwise provided in Article III, Section 7 and elsewhere in these By-Laws, the presence in person or by proxy of a majority of Co-Owners as defined in Section 3 of this Article shall constitute a quorum.

Section 5. PROXIES. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary of the Association before the appointed time of each meeting. Proxies may be filed by electronic mail (e-mail).

Section 6. MAJORITY VOTE. The vote of a majority of the Co-Owners present at a meeting at which a quorum shall be present shall be binding upon all Co-Owners for all purposes except where in the Master Deed or in these By-Laws, or by law, a higher percentage vote is required.

ARTICLE III

OWNERS' ASSOCIATION FOR THE PRESERVE

Section 1. ASSOCIATION RESPONSIBILITIES. The Co-Owners of the Villas will constitute the Association which will have the responsibility of administering the Property, and electing the Board of Directors. Except as otherwise provided herein or in the Master Deed or By-Laws, decisions and resolutions of the Association shall require approval by a majority of Co-Owners.

Section 2. PLACE OF MEETINGS. All meetings, annual and special, of the Association shall be at the offices of the Association, or at such other place and at such time convenient to the Co-Owners, as shall be designated by the Board of Directors of the Association or the Management Agent and stated in the Notice of Meeting.

Section 3. ANNUAL MEETINGS. The annual meetings of the Association shall be held at the call of the President once a year during the months of either November or December or at such other time as a majority of the Co-Owners may agree upon. At such meetings there shall be elected by ballot of the Co-Owners a Board of Directors in accordance with the requirements of Section 6 of Article IV of these By-Laws and there shall be a report by the President or Secretary-Treasurer on the activities and financial condition

of the Association. The Co-Owners may also transact such other business of the Association as may properly come before them.

Section 4. SPECIAL MEETINGS. It shall be the duty of the Secretary to call a special meeting of the Co-Owners as directed by: (i) resolution of the Board of Directors; (ii) at the request by a majority of the Directors; (iii) or upon a petition signed by Co-Owners holding at least twenty percent (20%) of the total voting power of the Association and having been presented to the Secretary. A notice of any special meeting shall state the time and place of such meeting and the purpose or purposes thereof. No business shall be transacted at a special meeting except as stated in the notice. If a Co-Owner intends to raise a matter at a special meeting, said Co-Owner shall submit such request in writing to the Secretary or President at least ten days before the date notice is to be mailed to the Co-Owners in order for such matter to be included in the Notice of Special Meeting.

Section 5. FIRST MEETING. The first meeting of the Association shall be held within one hundred twenty (120) days from the date that seventy-five (75%) percent of the Villas in the Regime, as defined in the Master Deed and any Amendments thereto, have been conveyed by the Declarant to individual Co-Owners.

Section 6. NOTICE OF MEETINGS. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purposes thereof as well as the time and place where it is to be held, to each Co-Owner of record, at least fifteen (15), but not more than forty-five (45) days prior to such meeting. The mailing of a notice in the manner provided in this Section 6 shall be considered notice served. The notice of meeting shall include any matters the Co-Owners intend to raise at the meeting if a request is submitted to the Secretary or President in writing at least ten (10) days prior to notice being mailed, which requests sets forth the matters to be raised.

Section 7. ADJOURNED MEETING. If any meeting of the Association cannot be organized because a quorum has not attended, the Co-Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called. The time, date, and place of the meeting shall be set and announced before adjournment of the first meeting. Upon the reconvening of said meeting a quorum shall be constituted if Co-Owners holding at least 33% of the total value of the property in accordance with the percentages assigned in the Master Deed are present in person or by proxy at said reconvened meeting.

Section 8. ORDER OF BUSINESS. The order of business at all Annual Meetings of the Association shall be as follows:

- (a) Roll Call.
- (b) Proof of Notice of Meeting or Waiver of Notice.
- (c) Reading of Minutes of Preceding Meeting.
- (d) Reports of Officers.
- (e) Reports of Committees.
- (f) Election of Inspectors of Election.
- (g) Election of Directors.
- (h) Unfinished Business.
- (i) New Business.

The order of business at a Special Meeting of the Association shall include items (a) through (d) above, and thereafter, the agenda shall consist of the items specified in the notice of meeting.

Section 9. RECORD DATE. The Board of Directors shall fix a record date for determining Co-Owners entitled to notice of and to vote at each annual or special meeting. Such record date shall be at least ten (10) but not more than forty (40) days before the meeting.

Section 10. **WAIVER AND CONSENT.** Whenever the vote of Co-Owners of a meeting is required or permitted by any provision of these By-Laws to be taken in connection with action of the Association, the meeting and vote of Co-Owners may be waived if a majority of Co-Owners who would have been entitled to vote on the action if such meeting were held, shall consent in writing to such action being taken; however, notice of such action shall be given to all Co-Owners, unless all Co-Owners participated in the approval of such action.

Further, any Co-Owner may waive any notice of meeting required by these By-Laws if the waiver is submitted in writing, signed by the Co-Owner entitled to notice, and delivered to the Association prior to the date of the meeting. A Co-Owner's attendance at a meeting waives objection to lack of notice or defective notice of the meeting unless the Co-Owner, at the beginning of the meeting, objects to holding the meeting or transacting business at the meeting. Further, a Co-Owner's attendance at a meeting waives objection to considerations of a particular matter at the meeting that is not within the purpose described in the notice for the meeting, unless the Co-Owner objects to the consideration of the matter at the time when it is presented at the meeting.

Section 11. **MEMBERSHIP LIST.** After a record date for a notice of meeting has been fixed by the Board of Directors, a complete list of Members of the Association shall be prepared by the Secretary-Treasurer. This Membership list shall list the Members by classification of Membership and shall include the addresses and number of votes each Member is entitled to vote at the meeting. Such list shall be maintained in the office of the Association beginning the day after notice is given of the meeting for which the list was prepared and continuing through the meeting.

Section 12. **RULES OF ORDER.** Roberts Rules of Order (latest edition) shall govern the conduct of the Association's meetings when not in conflict with the Master Deed or these By-Laws.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. **NUMBER AND QUALIFICATION.** The affairs of the Association shall be governed by a Board of Directors (hereinafter referred to as the "Board") comprised of from three (3) to five (5) persons. Until succeeded by the Board members elected by the Villa Owners, members of the Board of Directors need not be Villa Owners. So long as the Declarant (as defined in the Master Deed) owns one or more Villas, the Declarant shall be entitled to elect at least one member of the Board of Directors, who need not be a Villa Owner. After the period of Declarant control (as defined below), all Board members shall be Co-Owners.

Section 2. **DECLARANT CONTROL OF BOARD.** Notwithstanding any other language or provision to the contrary in the Master Deed or these By-Laws, because of the conversion process and of the fact that portions of the Future Phase Property will continue to be operated by Declarant as a rental project, Declarant hereby retains the right to appoint and remove any member or members of the Board and any officer or officers of the Association until such time as the first of the following events shall occur: 1) thirty days after Declarant has sold the Villa representing 80% of the total number of Villas in the Regime, including the Future Phase Property; or 2) the surrender by Declarant of the authority to appoint and remove directors and officers of the Association by an express amendment to these By-Laws executed and recorded by Declarant. Every grantee of any interest in the Regime, by acceptance of a Deed or other conveyance of such interest agrees that Declarant shall have the authority to appoint and remove directors and officers of the Association as provided for herein. Upon the expiration of the period of Declarant's right to appoint and remove directors and officers of the Association pursuant to this provision, such rights shall pass to the Co-Owners and a special meeting of the Association shall be called within a reasonable time thereafter. At such

special meeting, the Co-Owners shall elect a new slate Directors which shall undertake the responsibilities of the Board.

Section 3. GENERAL POWERS AND DUTIES. The Board shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law, or by these By-Laws, directed to be executed and done by the Association or individual Co-Owners.

Section 4. SPECIFIC POWERS AND DUTIES. In addition to the general powers and duties referenced above, duties imposed by these By-Laws, or by resolutions of the Association, the Board shall be responsible for the following:

- (a) Compliance with all of the terms and conditions of the Master Deed and any amendments thereto and enforcement of same.
- (b) Care, upkeep and surveillance of the Property and the Common Elements, including both the General and Limited Common Elements.
- (c) Collection from the Co-Owners (excluding the Declarant), at the time of the closing of the initial sale of each Villa, at least two (2) month's estimated Common Expense assessments for the purpose of establishing a working capital fund for the Association. These funds shall be maintained for the use and benefit of the Association. Co-Owners are not entitled to reimbursement of the working capital fund from the Association upon the sale of their Villa.
- (d) Establishment of the annual budget. The budget shall be distributed by the Board to all Members of the Association at least thirty (30) days in advance of its effective date and at least thirty (30) days in advance of the Association's Annual Meeting. Notwithstanding the responsibilities and authority of the Board, the budget may be modified by the Association at the Annual Meeting or a Special Meeting of the Association by a two-thirds (2/3) vote of the Co-Owners present at such meeting, in person or by proxy.
- (e) As a part of the annual budget described in (d) above, establishment and maintenance on behalf of the Association of an adequate reserve fund for periodic maintenance, repair and replacement of improvements to the Common Elements.
- (f) Employment, dismissal and control of the Management Agent (defined in Section 5 of this Article IV) and any personnel necessary for the maintenance and operation of the Common Elements and for desired services to the owners.
- (g) Collection of all assessments and fees from the Co-Owners, including, those Specific Assessments referenced in Article VII hereinbelow.
- (h) Performing repairs caused by any natural disaster or man-made damage using funds from the reserve account and any special assessment, or causing the same to be done.
- (i) Obtaining of insurance for the Property, pursuant to the provisions hereof and the provisions of the Master Deed, or causing the same to be done as set forth in ARTICLE VIII hereof.
- (j) Grant or relocate easements which are not inconsistent with the owners' full use and enjoyment of the Common Elements. Such easements shall include, and shall not be limited to, easements or licenses that may be granted by the Board to others for telecommunication purposes,

on, e.g., the roof of the Building, so long as the provisions of Article VII, Section 8(c) below are followed.

(k) Making of, or causing to be made, repairs, additions and improvements to or alterations of, the Property and repairs to and restoration of the Property in accordance with the other provisions of these By-Laws.

(l) To make available, for inspection, upon request during normal working hours or under other reasonable circumstances, to Co-Owners, the holders, insurers or guarantors of any first mortgage on any Villa, current copies of the Master Deed, By-Laws, other Rules or Regulations pertaining to the Association, and the books, records and financial statements of the Association.

(m) To adopt and implement a policy regarding resale of Villas within the regime, the purpose of said policy to assist owners to provide timely information to prospective buyers while not burdening the Association financially.

(n) To adopt and implement enforcement procedures relative to the Rules and Regulations which are attached as **Appendix "A"** to these By-laws; as well as to adopt and implement any modifications to said Rules and Regulations.

Section 5. **MANAGEMENT AGENT.** Declarant may, in its discretion, serve as the initial Management Agent for a period of time until 80% of the Villas, including Future Phases, are sold and conveyed. Thereafter, the Board may employ a Management Agent at the compensation established by the Board to perform such duties and services as the Board shall authorize including, but not limited to, the duties listed in Section 4 of this Article. Any such management contracts entered into by the Board shall be for a reasonable term and shall contain reasonable provisions regarding the right of the Association to terminate said contracts. If at any time subsequent to the period of Declarant control, any decision by the Association to establish self management by the Association shall require the prior consent of Co-Owners holding sixty-seven (67%) percent of the votes in the Association.

Section 6. **BOARD OF DIRECTORS.** The first Board of Directors consisting of three (3) members shall be designated by the Declarant at an organizational meeting. These appointments will be temporary and will continue only until the special meeting of the Co-Owners held pursuant to Article IV, Section 2. At such Special Meeting of the Association, the Board shall be expanded to five (5) members with the initial term of office for two (2) members of the Board fixed at three (3) years; the term of office of two (2) Board members fixed at two (2) years; and the term of office of one (1) Board member of the Board fixed at one (1) year. At the expiration of the initial term of office of each member of the Board, his successor shall be elected to serve a term of three (3) years. The members of the Board shall hold office until their successors have been elected and hold their first meeting. Any and all of said Board members shall be subject to replacement, in the event of resignation or death, in the manner set forth in Section 7 of this Article.

Section 7. **VACANCIES.** Vacancies in the Board of Directors caused by reason other than the removal of a member of the Board by a vote of the Association shall be filled by vote of the majority of the remaining members, even though they constitute less than a quorum; and each person so elected shall be a member of the Board until a successor is elected at the next meeting of the Association. During the period of Declarant control of the Board, vacancies shall be filled by Declarant.

Section 8. **REMOVAL OF MEMBERS OF THE BOARD.** At any annual or special meeting of the Association duly called, any one or more of the members of the Board may be removed with or without cause by a majority of Co-Owners and a successor may then and there be elected to fill the vacancy thus created. Any member of the Board whose removal has been proposed to the Association shall be given an opportunity to be heard at the meeting. No Board member shall continue to serve on the Board if during the

term of office, he shall cease to be a Co-Owner at such time, said Board member shall either resign or be removed by the Board (except as provided in Section 2 regarding Declarant's appointees). Notwithstanding any other provision contained herein, any member of the Board who was elected by the Co-Owners shall only be removed by the Co-Owners at a meeting where the purpose or one of the purposes, as stated in the Notice of Meeting, is the removal of said Board member.

Section 9. ORGANIZATIONAL MEETING. The first meeting of a newly elected Board shall be held within ten (10) days of election at such place as shall be fixed by the Board at the meeting at which such Board members were elected by the Association, and no notice shall be necessary to the newly elected Board members in order to legally constitute such a meeting, providing a majority of the Board shall be present.

Section 10. REGULAR MEETINGS. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Board, but at least one (1) such meeting shall be held each fiscal year. Notice of regular meetings of the Board shall be given by the Secretary-Treasurer or other designated person, to each Board member, personally or by mail, express delivery service such as Federal Express, telephone, telefax or telegraph, at least ten (10) days prior to the day named for such meeting. Telephonic meetings are expressly authorized based upon the likelihood that Board members will be from different geographical locations.

Section 11. SPECIAL MEETINGS. Special meetings of the Board may be called by the President on three (3) days notice to each Board member, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided), and the purpose or purposes of the meeting. Special meetings of the Board shall be called by the President or Secretary-Treasurer in like manner and on like notice on the written request of at least two (2) Board members.

Section 12. WAIVER OF NOTICE. Before or at any meeting of the Board, any member of the Board may, in writing, signed by that Board member, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice and shall be filed with the minutes of the meeting in the corporate records. Attendance at or participation by a Board member at any meeting of the Board shall be a waiver of notice by him of the time, place and purpose thereof unless the Board member, upon arriving at the meeting or prior to a vote on a matter not noticed in conformity with these By-Laws, objects to lack of notice and does not thereafter vote for or assents to the objected action. If all members are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 13. ACTION WITHOUT A MEETING. Actions required or permitted by law, the Articles or these By-Laws may be taken without a meeting if the action is taken by all members of the Board and evidenced by one or more consents describing the action taken, signed by each Director, and included in the Minutes filed in the Corporate records reflecting the action taken.

Section 14. BOARD QUORUM. At all meetings of the Board, a majority of the Board members shall constitute a quorum for the transaction of business, and acts of the majority of the members present at a meeting at which a quorum is present shall be the acts of the Board. Any or all Board members may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may hear each other simultaneously during the meeting, and directors so participating by this means shall be deemed to be present in person at the meeting. If, at any meeting of the Board, there is less than a quorum present, the majority of the Board members present may adjourn the meeting to another time. At any such adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice. Unless subsequently approved by Co-Owners by an amendment to these By-Laws, proxies shall not be available for either a Board quorum or for voting purposes.

Section 15. FIDELITY BONDS. The Board may require that any and all officers and employees of the Regime handling or responsible for Regime funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Regime.

Section 16. COMPENSATION. No member of the Board of Directors shall receive any compensation from the Regime for acting as such. However, any Director may be reimbursed for his actual expenses incurred in the performances of his duties. Further, this provision is not intended to prevent Declarant from receiving reasonable compensation for its services as Management Agent.

Section 17. LIABILITY OF THE BOARD OF DIRECTORS. Except as required under the laws of the State of South Carolina, the members of the Board of Directors shall not be liable to the Co-Owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. To the extent permitted under the laws of the State of South Carolina, the Co-Owners shall indemnify and hold harmless each of the members of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Master Deed or of these By-Laws. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association. It is understood and permissible for the original Board of Directors, who are members of or employed by Declarant to contract with Declarant and affiliated corporations without fear of being charged with self-dealing. It is also intended that the liability of any Co-Owner arising out of any contract made by the Board of Directors or out of the aforesaid indemnity in favor of the members of the Board of Directors, shall be limited to such proportions of the total liability thereunder as his interest in the Common Elements bears to the interest of all Co-Owners in the Common Elements. Every agreement made by the Board of Directors or by the Managing Agent or by the Manager on behalf of the Association shall provide that the members of the Board of Directors, or the Managing Agent, or the Manager, as the case may be, are acting only as agent for the Co-Owners and shall have no personal liability thereunder (except as Co-Owners), and that each Co-Owners' liability thereunder shall be limited to such proportion of the total liability thereunder as his interest in the Common Elements bears to the interest of all Co-Owners in the Common Elements.

ARTICLE V

OFFICERS

Section 1. DESIGNATION. The principal officers of the Association shall be a President, a Vice President, and a Secretary-Treasurer all of whom shall be elected by and from the Board. The Board may appoint an Assistant Treasurer and Assistant Secretary, and such other officers as, in their judgment, may be necessary. One person may hold more than one of the aforementioned offices.

Section 2. ELECTION OF OFFICERS. The officers of the Association shall be elected annually by the Board at the organizational meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. REMOVAL OF OFFICERS. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed either with or without cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose. No officer shall continue to serve as such if, during his term of office, he shall cease to be a Co-Owner.

Section 4. VACANCIES. A vacancy in any office may be filled by appointment by the Board of Directors. The officer appointed to such vacancy shall serve for the remainder of the term of the office he replaces.

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Section 5. **PRESIDENT.** The President shall be the Chief Executive Officer of the Association. He shall preside at all meetings of the Association and of the Board. He shall have all of the general powers and duties which are usually vested in the office of President of a Regime or incorporated Association, including but not limited to the power to appoint committees from among the Co-Owners from time to time as he may, in his discretion, feel appropriate to assist in the conduct of the affairs of the Association. The President shall sign all leases, mortgages, deeds and other written contracts and instruments and shall co-sign all checks and promissory notes, and perform all of the duties which may be delegated to him from time to time by the Board of Directors.

Section 6. **VICE PRESIDENT.** The Vice President shall take the place of the President and perform his duties when the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board.

Section 7. **SECRETARY-TREASURER.** The Secretary-Treasurer shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board may direct and shall authenticate the records of the Association; and he shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board. He shall, in general, perform all the duties incident to the office of the Secretary and Treasurer.

ARTICLE VI

NOTICES

Section 1. **DEFINITION.** Whenever under the provisions of the Master Deed or of these By-Laws notice is required to be given to the Board of Directors, the Management Agent or Co-Owner, it shall not be construed to mean personal notice; but such notice may be given in writing, by first class, certified or registered mail, by depositing the same in a post office or letter box, in a postpaid sealed wrapper, addressed to the Board of Directors, such Manager or such Co-Owners at such address as appears on the books of the Association. Notice shall be deemed given as of the date of mailing.

Section 2. **SERVICE OF NOTICE-WAIVER.** Whenever any notice is required to be given under the provisions of the Master Deed, or law, or of these By-Laws, a waiver thereof, in writing, signed by the person or persons entitled to such notice and delivered to the President or Secretary-Treasurer of the Association, whether before or after the time stated therein, shall be deemed the equivalent thereof.

ARTICLE VII

OBLIGATION OF THE CO-OWNERS

Section 1. **ASSESSMENTS FOR COMMON EXPENSES.**

(a) All Co-Owners shall be obligated to pay the periodic assessments imposed by the Association to meet all Association Common Expenses, which shall include, among other things, liability insurance policy premiums and an insurance policy premium to cover repair and reconstruction work in case of hurricane, fire, flood, as necessary, and other hazards (hereinafter sometimes referred to as "Common Charges," "Common Expenses," and "assessments"). The Common Expenses may also include such amounts as the Board may deem proper for the operation

and maintenance of the Property and any authorized additions thereto. Such may include without limitation, any amount for general working capital, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the Common Expenses for any prior year. Such Common Expenses may take the form of regular and periodic assessments (typically known as "Regime Fee"), or special assessments passed by the Board when deemed appropriate, or specific assessments.

(b) The Association, through the Board, shall have the power to levy Specific Assessments against a particular Villa, and the Owner of such Villa, as follows:

- (1) to cover the costs, including overhead and administrative costs, of providing services to the Villa upon request of a Co-Owner pursuant to any special services which may be offered by the Association. Specific Assessments for special services may be levied in advance of the provision of the requested service; and
- (2) to cover costs incurred in bringing the Villa into compliance with the Master Deed, these By-laws and the Rules and Regulations, or costs incurred as a consequence of the conduct of the Co-Owner or occupants of the Villa, their agents, licensees, invitees, or guests; provided, the Board shall give the Co-Owner prior written notice and an opportunity for a hearing before levying any Specific Assessment under this subsection.

(c) No less than fifteen (15) days prior to the Annual Meeting, the Board shall furnish all Co-Owners with a copy of the budget for the next fiscal year and shall likewise advise them of the amount of the Common Charges payable by each of them, respectively, as determined by the Board as aforesaid.

(d) Declarant will be liable for the amount of any assessment against its Villas within the Regime which have not been sold and Declarant shall have all voting rights attendant to the ownership of said Villa until said Villas are sold.

(e) Payment of the regular periodic assessment shall be in equal monthly or quarterly (as determined by the Board) installments on or before the first day of each month or quarter, as appropriate, or in such other reasonable manner as the Board shall designate. Payment of any special or specific assessment shall be as determined by the Board.

(f) The transfer of ownership of an individual Villa within the Association shall carry with it the proportionate equity of that Villa's ownership in the Association operating escrow, working capital or reserve accounts set aside to provide a contingency fund for the maintenance and repair of the Association Property. Transfer of ownership and resignation or termination as a Co-Owner of the Association shall not relieve the Co-Owner from any obligations the Co-Owner may have to the Association as a result of obligations incurred or commitments made before resignation or termination.

Section 2. ASSESSMENTS TO REMAIN IN EFFECT UNTIL NEW ASSESSMENTS MADE.

The omission by the Board of Directors before the expiration of any year, to fix the assessments hereunder for that or the next year, shall not be deemed a waiver or modification in any respect of the provisions of the Master Deed and By-Laws or a release of any Owner from the obligation to pay the assessments, or an installment thereof for that or any subsequent year, but the assessment fixed for the preceding year shall continue until a new assessment is fixed by the Board at a duly held Board meeting. Amendments to this paragraph shall be effective upon unanimous written consent of the Owners and their mortgagees. No Owner

may exempt himself from liability for his contribution towards the Common Expenses by waiver of the use or enjoyment of any of the General or Limited Common Elements or by abandonment of his Villa.

Section 3. RECORDS. The Management Agent or Board shall keep detailed records of the receipts and expenditures affecting the General and Limited Common Elements and any other expenses incurred. Records and vouchers authorizing the payments involved shall be available for examination by the Owner during reasonable business hours.

Section 4. DEFAULT IN PAYMENT OF COMMON CHARGES. The Board shall take prompt action to collect any common charge due from any Co-Owner which remains unpaid for more than thirty (30) days from the due date for payment thereof. In the event of default by any Co-Owner in paying to the Board the common charges as determined by the Board, such Co-Owner shall be obligated to pay a late charge of one and one-half (1½%) percent of the delinquent amount per month on such unpaid Common Charge from the due date thereof, together with all expenses, including attorney's fees, incurred by the Board in any proceeding brought to collect such unpaid Common Charges. The Board shall have the right and duty to attempt to recover such Common Charges, together with interest thereon, and the expenses of the proceeding, including attorney's fees, in an action to recover the same brought against such Co-Owner, or by foreclosure of the lien on such Villa granted by Section 27-31-210, Code of Laws of South Carolina, 1976. With regard to the subordinate nature of such liens as it relates to mortgages recorded prior to the recording of any evidence of such lien, the provisions of Section 27-31-210, Code of Laws of South Carolina, 1976, as amended, shall be controlling.

Section 5. STATEMENT OF COMMON CHARGES. The Board shall, for a reasonable fee, promptly provide any purchaser, Co-Owner, mortgagee or prospective mortgagee of a Villa so requesting the same in writing, with a written statement of all unpaid Common Charges due from the Owner of that Villa and the purchaser's liability therefor shall be limited to the amount as set forth in the statement. Any mortgagee holding a lien on a Villa may pay any unpaid Common Charges payable with respect to such Villa and upon such payment such mortgagee shall have a lien on such Villa for the amounts paid of the same rank as the lien of his encumbrance.

Section 6. STATEMENT UPON RESALE. Any Villa may be conveyed by an Owner free of any restrictions except for those set forth herein, except that no Owner shall convey, sell, or lease his Villa unless and until all unpaid Association expenses assessed against the Villa shall have been paid as directed by the Board of Directors. Such unpaid Association expenses, however, may be paid out of the proceeds from the sale of a Villa or by the grantee. Upon the written request of an Owner or Owner's prospective buyer, the Board or the Management Agent shall furnish a written statement of the unpaid charges due from such Owner which shall be conclusive evidence of the payment of amounts assessed prior to the date of the statement, but unlisted thereon. Further, the Association shall undertake to provide copies of these By-Laws or other materials described by the Association upon the written request of a Co-Owner in connection with the sale or lease of their Villa. A reasonable charge may be made by the Board or the Management Agent for the issuance of statements and other materials.

The provisions of this Section shall not apply to the acquisition of a Villa by a mortgagee who shall acquire title to such Villa by foreclosure or by deed in lieu of foreclosure. In such event, the unpaid assessments against the Villa which were assessed and became due prior to the acquisition of title to such Villa by such mortgagee shall be deemed waived by the Association and shall be charged to all other Co-Owners of the Association as a Common Expense. Such a provision shall not, however, apply to any assessments which are assessed and become due after the acquisition of title to such Villa by the mortgagee and to any purchaser to such mortgagee.

Section 7. MAINTENANCE AND REPAIR.

(a) Each Co-Owner must perform work within his own Villa, which, if omitted, would affect the Property in its entirety or in a part belonging to another Co-Owner, being expressly responsible for the damages and liabilities that his failure to do so may engender.

(b) All the repairs of the Villas and of those items described in Section 5.6 of the Master Deed, and of all other accessories and Limited Common Elements appertaining or belonging to the Villa shall be at the expense of the Co-Owner.

(c) All maintenance, repair and replacement to the Common Elements as defined in the Master Deed, unless otherwise provided in the Master Deed, shall be made by the Board or its agent and shall be charged to all the Co-Owners as a Common Expense, excepting to the extent that the same may be necessitated by the negligence, misuse or neglect of the Co-Owner, in which such case the expense shall be charged to such Co-Owner.

Section 8. UTILITIES.

(a) WATER AND SEWER CHARGES. Water and sewer services may be supplied to all Villas and the Common Elements through one or more meters by the Hilton Head No.1 Public Service District, or its successors, (the "District") and each Owner shall be required to pay for all charges for water consumed and sewer services in his Villa and to the Common Elements, promptly after the bills for the same have been rendered. The Board and each Owner shall conform to the billing procedures established by the District.

(b) ELECTRICITY\GAS. Electricity shall be supplied by the public utility company serving the area directly to each Villa through a separate meter and each Co-Owner shall be required to pay the bills for electricity consumed or used in his Villa. The electricity serving the Common Elements shall be separately metered, and the Board shall pay all bills for electricity consumed in such portions of the Common Elements, as a Common Expense. In the event propane gas tanks are located in the Common Elements and shared by Co-Owners, the cost of same shall be a Common Expense and therefore shared by the Co-Owners in accordance with their percentage interest.

(c) CABLE TELEVISION/SATELLITE COMMUNICATIONS. No outside television or radio aerial or antenna, satellite dish, or other device, for the reception or transmission of radio or television, or other electronic signals, shall be erected or maintained on any Villa or upon the exterior of any Villa, Common Element or the Limited Common Elements appurtenant to any Villa without the prior written approval of the Board, which approval shall not be unreasonably withheld. The Board may approve any applications for the installation of such devices so long as the application indicates that the installation is for the personal use of the Owner, and (a) the device shall not be visible from neighboring Villas, streets or common areas; and (b) all other private and public approvals, as applicable, have been obtained. In approving such applications, the Board or its Management Agent shall have the power to require such specific forms of placement of the device as it deems appropriate in order to effectuate the intent of this Section 8(c) that such devices be as inoffensive as possible to other Owners. All installations must comply with local zoning requirements and building codes, if applicable. Any Owner requesting such a device may be required to pay a reasonable charge to the Association for the reviewing of such Application by the Board or its Management Agent. Further, the Owner shall be required to pay the installation costs for installing such device and to pay any bills associated with such Owner's use of the device.

The Board may approve the use of such devices to serve the Common Elements and the Board shall pay all costs of installation and bills for use of such devices in such portions of the Common Elements as a Common Expense.

Section 9. USE OF VILLAS - INTERNAL OR EXTERNAL CHANGES

(a) A Co-Owner may make internal structural modifications or alterations in his Villa or installations located therein subject to Sections 5.10 and 5.11 of the Master Deed. As provided in Section 5.10 of the Master Deed, the Association shall have the obligation to answer within sixty (60) days from the actual receipt of such notice.

(b) A Co-Owner shall make no changes or additions whatsoever to the exterior of the Villa, any balconies or decks, appurtenant thereto, or to any of the Limited Common Elements without prior written approval of the Board. The Board may also approve minor additions to landscaping and other exterior minor changes or additions of this nature which in its sole discretion will not interfere or conflict with the overall scheme and appearance of the common areas. If any changes as described herein are approved by the Board, the Co-Owner requesting such change shall be totally financially responsible for the cost of such change and the incurred costs, if applicable, of the maintenance and repair of such change. The Board, through its agent, may include this additional maintenance cost in the periodic assessment for the Villa in question.

Section 10. USE OF COMMON ELEMENTS. Except as authorized by Section 9(b) a Co-Owner shall not place or cause to be placed in the passages, parking areas, roads, or other common areas any furniture, packages or obstructions of any kind. Such areas shall be held in common for the enjoyment of the Co-Owners and shall be used for no other purpose than for normal transit through or use of them and for normal vehicular parking.

Section 11. RIGHT OF ENTRY.

(a) A Co-Owner shall grant the right of entry to the Management Agent or to any person authorized by the Board in case of any emergency originating in or threatening his Villa or in event that the Management Agent or Board is faced with a situation which in their reasonable opinion involves the health, safety or welfare of any Common Elements or of any Co-Owner(s) within the Regime, whether the Co-Owner is present at the time or not.

(b) A Co-Owner shall permit other Co-Owners, or their representatives, when so required, to enter his Villa for the purpose of performing installations, alterations, or repairs to the mechanical or electrical services, provided that such requests for entry are made in advance and that such entry is at a time convenient to the Co-Owner. In case of emergency, the right of entry shall be immediate.

Section 12. RULES AND REGULATIONS. In order to assure the peaceful and orderly use and enjoyment of the Villas and Common Elements of the Association, reasonable rules and regulations, to be called The Preserve at Indigo Run Rules and Regulations, governing the conduct of persons on said property of the Association shall be in force and effect. Such Rules and Regulations, upon adoption, and every amendment, modification, and revocation thereof, shall be delivered promptly to each Owner by posting same with postage prepaid addressed to the Owner at the last registered address of the Owner and shall be binding upon all Co-Owners and the occupants of Villas in the Regime. The initial Rules and Regulations for the Regime are attached to these By-laws as **Appendix "A"**. Management Agent shall be charged with the responsibility of distributing a current set of the Rules and Regulations to every new Co-Owner. Any revisions to the Rules and Regulations do not necessarily have to be recorded in order to be effective but shall be made available at the offices of the Management Agent.

Section 13. ABATEMENT AND ENJOINMENT OF VIOLATIONS BY CO-OWNERS. The violation of any of the Rules or Regulations adopted by the Board or the breach of any By-Laws contained herein, or the breach of any provisions of the Master Deed, shall give the Board the right, in addition to any other rights set forth in these By-Laws: (a) to enter the Villa in which or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Co-Owner, any structure, thing or condition, that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass; and/or (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach and to recover the cost of such enforcement, including attorneys' fees, and until such expense is recovered it shall be a lien upon said Villa which lien shall be inferior to the lien of all prior mortgages; and/or (c) to cause a Specific Assessment to be levied against the defaulting Co-Owner as described above in Article VII.

Section 14. FISCAL YEAR. The fiscal year for the Association shall begin on the 1st day of January of each year; provided, however, that the Board of Directors is expressly authorized to change to a different fiscal year in accordance with the provisions and regulations from time to time prescribed by the Internal Revenue Code of the United States of America, at such time as the Board of Directors deems it advisable.

Section 15. LITIGATION. No judicial proceeding shall be commenced or prosecuted by the Association unless approved by a vote of seventy-five percent (75%) of the votes eligible to be cast by the Owners. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided herein; (c) proceedings involving taxation, including, e.g., challenges to ad valorem taxation; or (d) counterclaims brought by the Association in proceedings instituted against it. In the event any litigation is instituted, then the Association shall assess all Owners for the costs of litigation, including, without limitation, attorneys' fees incurred, and funds from regular assessments shall not be used for any such claim or litigation; provided, however, that this 75% threshold requirement may be eliminated by the Board at any time after January 1, 2015.

ARTICLE VIII

INSURANCE

The Board of Directors shall be required to obtain and maintain, as set forth below, in forms and amounts as hereinafter prescribed and which are also satisfactory to any mortgagee holding mortgages on five or more Villas, the following insurance, without prejudice of the right of the Co-Owner to obtain additional individual insurance at his own expense:

Section 1. HAZARD INSURANCE. The Board of Directors shall insure the Property, as it may be constituted from time to time, against loss or damage due to fire, windstorm, lightning, and flood, with extended coverage, in an amount not less than the maximum insurable replacement value of the Property as determined by the Board upon recommendation made by the Regime's insurer, (it being understood that the Board, at its discretion, may have an appraisal made of the Property for this purpose) or in the amount reasonably obtainable as it relates to the flood coverage. The Board of Directors shall have the authority also to insure against other hazards and risks as it may deem desirable for protection of the Property. All hazard insurance shall cover the entire Property, exclusive of the contents and furnishings of the individual Villas or other items as referenced below in Section 6 of this Article.

(a) All hazard insurance policies obtained by the Board of Directors shall designate the Board of Directors as the named insured as Insurance Trustee for the benefit of all the Owners and their mortgagees collectively, as their respective interests may appear. In the event of loss or damage, all insurance proceeds shall be paid jointly to the Board of Directors as Insurance Trustee under the provisions of this Master Deed and to any mortgagee holding mortgages on five or more Villas, it being understood and acknowledged that the distribution of such proceeds shall be controlled by the Horizontal Property Act and the provisions of this Master Deed.

(b) All hazard insurance policies obtained by the Board of Directors shall provide for the issuance of Certificates of Insurance to each Co-Owner. Each Certificate shall evidence the issuance of the Master Policy and shall indicate the amount of insurance covering the building within which the respective Villa is located. If a Villa is mortgaged, a Certificate of Insurance shall be issued to the mortgagee bearing a standard mortgagee endorsement, if requested.

(c) If obtainable, all hazard insurance policies upon the Property shall include provisions waiving (i) any rights of the insurer to subrogation against the Association, its agents and employees, and against the individual Owners and their servants, agents, and guests; and (ii) any rights of the insurer to contribution from hazard insurance purchased by the Co-Owner upon the contents and furnishings of their Villas.

(d) Each mortgagee of which the Board has notice as herein provided shall be entitled to receive, upon request, a statement of the replacement value as determined herein this Section 1. If any such mortgagee disagrees with the values assigned to the Property by such determination and presents an appraisal prepared at such mortgagee's expense showing higher values which has been performed by a qualified appraiser, then the Board shall either adopt the higher value or shall cause a reappraisal to be made by a qualified appraiser approved by the Board and by the appraisers who conducted the prior appraisals and the findings of the third appraiser shall be conclusive to determine such value for insurance purposes.

(e) Each hazard insurance policy shall contain a loss payee provision designating the interest of the various mortgagees as to the various Villas within the Regime which are covered by the Master Policy. Such policies shall also provide that they shall not be canceled without giving thirty (30) days prior written notice to all such mortgagees about which the insurer has been given written notice.

Section 2. PUBLIC LIABILITY INSURANCE. The Board of Directors shall obtain comprehensive public liability insurance with limits and provisions as it deems desirable and as may be obtainable. All such policies shall contain severability of interest clauses or endorsements extending coverage to liabilities of the Association to an individual Co-Owner and to liabilities of one Co-Owner to another Co-Owner.

Section 3. WORKMEN'S COMPENSATION INSURANCE. The Board of Directors, as necessary, shall obtain Workmen's Compensation Insurance to meet the requirements of law.

Section 4. PREMIUMS. All premiums upon insurance policies purchased by the Board of Directors shall be assessed as Common Expenses to be paid by the Co-Owners through periodic assessment as herein provided.

Section 5. ADJUSTMENT. Each Co-Owner shall be deemed to have delegated to the Board of Directors his right to adjust with insurance companies all losses under policies purchased by the Association, subject to the rights of mortgagees of such Co-Owners.

Section 6. **INSURANCE BY CO-OWNERS.** Each Co-Owner shall be responsible for obtaining, at his sole expense, insurance covering the personal property, wall coverings, decorations, and furnishings within his own Villa and the additions, replacements and improvements made by him to the Villa (typically referred to as a HO-6 policy). Each Co-Owner shall also be responsible for obtaining, at his own expense, insurance covering his liability for the safety of the premises within his Villa. All such insurance policies shall include, however, provisions waiving (i) any right of the insurer to subrogation claims against the Association and against individual Co-Owners, as well as their agents, servants, employees, and guests; and (ii) any right of the insurer to contribution or proration because of the master hazard policy.

As set forth in Section 5.6 of the Master Deed, the Co-Owner is responsible for any damage to his Villa or another Villa caused by his negligent action or inaction. If a claim is made against the Association's policy as a result of such negligence by a Co-Owner, then the Board may make a determination to assess any non-reimbursable expenses, such as the deductible, attorney's fees, and the like, against the negligent Co-Owner, and such assessment shall be collectible just as any other assessment described in Section 1 of Article VII.

Section 7. **DISTINCTION ON OWNER'S COVERAGE AND REGIME COVERAGE.** As reflected above, both the Association and the Co-Owner has certain insurer's responsibilities. The Board, acting through the Management Agent, shall have the discretion to balance competing interests of said insurers, should such an occasion arise. Each Co-Owner shall, upon request, provide to the Management Agent, the name and address of his insurer.

Section 8. **SUBSTITUTION OF INSURANCE TRUSTEE.** The Board of Directors, in its discretion, may decline to serve as Insurance Trustee and may appoint in its place any financial institution which is qualified and willing to act as Trustee and which also has offices in Beaufort County, South Carolina. Any substitute Insurance Trustee appointed by the Board of Directors shall succeed to all of the powers and responsibilities vested in the Board as Insurance Trustee under the terms of this Master Deed.

ARTICLE IX

RECONSTRUCTION AND REPAIR

Section 1. **PROCEDURE.** In the event of casualty loss or damage to the Property, the Board of Directors shall be responsible for applying the proceeds of all casualty insurance to the repair or reconstruction of the Property in accordance with the provisions of this ARTICLE IX. Reconstruction or repair shall be mandatory unless otherwise provided in the Act, as amended from time to time, or unless seventy-five (75%) percent or more of the Co-Owners vote, at a duly authorized meeting, not to reconstruct. In situation where reconstruction or repair is not to be undertaken, the insurance indemnity received by the Board of Directors shall be distributed pro-rata to the Co-Owners and their mortgagees jointly in proportion to their respective statutory interests. The remaining portion of the Property shall be subject to an action for partition at the suit of any Co-Owner or lienor as if owned in common. In the event of suit for partition, the net proceeds of sale, together with the net proceeds of insurance policies, shall be considered one fund and distributed pro-rata among all Co-Owners and their mortgagees jointly in proportion to their respective statutory interests. In the situation where reconstruction or repair is undertaken, then such Property shall be repaired in the following manner:

- (a) Any reconstruction or repair must follow substantially the original plans and specifications of the Property (to be provided by Declarant to the Management Agent and a portion of which are referenced on Exhibit "C-1" to the Master Deed) unless the Co-Owners holding seventy-five percent (75%) or more of the total interest in Common Elements and their mortgagees, if any, vote to adopt

different plans and specifications and all Owners whose Villas are being reconstructed or repaired unanimously consent to the adoption of such different plans and specifications. The approval of such plans by Declarant shall likewise be required.

(b) The Board of Directors shall promptly obtain estimates of the cost required to restore the damaged property to its condition before the casualty occurred. Such costs may include such professional fees and premiums for bids as the Board of Directors deems necessary.

(c) If the insurance proceeds paid to the Board are insufficient to cover the cost of reconstruction, the Association may use funds out of its reserve or replacement accounts, and, if still not sufficient, then the Association shall levy and collect an assessment against all Owners in an amount which shall provide the funds required to pay for the repair, replacement or reconstruction.

(d) The insurance proceeds received by the Board of Directors and the mortgagees, and any special assessments collected to cover a deficiency in insurance shall constitute a construction fund from which the Board of Directors and the mortgagees, shall disburse payment of the costs of reconstruction and repair. The first disbursements from the construction fund shall be insurance proceeds; and if there is a balance in the fund after payment of all costs of reconstruction and repair, it shall be distributed to the Co-Owners who paid special assessments in proportion to their payments. Any balance remaining after such distribution shall be retained by the Association.

ARTICLE X

INSURANCE TRUST

In the event of casualty loss to the Property, all insurance proceeds indemnifying the loss or damage shall be paid to the Board of Directors as Insurance Trustee. The Board of Directors, acting as Insurance Trustee, shall receive and hold all insurance proceeds in trust for the purposes stated in this ARTICLE X, and for the benefit of the Association, the Co-Owners, and their respective mortgagees in the following share:

(a) Insurance proceeds paid on account of loss or damage to the Common Elements only shall be held in the same proportion as the undivided interests in the Common Elements which are appurtenant to each of the Villas.

(b) Insurance proceeds paid on account of loss or damage to less than all of the Villas, when the damage is to be restored, shall be held for the benefit of Co-Owners of the damaged Villas and their respective mortgagees in proportion to the costs of repairing each damaged Villa.

(c) Insurance proceeds paid when the Property is not to be restored shall be held for the benefit of all Co-Owners, and their respective mortgagees the share of each being equal to the undivided share or interest in Common Elements appurtenant to the applicable Villa.

(d) In the event a Certificate of Insurance has been issued to a Co-Owner bearing a mortgagee endorsement, the share of the Co-Owner shall be held in trust for the mortgagee and the Co-Owner as their interests may appear; provided, however, that no mortgagee shall have any right to determine or participate in the determination as to whether any damaged property shall be reconstructed or repaired, and no mortgagee shall have any right to apply or have applied to the reduction of a mortgage debt any insurance proceeds except for insurance proceeds required by the loan documents to be paid jointly to the Co-Owners and their respective mortgagees pursuant to the provisions of the Master Deed.

ARTICLE XI

MORTGAGES

Section 1. NOTICE TO BOARD. A Co-Owner who mortgages his Villa shall notify the Board through the Management Agent, if any, or the President if there is no Management Agent, of the name and address of his Mortgagee; and the Association shall maintain such information in a book entitled "Mortgages on Villas" or in the individual Villa file.

Section 2. NOTICE TO MORTGAGEE. The Board shall give reasonable advance written notice of the following events to all mortgagees from which it receives a written request (the term "mortgagee" to include the holder, insurer or guarantor with respect to any such mortgage). Such written request must identify the name and address of the holder, insurer or guarantor and the Villa number and address:

- (a) Any change in the condominium documents;
- (b) Any unpaid assessments due the Association for over ninety (90) days from the Co-Owner(s) (mortgagor(s)) of the Villa;
- (c) Any default by the Co-Owner (mortgagor) of a Villa in the performance of such Co-Owners' obligations under the Master Deed and associated condominium documents when such default is not cured within sixty (60) days.
- (d) Any notice of special or annual meetings of the Association.
- (e) Any condemnation loss or any casualty loss which affects a material portion of the Project or any Villa on which there is a first mortgage held, insured, or guaranteed by such eligible mortgage holder or eligible insurer or guarantor, as applicable;
- (f) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;
- (g) Any proposed action which would require the consent of a specified percentage of eligible mortgage holders as specified in these By-Laws or in the Master Deed.
- (h) Any proposed change from professional management of the Property to self management of the Property by the Association.

Section 3. STATEMENTS TO MORTGAGEE. Upon written request to the Association from any Mortgagee of which it has notice as herein provided, the Board, Manager or Management Agent shall supply such Mortgagee with a reasonably current financial statement of the Association within a reasonable time of such request.

ARTICLE XII

RESTRICTIONS UPON LEASES OF VILLAS

Section 1. LEASES. No Co-Owner may lease his Villa or any interest therein except by complying with these By-Laws, the terms and conditions of the Master Deed and all exhibits, and the Rules

and Regulations. Such lease shall be complied with by the tenant and that the Association shall have the power to terminate such lease, and bring summary proceedings to evict the tenant in the name of the landlord thereunder in the event of default by the tenant in the performance of said lease, or failure by the tenant to perform an obligation in the Master Deed, By-Laws or the Rules and Regulations. In the event of a Co-Owner leasing his Villa, such Co-Owner shall provide a copy of the then current Rules and Regulations to his tenant and shall expressly include a provision in the written lease document cross referencing such Rules and Regulations as being applicable to the tenant.

ARTICLE XIII

AMENDMENTS

Section 1. REQUIREMENTS FOR AMENDMENTS. Except as provided in the Master Deed, and except where a greater percentage is expressly required, either herein, or by law, these By-Laws may be materially amended only with the consent of the Owners of Villas to which at least sixty-seven (67%) percent of the votes in the Association are allocated and the approval of eligible mortgagees from which the Association has received written notice holding mortgages on Villas which have at least fifty-one (51%) percent of the votes of Villas subject to such mortgages, as it relates to modification of any material provisions of these By-Laws, the Articles of Incorporation or other governing document, which establish, provide for, govern or regulate any of the following:

- (a) Voting;
- (b) Assessments, assessment liens or subordination of such liens;
- (c) Reserves for maintenance, repair and replacement of the Common Elements;
- (d) Insurance or Fidelity Bonds;
- (e) Rights to use of the Common Elements;
- (f) Responsibility for maintenance and repair of the several portions of the Property;
- (g) Expansion or contraction of the Project or the addition, annexation or withdrawal of property to or from the Project except as expressly provided in the Master Deed;
- (h) Boundaries of any Villa;
- (i) The interests in the General or Limited Common Elements;
- (j) Convertibility of Villas into common areas or of common areas into Villas;
- (k) Leasing of Villas;
- (l) Imposition of any additional or further right of first refusal or similar restriction on the right of a Co-Owner to sell, transfer, or otherwise convey his or her Villa;
- (m) Any provisions which are for the express benefit of mortgage holders, eligible mortgage holders or eligible insurers or guarantors of first mortgages on Villas.

Notwithstanding the foregoing, so long as the Declarant remains the Owner of more than one Villa in this Regime, these By-Laws shall not be amended so as to adversely affect the Declarant without the Declarant's consent.

Section 2. MATERIALITY OF AMENDMENTS; MORTGAGEE APPROVAL PROCEDURE. An addition or amendment to the By-Laws or Master Deed shall not be considered material if it is for the purpose of correcting technical errors, or for clarification only. An eligible mortgage holder who receives a written request to approve additions or amendments who does not deliver or post to the requesting party a negative response within thirty (30) days shall be deemed to have approved such request and proof of mailing such request in affidavit form, together with an affidavit of non-receipt, shall be sufficient evidence of such approval.

ARTICLE XIV

MISCELLANEOUS MATTERS

Section 1. GENDER; NUMBER. The use of the masculine gender in these By-Laws includes the feminine gender, and when the context requires, the use of the singular includes the plural.

Section 2. DEFINITIONS. The definitions contained in Section 4 and elsewhere in the Master Deed also apply to these By-Laws.

Section 3. EXECUTION OF DOCUMENTS. The President or Vice President and Secretary or Assistant Secretary are responsible for preparing, executing, filing and recording amendments to the Master Deed and By-Laws, and shall be authorized to execute any other document which the Association may from time to time be required to execute.

Section 4. NOTICES. All notices required by these By-Laws shall be hand delivered or sent by mail to the Association at the address of the President; to Co-Owners at the address of the Villa or at such other address as may have been designated by such Co-Owner from time to time in writing to the Association. All notices from or to the Association shall be deemed to have been given when mailed or delivered, except notice of changes of address which shall be deemed to have been given when received.

Section 5. CAPTIONS. The captions contained in these By-Laws are inserted as a matter of convenience and for reference, and in no way define, limit, or describe the scope of these By-Laws or the intent of any provision of the By-Laws.

Section 6. INVALIDITY. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws.

Section 7. CONFLICT. These By-Laws are set forth to comply with the requirements of the Horizontal Property Act of South Carolina, as amended, and the South Carolina Non-Profit Corporation Act of 1994, and may be amended from time to time. In the event of any conflict between these By-Laws and the provisions of such statutes or the Master Deed, the provisions of such statutes or the Master Deed, as the case may be, shall control.

Section 8. WAIVER. No restriction, condition, obligation, or covenant contained in these By-Laws shall be deemed to have been abrogated or waived by reason of failure to enforce the same, irrespective of the violations or breaches thereof which may occur.

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**APPENDIX "A" TO
BY-LAWS OF
THE PRESERVE AT INDIGO RUN OWNERS' ASSOCIATION, INC.
RULES AND REGULATIONS**

The Preserve at Indigo Run (the "Community") has previously been operated as an outstanding residential rental development. Certain rules and regulations have been in place to assist to achieve that result. The Association, through its Board and Management Agent, will endeavor to render prompt, efficient service and to maintain the Community in a first class manner. Each Co-Owner, his family, occupants and guests agree to observe all Rules and Regulations and to assist the Association in keeping this Community an attractive and pleasant place in which to live. Any expense incurred by the Association as a result of a violation of these Rules and Regulations, insofar as feasible, may be assessed against the Co-Owner as additional Common Expense in the form of a Specific Assessment as defined in the By-laws.

NOTE: THESE RULES AND REGULATIONS ARE A PART OF THE BY-LAWS OF THE ASSOCIATION AND EACH CO-OWNER IS OBLIGATED TO OBSERVE THEM. CAPITALIZED TERMS USED HEREIN SHALL HAVE THE SAME MEANING AS SET FORTH IN THE MASTER DEED AND/OR THE BY-LAWS, UNLESS OTHERWISE DEFINED HEREIN.

1. ENTRANCES, WINDOWS, PATIOS, BALCONIES AND STORAGE

- a. The sidewalks and entryways shall not be obstructed by Co-Owner, or used for any purpose other than ingress and egress. Motorcycles and other vehicles shall not be brought into any building or onto the lawn and shall not obstruct the driveways, sidewalks, courts or entryways. Lawns and other common areas are to be kept clear of furniture, bicycles, toys, trash, etc. No littering will be permitted. No cigarette butts, bottles, drink cans, bottles and wrappers or other refuse should be left on the grounds at any time.
- b. No signs, clothing, sheets, towels, etc. shall be hung from the windows, rails or porches or aired or dried in the yard space.
- c. No exterior alterations will be permitted including clotheslines, mailboxes, greenhouses, doghouses, or fencing of any kind. No plastic or other covering may be placed over the windows on the exterior of the building. No additional screening will be permitted except screen enclosures for patios or balconies which are approved by the Board or its Management Agent.
- d. No goods or materials of any kind or description, which are combustible or would increase fire risks shall be taken or placed in storage areas. Storage in such areas or facilities shall be used wholly at the Co-Owner's risk.
- e. In order to present a pleasant, uniform exterior appearance, all draperies or other window treatments must be lined in white.
- f. Patios and balconies shall not be used for storage of items such as boxes, trash, athletic equipment, indoor furniture or cleaning supplies. It is the Management Agent's discretion to deem what is appropriate for balconies and patios.
- g. In compliance with state, federal, local, and county regulations relating to the use of charcoal, gas or electric grills, no cooking grills or open fires are permitted at any time. Fireworks and firecrackers are not permitted on the property.

2. POOL

- a. Co-Owner is responsible for the actions of their guests and must accompany them while they are using the pool. The cost of property damage, which might result from Co-Owner or guests, will be charged to the Co-Owner and is due as additional Common Expense.
- b. All children under 18 years of age must be accompanied by an adult when in the pool area.
- c. All persons using the pool or pool area do so at their own risk and bear sole responsibility for any accident or injury in connection with such use and in conformance with all Rules and Regulations.
- d. Glass objects are prohibited in the pool area.

- e. Co-Owner shall abide by all rules posted in the pool area.
- f. Tasteful bathing attire is required at all times.

3. **RECREATIONAL FACILITIES**

Recreational facilities are provided as an amenity. Any Co-Owner who fails to abide by the Rules and Regulations established for the recreational facilities will be prohibited from further use of such facilities. We want you to use and enjoy the facilities as often as you desire. However, it is important to recognize the danger involved in using sports equipment. Co-Owner and their guests agree(s) to use any equipment in a safe and reasonable manner consistent with his physical abilities and condition. When utilizing the equipment, family and guests shall observe the following rules:

- a. All equipment will be carefully examined prior to use.
- b. Those using the equipment must understand how to use it correctly and safely.
- c. All safety equipment must be used.
- d. All children under 18 years of age must be accompanied by an adult, and Co-Owner shall be liable for damaged or missing equipment.

4. **DISTURBANCES OF OTHER RESIDENTS**

- a. All radios, television sets, electronic equipment, etc. shall be turned down to a level of sound that does not unreasonably disturb other Co-Owners.
- b. No musical instruments (guitars, drums, saxophones, trumpets, etc.) shall be played in the Villa at any time. Co-Owner and their families and guests shall at all times maintain order in the Villa and at all places in the Community, and shall not make or permit any loud or improper noises, or otherwise disturb other Co-Owners.
- c. Automobile stereos must at all times be kept at a reasonable level as determined by Management Agent. Courtesy hours will be in effect from 9:00PM until 9:00AM. Please keep the noise level at a minimum during this time.
- d. Co-Owners shall use best efforts to avoid having stereo speakers placed directly on the floor or against a wall so as to cause vibrations transmitted from them to disturb Co-Owner in adjoining Villa.
- e. Co-Owner shall be responsible and liable for the conduct of their guest(s).
- f. Co-Owner must maintain safe-driving speeds at all times on the property and be cautious of pedestrians.

5. **UNNECESSARY DAMAGE**

- a. Co-Owner is/are responsible, when leaving his Villa, for securing the same, for closing all windows, closing all water faucets, turning off all electrical appliances not in use, and locking the Villa entrance doors, thus avoiding possible damage from water, fire, storms, rain, freezing, vandalism, theft and other causes of damage or loss. Co-Owner is responsible for maintaining adequate heat in the Villa in winter to prevent water pipes from freezing and for air conditioning the air in summer to prevent damage from excessive humidity.
- b. Co-Owner will be responsible for any damages resulting from tampering with or misuse of fire controlled sprinkler system. Tampering & misuse includes but is not limited to hanging of any object from the sprinkler heads.
- c. The trees and shrubbery are a vital and valuable part of the Community, and each Co-Owner shall be liable for damages for any mutilation or defacing thereof, for which he, his family or guests are responsible.
- d. In the event of power outage, Management Agent strongly recommends the use of flashlights instead of candles.

6. **TRASH**

- a. All trash shall be placed only in the compactor furnished by the Association. Do not deposit garbage or trash in any other area.
- b. Dispose of your garbage and trash regularly as it may attract rodents and insects if left unattended.
- c. Co-Owner are responsible for any related cleaning, to include the removal of trash and debris from any area they might use for an outdoor party.
- d. If Association finds it necessary to remove your trash, a \$25.00 fee per bag or \$50.00 fee per larger item will be charged and due as a Specific Assessment.
- e. Cardboard moving boxes or similar boxes must be disposed of off-site at a recycling facility or other dumping facility.

7. **WATERBEDS**

- a. Co-Owner shall not have or keep any waterbed in the Villa without prior written permission from Management Agent.
- b. Co-Owner shall be liable for any and all damages occurring to the Villa or neighboring Villa resulting from the use of a waterbed.
- c. Co-Owner must provide evidence of Co-Owner's insurance policy for waterbeds to be permitted.

8. **PETS - IF APPLICABLE**

- a. No dogs or cats are allowed to run outside, unleashed at any time. Dogs and cats must be leashed at all times.
- b. Co-Owner is/are responsible for cleaning up after their pets.
- c. No pets are allowed in the Pool, Garden Walk, Fountain Circle or other recreational areas.
- d. Aquariums over 25 gallons are prohibited without specific permission from Management Agent.
- e. Pets may not be staked or tied to anything outside in the Community at any time or left unsupervised on a patio/ balcony.
- f. Co-Owner agree(s) to pay for any and all costs incurred in correction or repairing any damage caused by his pet. If a pet causes Association to incur cost for the benefit of the other Co-Owners, the owner of the pet will be responsible for the entire cost. The cost of damages caused by pets will be due as an additional Common Expense in the form of a Specific Assessment
- g. In no event shall the pet be allowed to constitute a nuisance to other Co-Owners.

9. **CONDOMINIUM INSURANCE**

Co-Owners are urged to purchase comprehensive property insurance against all perils, including, but not limited to, insurance on personal property or property of other persons from protection or loss due to or caused by theft, vandalism, bursting or leaking pipes to include the water heater or HVAC condensation lines, by or from fire, windstorm, hurricane, hail, flooding, leakage from windows or doors, steam, snow or ice, by or from running water, backing up of drainage pipes, seepage, or the overflow of water or sewage on the property of which Co-Owner's Villa is a part.

10. **COMMUNITY GATES**

Each Co-Owner is responsible for his own keys/access code to the front and rear access gates. In the event the Association has to provide special services to a Co-Owner locked out, an appropriate charge will be levied as a Specific Assessment.

11. **PARKING/VEHICLES**

No (a) abandoned or inoperable vehicles; (b) trailers; (c) boats; (d) motorcycles; or (e) any vehicle which cannot fit within a single parking space may be parked in the open parking areas. A vehicle is considered to be abandoned if it lacks current license plates, registration, insurance, or has not been driven on a public street at least once within a 30-day period.

12. **FAILURE OF MANAGEMENT TO TAKE ACTION**

Failure of Association, through its Management Agent, to insist upon strict compliance with these Rules and Regulations shall not constitute a waiver of any violation nor a waiver of Association's right to insist upon strict compliance with the terms of the Rules and Regulations.

13. **COMMUNICATIONS WITH MANAGEMENT**

Co-Owner agrees to handle his communications and conduct with Association, including, but not limited to, leasing agents, on-site staff, maintenance personnel, or independent contractors and vendors hired by Association, and with all other Co-Owners, occupants, or guests or invitee, in a lawful, courteous and reasonable manner. Co-Owner shall not engage in any abusive behavior, either verbal or physical, or any form of intimidation or aggression, directed at Association, its agents, employees or vendors, or directed at any other Co-Owner, occupant, guest, invitee, or any other person. Production and/or distribution of negative publicity are strictly prohibited by Co-Owners. If requested to leave the leasing or Association office, Co-Owner agrees to do so promptly and conduct all further business in writing.

14. **MANAGEMENT'S PERMISSION OR CONSENT**

If any provision of these Rules and Regulations requires the written permission or consent of Association as a condition to any act of Co-Owner, such written permission or consent may be granted or withheld in the sole discretion of Association and may contain such condition as Association deems appropriate and shall be effective only so long as Co-Owner complies with such conditions. Moreover, any written permission or consent given by Association to Co-Owner may be modified, revoked, or withdrawn by Association at any time, at Association's sole discretion, upon written notice to Co-Owner.

15. **FUTURE CHANGES**

These Rules and Regulations are subject to change from time to time as set forth in the By-laws.

Version I Rules and Regulations: Dated November 13, 2003

EXHIBIT "E" TO MASTER DEED
THE PRESERVE AT INDIGO RUN HORIZONTAL PROPERTY REGIME

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

JOINDER OF MORTGAGEE

WHEREAS, COMPASS BANK ("Compass"), is the owner and holder of a construction loan mortgage upon certain real property located on Hilton Head Island, South Carolina, described on Exhibit "A" to the Master Deed of **The Preserve at Indigo Run Horizontal Property Regime**; and

WHEREAS, said construction loan documentation is evidenced by a mortgage in the original principal sum of Thirty-One Million and No/100 Dollars (\$31,000,000.00) said mortgage dated August 28, 2003, and recorded in the Land Records of Beaufort County, South Carolina, in ORB 1829 at Page 896, et seq.

NOW, KNOW ALL MEN BY THESE PRESENTS, that Compass joins in the Master Deed of **The Preserve at Indigo Run Horizontal Property Regime** and the provisions of the Horizontal Property Act of South Carolina for the sole purpose of consenting to the creation by the Declarant of **The Preserve at Indigo Run Horizontal Property Regime**. Compass makes no representations or warranties as to the validity of the documents creating the Regime nor the development and physical construction of the Buildings and Villas within the Regime.

This Joinder of Mortgagee shall in no way affect or diminish the lien of the existing mortgage on the remaining portions of the property described in the aforementioned mortgage described hereinabove.

WITNESSES:

COMPASS BANK

X Laura C. Parr

By: William C. McKinley
Vice President

Joyce Lee

STATE OF ALABAMA)
)
COUNTY OF)

ACKNOWLEDGMENT

I, the undersigned Notary Public, do hereby certify that William C. McKinley, as (President, Vice-President or other duly authorized officer) of **COMPASS BANK**, on behalf of the corporation, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

SWORN to before me this 27th
Day of Oct. 2003.

Joyce A. Thiel

Notary Public for Alabama
My Commission Expires: 1-27-07

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