THE STATE OF SOUTH CAROLINA
In the Supreme Court

RECORD ON APPEAL
Volume III of V

APPEAL FROM GEORGETOWN COUNTY
Court of Common Pleas

Larry B. Hyman, Jr., Circuit Court Judge

Civil Action No: 2009-CP-22-01655

Appellate Case No. 2012-213634

Supreme Court No. 2014-002394

Richard A. Fisher, Platte B. Moring, Jr., Trustee of the Platte B. Moring, Jr. Living Trust dated March 13, 2001; Marianne Kochanski, and Jim H. Markley, III, Individually, and in a Representative Capacity on Behalf of All Persons Similarly Situated Who Own Units in Buildings C and D of the Shipyard Village Horizontal Property Regime; Robert A. Wright, Mary Beth C. Wright, H. Allen Wright, Joyce Y. Wright and Carolyn L. Wright; Carmen J. Savoca, Ann D. Savoca, William John Savoca and Donna S. Strom; James T. Hunter and Mary D. Hunter; Dwain C. Andrews; WWS, LLC, a South Carolina Limited Liability Company; Donald L. Henson and Sandra L. Henson; Allen M. Funk; Norman J. Rish and Mary T. Rish; Angela M. Markley; Walter C. Worsham and Carolyn W. Worsham; Enrico S. Piraino and Giusto Piraino; Otis T. Harrison and Rose C. Harrison; James E. Newman, Jr.; Brenda E. Fisher and Joseph R. Canning and Kathleen B. Canning; James D. Reynolds, Jr.; Fuller Family, LLC; Richard T. White and Rory L. White; Propst and Dawson, LLC; Litchfield Quarters, LLC, and Larry O. Snider and Paula D. Snider; William C. Hammond, Jr., Living Trust and the Shawn S. Hammond Living Trust; GAB IV, LLC, a Virginia Limited Liability Company; Robert C. McBride and Susan R. McBride, Trustees of the Robert C. McBride Family Trust u/d/t July 24, 2008, and Susan R. McBride and Robert C. McBride, Trustees of the Susan R. McBride Family Trust u/d/t/ July 24, 2008; Evelyn J. Valuska; Barbara W. Beymer; Montrose Associates, LLC; Harry L. Belk and Jan C. Belk; Dennis E. Barrett and Wilma J. Barrett; First Family Properties, Inc., Cynthia L. Jones, Sandra D. Huggins and Margaret S. Dover, Thomas Franklin Huggins, Frank S. Krouse and Barbara T. Krouse, Judith W. Mill, William Mill and Susan Mill, Gene R. Riley and Patricia C. Riley, Harold LeMaster and Patti LeMaster; Joseph P. Heaton and Frances H. Heaton; Robert N. Kelly; H. S. Keeter and Sandra C. Keeter; Brian R. Nisbet Trust Agreement dated November 16, 1998 and Mary M. Nisbet Trustee of the Mary M. Nisbet Trust Agreement dated November 16, 1998; Dorothy Jean Foster; Captains Quarters D-24 Association of Owners, Inc., Michael H. Sanders and Rebecca H. Sanders, Ruth Gray Wheliss, David B. Shivell and Nicki M. Shivell, Debra B. Leeke, Joseph Alan Capobianco and Lara Serro, Sharon Gibson Daniel, Gary C. Andes and Andrea W. Andes, Jay Hendler and Laura Hendler, Joy P. McConnell, Charles W. Fortner, Judith C. Woodson, Warren W. Riggs and Charles G. Martin, Riggs Ventures, LLC, and SGS Beach Partners, LLC; Morgan J. Mann and Angela M. Mann; Michael Cameron Foster, Sr. and Laura Lee Foster; Captains Quarters Unit D-31 Association of Multiple Ownerships, Inc., Evelyn Gail Earnest, Francis G. Thomson and Arleen S. Thomson, Robert W. Dalton, Red Oak Limited Partnership, William R. McKeown and Margaret A. McKeown, Norman K. Moon and Barbara W. Moon, David T. McGill and Carol G. McGill,

Rick L. Bledsoe and Susan H. Bledsoe, Geoffrey A. Wienke and Pamela L. Wienke, A. Donald Ross, III and Nancy Kay Ross, Dennis J. Straw and Roxanne B. Straw, and Resort Investments of Litchfield, LLC; Georgia M. Pruitt and Howard M. Pruitt, Jr.; Jean T. Blaylock; William C. Covington, Jr. and Donna C. Covington; Litchfield Captain's Quarters, LLC; James A. Schubert and Laraine C. Schubert; Daniel P. Duvall and Mary Lynn Duvall; Victor A. Medina and Melinda Leigh Medina; Judy P. Hamer; Boyce F. Miller and Carole L. Miller, Raymond A. Shingler and Louise O. Shingler, Paul Larry Barnette and Carol Jane Barnette, James R. Walker and Erika T. Walker, Kathy W. Underwood, Andrew J. Wingo, Jr. and Susan A. Wingo, Melanie S. Franklin, Lois E. Cooley, Trustee of the Lois E. Cooley Living Trust, B. Lee Smith and Margaret H. Smith, Jason A. Underwood, and Camilla J. Wilson; Stewart South, LLC; Quarter South, LLC; Steven H. Frame and Kay B. Frame, ... Respondents,

v.

Shipyard Village Council of Co-Owners, Inc., ... Appellant.

Shipyard Village Council of Co-Owners, Inc., ... Third-Party Plaintiff,

v.

Cincinnati Insurance Company, Travelers Insurance Company, Companion Property & Casualty Insurance Company, Philadelphia Insurance Company, Zurich American Insurance Company, American Guarantee and Liability Ins. Co., St. Paul Fire and Marine Insurance Company, and Illinois National Insurance Company, ... Third-Party Defendants.

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The violation of any rule or regulation adopted by the Board or the breach of any covenant or provision herein contained, shall, in addition to any other rights provided for in the Act, this Master Deed and the Bylaws, give the Board the right: (a) to enter upon the Unit, or any portion of the Property upon 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 thereon contrary to the intent and meaning of the provisions hereof, and neither the Board nor the officers, employees or agents thereof shall thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceedings, either by law or in equity, the continuance of any breach; or (c) to take possession of such Co-owner's interest in the Property and to maintain an action for possession of such Unit in the manner provided by law.

Provided, however, that, except in cases of emergency where damage to persons or property is threatened, the Board shall not take any such action unless (a) it has first given the Co-owner alleged to have violated any restriction, condition or regulation adopted by the Board or to be in breach of any covenant or provision herein contained, a hearing on such allegations pursuant to rules and regulations adopted by the Board; and (b) the Board shall have determined such allegations to be true and (c) the Co-owner shall not have desisted from such violation or breach or shall not have taken steps as shall be necessary to correct such violation or breach within such reasonable period of time as determined by the Board and communicated to the Co-owner. Any and all costs and expenses incurred by the Board in the exercise of its authority as granted in this Article, including but not limited to court costs, reasonable attorneys fees as determined by a court of competent jurisdiction, and cost of labor and materials shall be paid by the Co-owner in violation, and, until paid by such Co-owner shall constitute a lien on the interest of such Co-owner in the Property, which lien may be perfected and

foreclosed in the manner provided herein or by the Act with respect to liens for failure to pay a share of the Common Elements.

Furthermore, if the Co-owner refuses to come to the hearing or if after hearing and finding as aforesaid and failure of the Co-owner to desist from such violation or to take such corrective action as may be required, the Board shall have the power to issue to the defaulting Co-owner a ten (10) day notice in writing to terminate the rights of the said defaulting Co-owner to continue as a Co-owner and to continue to occupy, use or control his Unit and thereupon an action in equity may be filed by the Board against the defaulting Co-owner for a decree declaring the termination of the defaulting Co-owner's right to occupy, use or control the Unit owned by him on account of the violation of a rule or breach of covenant or provision as aforesaid and ordering that all right, title and interest of the Co-owner in the Property shall be sold at a judicial sale upon such notice and terms as the court shall establish, except that the court shall enjoin and restrain the defaulting Co-owner from re-acquiring his interest at such judicial sale or by virtue of the exercise of any right of redemption which may be established, and except that the court shall direct that any existing first mortgage be retired out of the proceeds of such judicial sale.

The proceeds of any such judicial sale shall first be paid to discharge court costs, reasonable attorneys fees and all other expenses of the proceeding and sale, and all such items shall be taxed against the defaulting Co-owners in said decree. Any balance of proceeds after satisfaction of such charges and any unpaid assessments hereunder or any liens shall be paid to the Co-owner. Upon the confirmation of such sale, the purchaser thereat shall thereupon be entitled to a deed or lease to the Unit and to immediate possession of the Unit sold and may apply to the court for a writ of assistance for the purpose of acquiring such possession and it shall be a condition of any such sale, and the decree shall so provide, that the purchaser shall take the interest in the Property sold subject to this Master Deed.

Section 9.5. Encroachments. If any portion of the Common Elements now encroaches upon any Unit or if any Unit now encroaches upon any other Unit or upon any portion of the Common Elements, or if any such encroachment shall occur hereafter as a result of (1) the settling of the building, (2) the repair, alteration or reconstruction of the Common Elements made by or with the consent of the Council, (3) the repair or reconstruction of a Unit following damage by fire or other casualty, or (4) condemnation or eminent domain proceedings, a valid easement shall exist for such encroachment and for the maintenance of the same so long as the Property remains subject to the Act and this Master Deed.

Section 9.6. Right of Access. The Council shall have the right of access to each Unit during reasonable hours and with reasonable notice for maintaining, repairing, or replacing any Common Elements located within or accessible through the Unit, and the right of immediate access for making emergency repairs within the Unit necessary to prevent damage to the Common Elements or to another Unit. This easement and right of access may be exercised by the Board, by its agents and employees, or by a managing agent to whom the responsibility of maintaining has been delegated. Damages resulting to any Unit because of such maintenance and repairs shall be corrected promptly at the expense of the Council.

Section 9.7. Construction and Sales Easement. The Regime Property shall be subject to a non-exclusive easement in favor of Grantor and its employees, agents, independent contractors and invitees for entry upon and passage over the Regime Property for purposes of constructing the Units and of exhibiting and selling the Units.

Section 9.8. Lease, Grant, and Reservation of Rights to Swimming Pool. Grantor has entered into a Lease Agreement ("Lease") leasing to the Shipyard Village Council of Co-owners, Inc. a certain parcel of land contiguous to the boundary of Phase I, together with the pool and all other improvements constructed thereon, as more particularly described on Exhibits A and H incorporated herein by reference and made a part hereof, and

referred to as "Pool Easement Area". The Lease provides for a term of five years commencing on the date of the recording of this Master Deed. At any time during the term of the Lease, the Grantor may convey the Pool Easement Area to Shipyard Village Council of Co-owners, Inc. At the expiration of the Lease, Grantor may either convey the Pool Easement Area to the Shipyard Village Council of Co-owners, Inc. or to the Litchfield-by-the-Sea Community Association, Inc. free and clear of the interest of Shipyard Village Council of Co-owners, Inc. Grantor hereby reserves unto itself, its successors and assigns, certain rights, easements of enjoyment, use and ingress and egress (as herein described) in and to the Pool Easement Area. Such reservation of rights and easements shall continue beyond the date of recording of this Master Deed and the date of recording of any amendment electing a subsequent phase of Shipyard Village Horizontal Property Regime. The Lease and any conveyance of the Pool Easement Area to the Shipyard Village Council of Co-owners, Inc. is expressly subject to the following reservations, restrictions and limitations:

(a) Grantor, its successors and assigns reserve easements for ingress and egress over the property of Phase I, Phase II, Phase III and Phase IV to the Pool Easement Area subject to the restrictions and limitations herein and specifically excluding all buildings, covered parking and Units existing at any time in any phase outside of the boundary of designated Pool Easement Areas. The Shipyard Village Council of Co-owners, Inc. may limit access within the regime property by persons not owners, guests or lessees of Units at Shipyard Village (i) to regulate and prohibit access by private vehicles if access by shuttle or similar transportation on a reasonable schedule is provided by the Litchfield-by-the-Sea Community Association, Inc.; (ii) to limit access for parking of any type of vehicle to designated parking areas, and (iii) to limit access for ingress and egress to designated paved walkways within elected phases of the Shipyard Village Horizontal Property Regime.

(b) Any rules established by the Shipyard Village Council of Co-owners, Inc. governing use of the facility must be applicable to all persons entitled to use the facility from time

to time, including Co-owners or their assigns and guests of Units in Shipyard Village Horizontal Property Regime and members or their assigns and guests of Litchfield-by-the-Sea Community Association, Inc.

(c) No user fee may be charged by the Shipyard Village Council of Co-owners, Inc. to users not owners of Shipyard Village except with the express permission of the Board of Directors of Litchfield-by-the-Sea Community Association, Inc.

(d) During the term of the Lease and until or unless the Pool Easement Area is conveyed to the Litchfield-by-the-Sea Community Association, Inc., the Shipyard Village Council of Co-owners, Inc. shall be responsible for all insurance, maintenance, taxes and expenses of the Pool Easement Area and the cost of all said insurance, maintenance, taxes and expenses shall be Common Expenses.

Section 9.9. Covenant to Comply with Restrictions and Obligations. Each Co-owner by acceptance of a deed or lease to a Unit ratifies and covenants to observe on behalf of himself, his tenants, guests, household members, heirs, successors and assigns, the following:

(a) The Declaration of Covenants, Restrictions and Affirmative Obligations Applicable to All Property at Litchfield-by-the-Sea dated June 15, 1978, and recorded in the Office of the Clerk of Court for Georgetown County in Book 159, Page 306, and all applicable recorded additions and amendments thereto (hereinafter called "General Covenants").

(b) The Declaration of Covenants and Restrictions of Litchfield-by-the-Sea Community Association, Inc., dated June 15, 1978, and recorded in the Office of the Clerk of Court for Georgetown County in Book 159, Page 264, and all applicable recorded additions and amendments thereto.

(c) This Master Deed, the Bylaws of Shipyard Village Council of Co-Owners, decisions, resolutions and Regulations of the Council, Board of Directors or their representatives, as lawfully amended from time to time.

In addition to the observation of the covenants, restrictions and obligations contained in subsections 9.9(a), (b) and (c) above, each Co-owner of a Time Sharing Unit, by acceptance of

a deed or lease to a Time Sharing Unit, also ratifies and covenants to observe on behalf of himself, his tenants, guests, household members, heirs, successors and assigns, any supplemental declarations or plans filed of record together with such easements, restrictions, covenants and encumbrances set forth therein and in any bylaws of any association or management entity established by Grantor in connection with any Vacation Time Sharing Plan.

ARTICLE X

LIENS

Section 10.1. Attachment. No lien arising subsequent to the recording of this Master Deed and any amendment hereto, or while any portion of Regime Property remains subject to the Act, shall be effective against the Regime Property. During such period liens or encumbrances shall arise or be created in the Units and Common Elements appurtenant thereto in the same manner and under the same conditions and in every respect as liens or encumbrances may arise or be created upon or against any other separate parcel of real property subject to individual ownership; provided, that no labor performed or materials furnished with the consent or at the request of a Co-owner, his agent, contractor, or subcontractor shall be the basis for the filing of a mechanic's or materialman's lien against any property (including the Unit) of any other Co-owner not expressly consenting to or requesting the same, except that such express consent shall be deemed to be given by each and every Co-owner should the need for emergency repairs arise. Labor performed or materials furnished for the Common Elements, if duly authorized by the Council, the Manager, or the Board of Directors in accordance with the Act, this Master Deed, or the Bylaws, shall be deemed to be performed or furnished with the express consent of each Co-owner, and shall be the basis for the filing of a mechanic's or materialman's lien against each of the Units and may be discharged as provided in Section 10.2 of this Article.

Section 10.2. Discharge. In the event a lien against two or more Units becomes effective, the respective Co-owners may remove their Unit from the lien by payment of the

fractional or proportional amounts attributable to each of the Units affected. Such individual payment shall be computed by reference to the Percentage Interest appearing in this Master Deed or, as to Time Sharing Units, such Percentage Interest appearing in the applicable Vacation Time Sharing Plan. Subsequent to any such payment, discharge, or other satisfaction, the Unit and the percentage of undivided interest in the Common Elements appurtenant thereto shall thereafter be free and clear of the lien so paid, satisfied, or discharged. Such partial payment, satisfaction, or discharge shall not prevent the lienor from proceeding to enforce his rights against any Unit (and the percentage of undivided interest in the Common Elements appurtenant thereto) with respect to which such lien is not paid, satisfied, or discharged.

Section 10.3. Taxes. Taxes, assessments, and other charges of this State, of any political subdivision, of any special improvement district, or of any other taxing or assessing authority may be assessed against and collected on each Unit, which shall be carried on the tax books as separate and distinct entities for that purpose, and not on the Buildings or the Regime Property as a whole. No forfeiture or sale of the Buildings or any portion of the Regime Property for delinquent taxes, assessments, or charges shall ever divest or in anywise affect the title to an individual Unit so long as taxes, assessments, and charges on the individual Unit are currently paid.

ARTICLE XI

INSURANCE

Section 11.1. Hazard Insurance. The Board of Directors shall insure the Regime Property against loss or damage due to fire and lightning, with extended all-risk hazard coverage, including flood, windstorm, earthquake and wind-driven water in an amount equal to the full replacement cost of the Regime Property. The Board of Directors shall obtain hazard coverage without any co-insurance requirements or, if co-insurance requirements cannot be waived, an agreed value endorsement must be obtained each year and coverage must be at least in the amount of the agreed value. All hazard insurance

shall cover the entire insurable real estate of the Regime Property, including each Unit as delivered to a Co-owner by the Grantor, regardless of whether or not such portion of the Regime Property is a General Common Element, a Limited Common Element or a Unit, exclusive only of the contents, decoration and furnishings of an individual Unit supplied by a Co-owner and any additions or improvements made by the Co-owner of a Unit. The Board may establish reasonable deductibles for each category of insurance and shall establish reasonable reserves for such deductibles; provided, however, deductibles shall not exceed $1,000,000 except for deductibles for damages due to earthquake or flood, which deductibles shall not exceed $25,000.

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 Co-owners and their mortgagees collectively, as their respective interests may appear. In the event of loss or damage, all insurance proceeds shall be paid to the Board of Directors as Insurance Trustee under the provisions of this Master Deed.

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 Unit is located. If a Unit is mortgaged, a Certificate of Insurance shall be issued to the mortgagee bearing a standard mortgagee endorsement, if requested.

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

Section 11.2. Public Liability Insurance. The Board of Directors may 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 Council, to an individual Co-owner and to liabilities of one Co-owner to another Co-owner.

Section 11.3. Workmen's Compensation Insurance. The Board of Directors, as necessary, shall obtain Workmen's Compensation Insurance to meet the requirements of law.

Section 11.4. Premiums. All premiums upon insurance policies purchased by the Board of Directors shall be assessed as Common Expenses and paid as a Common Expense.

Section 11.5. Insurance by Co-owner. Each Co-owner (except Co-owners of Time Sharing Units) shall be responsible for obtaining, at his sole expense, insurance covering the personal property, decorations, and furnishings within his own Unit, and the additions and improvements made by him to the Unit. Each Co-owner (except Co-owners of Time Sharing Units) shall be responsible for obtaining, at his own expense, insurance covering his liability for the safety of the premises within his Unit. The personal property and liability insurance for the safety of the premises within Time Sharing Units will be obtained and maintained by the association or management entity created in connection with the establishment of any Vacation Time Sharing Plans. If obtainable, all such insurance policies shall include, however, provisions waiving: (i) any right of the insurer to subrogation to claims against the Council 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.

Section 11.6. 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 Georgetown or Horry 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 of Directors as Insurance Trustee under the terms of this Master Deed.

ARTICLE XII

RECONSTRUCTION AND REPAIR

Section 12.1. Reconstruction. In the event of casualty loss, condemnation or damage to the Regime Property, the Board of Directors shall be responsible for applying the proceeds of all casualty insurance or condemnation to the repair or reconstruction of the Regime Property in accordance with the provisions of this Article. Reconstruction or repair shall be mandatory for any casualty, loss or damage to the Regime Property occurring before December 31, 2001 or ten years after the sale by Grantor of eighty percent (80%) of the Units authorized by this Master Deed, whichever last occurs ("Mandatory Reconstruction Period") and, thereafter, reconstruction or repair shall be mandatory unless two-thirds (2/3) or more of the Regime Property is destroyed, condemned or substantially damaged. After the Mandatory Reconstruction Period, if two-thirds (2/3) or more of the Regime Property is destroyed, condemned or substantially damaged, the condemnation proceeds or insurance indemnity received by the Board of Directors, unless otherwise unanimously agreed upon by the Co-owners, shall be distributed jointly in proportion to their respective interests in Common Elements. The remaining portion of the Regime Property shall be subject to any 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 condemnation or insurance policies, shall be considered one fund and distributed prorata among all Co-owners and their mortgagees jointly in proportion to their respective interest in Common Elements. If any casualty, loss or damage occurs to the Regime Property prior to the expiration of the Mandatory Reconstruction Period, and thereafter, if less than two-thirds (2/3) of the Regime Property is destroyed, condemned or substantially damaged, the Regime Property shall be reconstructed or repaired in the following manner:

Any reconstruction or repair must follow substantially the original plans and specifications of the Regime Property unless the Co-owners holding seventy-five (75%) percent or more of the total interest in Common Elements and their mortgagees, if any, vote to adopt different plans and specifications and all Co-owners whose Units are affected by the alterations unanimously consent.

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 professional fees and premiums for bonds as the Board of Directors deems necessary.

If the damage to the Regime Property is not insured or if the amount of the loss is within the deductible provisions of the insurance policy or if the proceeds of insurance or condemnation are insufficient to cover the cost of reconstruction or repair, the deficiency shall be paid as a Common Expense of all Co-owners; provided, however, any such deficiency resulting from damage to the Regime Property as a result of the neglect, willful act or abuse of the Regime Property by any Co-owner or his guests shall be charged to such Co-owner as an individual assessment.

The insurance or condemnation proceeds received by the Board of Directors and any special assessment collected to cover a deficiency in such proceeds shall constitute a construction fund from which the Board of Directors shall disburse payment of the costs of reconstruction and repair. It shall be presumed that the first disbursements from the construction fund are insurance or condemnation proceeds; and if there remains a balance in the fund after payment of all costs or reconstruction and repair, it shall be distributed to any Co-owners who paid special assessments in proportion to their payments. Any balance remaining after such distribution shall be that of the Council and shall be distributed as directed by the Board of Directors.

Section 12.2. Insurance Trust. In the event of casualty loss to the Regime 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 purpose stated in this Article, and for the benefit of the Council, the Co-owners, and their respective mortgagees in the following shares:

Insurance proceeds paid on account of loss or damage to the Common Elements only shall be held in the same proportion as the undivided interest in the Common Elements which are appurtenant to each of the Units.

Insurance proceeds paid on account of loss or damage to less than all of the Units, when the damage is to be restored, shall be held for the Co-owners of the damaged Units in proportion to the costs of repairing each damaged Unit.

Insurance proceeds paid when the Regime Property is not to be restored shall be held for the benefit of all Co-owners, the share of each being equal to the undivided share in Common Elements appurtenant to his Unit.

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 paid jointly to the Co-owners and their respective mortgagees pursuant to the provisions of this Master Deed.

Section 12.3. 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 Council, subject to the rights of mortgages of such Co-owners.

ARTICLE XIII

TERMINATION

Section 13.1. Casualty or Condemnation. If after the expiration of the Mandatory Reconstruction Period, two-thirds (2/3) or more of the Regime Property is substantially destroyed or taken by condemnation, the Regime Property may be removed from the provisions of this Master Deed and the Horizontal Property Act in accordance with Article XII.

Section 13.2. Voluntary Termination. This horizontal property regime may also be terminated, removing the Regime Property from the provisions of this Master Deed and the Act, if the record Co-owners of title to the Units and the record owners of mortgages upon each Unit agree in a written instrument to termination unanimously or in such percentage as may be required for termination by the Act. Termination shall become effective upon recordation of such written instrument, duly executed by the requisite number of Co-owners and mortgagees.

Section 13.3. Ownership After Termination. After termination of this horizontal property regime, the Co-owners shall own the Regime Property as tenants in common in undivided shares and the holders of mortgages and liens upon the Units shall have mortgages and liens upon the respective undivided common interests of the Co-owners. The undivided share of each tenant in common shall be the same as his undivided interests in Common Elements prior to termination. Any asset of the Council, any funds held by the Board of Directors, and any insurance proceeds shall also be the property of the former Co-owners and tenants in common in the same undivided shares as their interest in Common Elements prior to termination. The costs incurred by the Board of Directors in connection with the termination shall be considered a Common Expense.

Section 13.4. Partition. After termination, the Regime Property shall be subject to an action for partition by any Co-owner or any lienor in which event the net proceeds from the judicial sale shall be divided among all Co-owners

in proportion to their respective interests in Common Elements and paid to each Co-owner and mortgagee.

ARTICLE XIV

AMENDMENTS

Section 14.1. Co-owners. This Master Deed and all Exhibits incorporated by reference herein, including the By-Laws, may be amended from time to time by resolution adopted by the affirmative vote of the Co-owners of two-thirds (2/3) of the total interest in the Common Elements subject to the following conditions: No amendment by the Co-owners shall be in violation of the Act and no amendment shall alter the dimensions of a Unit or the Percentage Interest in the Common Elements appurtenant thereto without the consent of the Co-owners of such Unit.

Section 14.2. By Grantor-General. Grantor reserves the right to amend this Master Deed and the By-Laws without the consent of the Co-owners at any time prior to the sale by Grantor of eighty percent (80%) of the Units authorized by this Master Deed to be constructed in all Phases of the Regime Property or December 31, 1987, whichever first occurs, and provided that no amendment by Grantor shall divest a Co-owner of any portion of his Unit or the percentage interest in the Common Elements appurtenant thereto without the consent of such Co-owner (but reapportionment of the ownership of the Common Elements upon the incorporation of additional Phases as provided herein or amendments affecting Common Elements shall not be deemed to divest any Co-owner of a portion of his Unit or to require his consent).

Section 14.3. By Grantor-Future Phases. Subject to the expiration dates and general conditions set forth in Section 1.2 of Article I for the election by Grantor to proceed with any future Phase, Grantor further reserves the right to amend this Master Deed without the consent of the Co-owners to take such action set forth in Article I, including but not limited to:

(a) Elect to select and incorporate any portion of the Land to be submitted to condominium ownership for any future Phase or group of Phases whether or not such portions are contiguous.

(b) Elect to construct on the portion of Land incorporated in any future Phase a maximum of Forty (40) Units.

(c) Elect to revise, modify or change in whole or in part the Buildings and Units to be incorporated in any future Phase or to alter the mix and type of Units to be built subject to the limitations set forth in Section 3.9 of Article III with respect to the valuation of the Units.

(d) Elect to increase or decrease the amount of land which may be submitted to condominium ownership.

(e) Elect to record all additional documents required by this Master Deed or the Act to effect the submission of the Land and improvements of any future Phase to condominium ownership.

(f) Elect to submit or not to submit any or all of the condominiums or Units in any Phase to any type of Vacation Time Sharing Plan.

Section 14.4. Power of Attorney. Each Co-owner shall be deemed by his acceptance of a deed or lease to a Unit to have consented to the powers of amendment herein reserved by Grantor and to any amendments previously or thereafter executed by Grantor pursuant thereto. Each Co-owner shall further be deemed by his acceptance of a deed to a Unit to have appointed Grantor his attorney-in-fact to give, execute and record the consent of said Co-owner to any and all amendments to this Master Deed which Grantor may wish to execute pursuant to the powers herein reserved.

Section 14.5. Recording. No amendments to this Master Deed shall be effective unless and until recorded in accordance with the Act.

ARTICLE XV

GRANTOR

Section 15.1. Rights as Owner. Grantor is the initial owner of each Unit and shall be entitled to exercise all rights appurtenant thereto until such time as Grantor has conveyed title to the Unit to another person. For purposes of the exercise of the rights appurtenant thereto by Grantor, all Units shall be deemed in existence at such time as they are incorporated into the Regime Property, regardless in each case of whether construction has been commenced or completed; however the Grantor shall not be required to pay assessments to the Council of Co-owners with respect to any Unit owned by it until (i) such Unit has been completed suitable for occupancy and (ii) the Grantor has owned such completed Unit for two (2) months.

Section 15.2. Rights and Powers. Until the sale by Grantor of eighty percent (80%) of the Units authorized by this Master Deed to be constructed in all Phases of the Regime Property or December 31, 1987, whichever shall first occur, Grantor shall be entitled to exercise, without the consent of the Co-owners, all rights granted to the Co-owners to elect the members of the Board of Directors by the Act, this Master Deed, or the Bylaws.

Section 15.3. Successors. The term "Grantor" as used in this Master Deed and in the Bylaws shall be deemed to include any person who succeeds to the title of Grantor to the Property by sale or assignment of the interest of Grantor in the Property, or by exercise of a right of foreclosure or power of sale granted in or conveyed by any mortgage, deed of trust or deed to secure debt given by Grantor and duly recorded prior to the recording of this Master Deed. Any such person shall be entitled to exercise all rights and powers conferred upon Grantor by the Act, this Master Deed, or the By-Laws.

ARTICLE XVI

MISCELLANEOUS

Section 16.1. Application. All Co-owners, guests, family members, tenants, or any other person who may in any manner use the Regime Property or any part thereof shall be subject to the Act and to this Master Deed, the By-laws and the Regulations.

Section 16.2. Compliance. Each Co-owner shall comply strictly with the By-laws and with the administrative rules and regulations adopted pursuant thereto, as either of the same may be amended from time to time, and with the covenants, conditions and restrictions set forth in this Master Deed or in the deed to the Unit of such Co-owner. Failure to comply with any of the same shall be grounds for an action to recover sums due, or damages or injunctive relief, or both, maintainable by the Manager or the Board of Directors on behalf of the Council, or in a proper case, by an aggrieved Co-owner.

Section 16.3. Waiver. No provisions hereof shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, regardless of the number of violations or breaches which may have occurred.

Section 16.4. Conflicts. This Master Deed is intended to comply with the requirements of the Act, and in the event that any of the provisions hereof conflict with the provisions of the Act, the Act shall control.

Section 16.5. Severability. The provisions of this Master Deed are severable, and the invalidity of one or more provisions hereof shall not be deemed to impair or affect in any manner the validity, enforceability, or effect of the remainder hereof.

Section 16.6. 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 provision hereof.

Section 16.7. Gender and Number. All pronouns used herein shall be deemed to include the masculine, the feminine and the neuter and the singular and the plural whenever the context requires or permits.

Section 16.8. Acceptance of Deed to a Unit. The acceptance of a deed of conveyance, the entering into a lease, or any other occupancy or use of a Unit shall constitute (i) an acceptance and ratification of the provisions of the Master Deed by such Co-owner, tenant or occupant, and (ii) the acknowledgment by the Co-owner, tenant, or occupant that the Grantor makes no implied or express warranties relating to the Unit or to the Common Elements except for such warranties as are contained in the special warranty deed conveying the same or in the contract of sale between Grantor and the Co-owner.

Section 16.9. Assignment of Warranties. All contractual warranties running in favor of the Grantor in connection with the construction of Buildings and Units and installation of material, equipment, and appliances therein, shall accrue to the benefit of and are hereby assigned to the respective Co-owners or the Council as appropriate.

Section 16.10. Failure to Enforce. No terms, obligations, covenants, conditions, restrictions, rules, regulations or provisions imposed hereby or contained herein shall be abrogated or waived by any failure to enforce the same, no matter how many violations or breaches may occur.

Section 16.11. Rule Against Perpetuities. If any of the terms, covenants or rights created by this Master Deed shall be void or unlawful for violation of the rule against perpetuities or any analogous statutory or common law provision, then such provision shall continue only until twenty-one (21) years after the death of the survivor of now living descendants of the now incumbent President and Vice-President of the United States of America.

IN WITNESS WHEREOF, LITCHFIELD-BY-THE-SEA, a joint venture organized under the Uniform Partnership Act of South Carolina, has caused these presents to be executed by its duly authorized Managing General Partner this 7th day of July, 1982.

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF:

Diane H. Ozmun

Cathy C. Fuss

LITCHFIELD-BY-THE-SEA,
a joint venture organized
under the Uniform Partner-
ship Act of South Carolina

By: THE LITCHFIELD COMPANY
OF SOUTH CAROLINA, INC.,
its Managing General
Partner

By: A. Foster McKissick
A. Foster McKissick,
President

BOOK 201 PAGE 925

STATE OF SOUTH CAROLINA)
PROBATE
COUNTY OF GEORGETOWN)

PERSONALLY appeared before me Oleane H. O'Quinn who, being duly sworn, says that she saw the within named LITCHFIELD-BY-THE-SEA, a joint venture organized under the Uniform Partnership Act of South Carolina, by The Litchfield Company of South Carolina, Inc., its Managing General Partner, by A. Foster McKissick, its President, sign, seal, attest and, as its act and deed deliver the within written Master Deed of Shipyard Village Horizontal Property Regime and that she with Cathey C. Furr witnessed the execution thereof.

Oleane H. O'Quinn

SWORN to before me this 7th day of July, 1982.

Cathey C. Furr (L.S.)
Notary Public for South Carolina

My Commission Expires: 12/4/90

EXHIBIT C

to

Master Deed of
Shipyard Village
Horizontal Property Regime

The percentage of interest in common elements appurtenant to each Unit in Phase I is set forth in Exhibit D of this Master Deed.

The Grantor may construct in Phases II, III and IV any combination of mixture of Unit types and based on said type construction assign values to Units as set forth in Article III, Section 3.9 of the Master Deed. The values assigned by Grantor shall be one of the types with corresponding values set forth in Article III, Section 9.3.

At the time the Grantor chooses to elect to submit a subsequent phase or phases to condominium ownership it shall record an amendment to this Master Deed which shall specify the percentage interest for each Unit in the Shipyard Village Regime as then constituted.

The election by Grantor will not exceed a maximum number of forty (40) Units per phase and will not reduce the percentage of interest appurtenant to any Unit in Phase I and as to each stage, any other prior phase, by more than the following percentages:

Maximum Reduction in Unit Percentage of Interest in Prior Phases

Future Phases	Phase I	Phase II	Phase III	Phase IV
Phase II	.7547169	.990566	.990566	.990566
Phase III	.5405405	.7094594	.7094594	.7094594
Phase IV	.4210526	.5526315	.5526315	.5526315



EXHIBIT D

to

Master Deed of
Shipyard Village
Horizontal Property Regime

The assigned value of each Unit in Phase I and the percentage interest appurtenant to each Unit in Phase I is as follows:

Unit No.	Valuation for Purposes of Act Only	Percentage Interest in Common Elements
A11	$80,000.00	1.25%
A12	$80,000.00	1.25%
A13	$80,000.00	1.25%
A14	$80,000.00	1.25%
A15	$80,000.00	1.25%
A16	$80,000.00	1.25%
A17	$80,000.00	1.25%
A18	$80,000.00	1.25%
A21	$80,000.00	1.25%
A22	$80,000.00	1.25%
A23	$80,000.00	1.25%
A24	$80,000.00	1.25%
A25	$80,000.00	1.25%
A26	$80,000.00	1.25%
A27	$80,000.00	1.25%
A28	$80,000.00	1.25%
A31	$80,000.00	1.25%
A32	$80,000.00	1.25%
A33	$80,000.00	1.25%
A34	$80,000.00	1.25%
A35	$80,000.00	1.25%
A36	$80,000.00	1.25%
A37	$80,000.00	1.25%
A38	$80,000.00	1.25%
A41	$80,000.00	1.25%
A42	$80,000.00	1.25%
A43	$80,000.00	1.25%
A44	$80,000.00	1.25%
A45	$80,000.00	1.25%
A46	$80,000.00	1.25%
A47	$80,000.00	1.25%
A48	$80,000.00	1.25%
A51	$80,000.00	1.25%
A52	$80,000.00	1.25%
A53	$80,000.00	1.25%
A54	$80,000.00	1.25%
A55	$80,000.00	1.25%
A56	$80,000.00	1.25%
A57	$80,000.00	1.25%
A58	$80,000.00	1.25%
B11	$80,000.00	1.25%
B12	$80,000.00	1.25%
B13	$80,000.00	1.25%
B14	$80,000.00	1.25%
B15	$80,000.00	1.25%
B16	$80,000.00	1.25%
B17	$80,000.00	1.25%
B18	$80,000.00	1.25%
B21	$80,000.00	1.25%
B22	$80,000.00	1.25%
B23	$80,000.00	1.25%
B24	$80,000.00	1.25%
B25	$80,000.00	1.25%
B26	$80,000.00	1.25%
B27	$80,000.00	1.25%
B28		

PLAINTIFF'S EXHIBIT 3

Unit No.	Valuation for Purposes of Act Only	Percentage Interest in Common Elements
B31	$80,000.00	1.25%
B32	$80,000.00	1.25%
B33	$80,000.00	1.25%
B34	$80,000.00	1.25%
B35	$80,000.00	1.25%
B36	$80,000.00	1.25%
B37	$80,000.00	1.25%
B38	$80,000.00	1.25%
B41	$80,000.00	1.25%
B42	$80,000.00	1.25%
B43	$80,000.00	1.25%
B44	$80,000.00	1.25%
B45	$80,000.00	1.25%
B46	$80,000.00	1.25%
B47	$80,000.00	1.25%
B48	$80,000.00	1.25%
B51	$80,000.00	1.25%
B52	$80,000.00	1.25%
B53	$80,000.00	1.25%
B54	$80,000.00	1.25%
B55	$80,000.00	1.25%
B56	$80,000.00	1.25%
B57	$80,000.00	1.25%
B58	$80,000.00	1.25%

If the Grantor elects to add any future phases, the percentage interest will change as set forth in Exhibit C of the Master Deed.

EXHIBIT E BOOK 201 PAGE 929
to Master Deed of Shipyard Village Horizontal Property Regime

BYLAWS

THE BYLAWS of SHIPYARD VILLAGE HORIZONTAL PROPERTY REGIME (the "Regime") are promulgated pursuant to the Horizontal Property Act of South Carolina, Chapter 31, Title 27, Code of Laws of South Carolina, 1976, as amended, and as may be further amended from time to time (the "Act") for the purposes of governing the Council of Co-owners (the "Council") and the administration of the Regime. All terms not defined in these Bylaws have the meaning set out in the Act or the Master Deed dated July 7, 1982, from LITCHFIELD-BY-THE-SEA, a joint venture organized under the Uniform Partnership Act of South Carolina, as Grantor, with all Exhibits incorporated therein and all amendments thereto (the "Master Deed").

ARTICLE I

COUNCIL OF CO-OWNERS

Section 1.1. Membership. Each Co-owner shall be a member of the Council. A person who holds a mortgage on a Unit as security for payment of a debt shall not be a member entitled to exercise the rights of a Co-owner unless such person holds a proxy conferring such rights.

Section 1.2. Quorum. The presence in person or by proxy of Co-owners owning fifty-one (51%) percent of the Percentage Interest in the Common Elements shall constitute a quorum for the transaction of business at meetings of the Council.

Section 1.3. Voting. A Co-owner's voting rights and the vote required to adopt decisions shall be as set out in Article VII and Exhibit C and D of the Master Deed. Holders of fifty-one (51%) percent or more of the value of the Regime Property as a whole must vote affirmatively to adopt any matter before the Council. Votes can be cast only at meetings of the Council convened in accordance with the Bylaws, and in the absence of a valid proxy, an individual shall act in his own behalf, a corporation shall act by any officer

PLAINTIFF'S EXHIBIT 4

thereof, a partnership shall act by any general partner thereof, an association shall act by any associate thereof, a trust shall act by any trustee thereof. When any Unit is owned of record in the name of two or more persons or entities, whether fiduciaries, joint tenants, tenants in common, partners in partnership or any other manner of joint or common ownership, one person or entity shall be designated the voting member to bind all the others. Written notice of such designation shall be delivered to the Secretary of the Council prior to the exercise of a vote by joint owners. All votes appurtenant to a single Unit must be cast together and may not be split.

Section 1.4. Proxies. Each Co-owner entitled to vote may vote in person or by proxy at any meetings of the Council. Each proxy shall be executed in writing by the Co-owner or by his duly authorized attorney-in-fact, dated as of its execution and shall be filed with the Secretary of the Council. No proxy shall confer authority to vote at any meeting other than the next meeting, or adjournment thereof, held after the date on which the proxy was executed.

Section 1.5. Consents. Any action which may be taken by a vote of the Co-owners may also be taken by written consent to such action signed by all Co-owners entitled to vote, or, in the case of Units owned by two or more Co-owners, by the designated voting member.

Section 1.6. Annual Meetings. An annual meeting of the Council shall be held on the third Saturday in April of each year or at such other time as may be determined by the Board of Directors. Any business which is appropriate for action of the Co-owners may be transacted at an annual meeting.

Section 1.7. Special Meetings. Special meetings of the Council may be called at any time by the President of the Council or by a majority of the Board of Directors and shall be called upon the written request of Co-owners owning a majority of the value of the Regime Property. Only such business as is stated in the notice of meeting shall be transacted at a special meeting unless all Co-owners entitled to vote waive notice of any additional business.

Section 1.8. Notice of Meetings. Written notice of every annual or special meeting of the Council stating the time, date and place of the meeting and, in the case of a special meeting, the business proposed to be transacted, shall be given to every Co-owner entitled to vote not fewer than ten (10) nor more than thirty (30) days in advance of the meeting. Written notice given to the association or managing entity created pursuant to Vacation Time Sharing Plans shall constitute written notice hereunder to all of the Co-owners of Time Sharing Units within the Regime. Failure to give proper notice of a meeting of the Co-owners shall not invalidate any action taken at such meeting unless (1) a Co-owner entitled to vote who is present but was not given proper notice objects at such meeting, in which case the matter to which such Co-owner objects shall not be taken up, or (2) a Co-owner entitled to vote who is not present and was not given proper notice within thirty (30) days following such meeting, in which case the action to which such Co-owner objects shall be void.

Section 1.9. Waiver of Notice. Waiver of notice of a meeting of the Council shall be deemed the equivalent of proper notice. Any Co-owner may in writing waive notice of any meeting either before or after such meeting. Attendance at an annual meeting by a Co-owner, whether in person or by proxy, shall be deemed waiver by such Co-owner of notice of the time, date, and place thereof unless such Co-owner specifically objects to the lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted unless objection to lack of notice is raised before the business to which proper notice was not given is put to a vote.

Section 1.10. Place of Meeting. All meetings of the Council shall be held upon the Regime Property or at such other convenient place as the President of the Council or the Board of Directors may direct.

Section 1.11. Adjournment. Any meeting of the Council may be adjourned from time to time for periods not exceeding forty-eight (48) hours by vote of Co-owners holding a majority of the vote represented at such meeting, regardless of whether a quorum is present. Any business which could properly be transacted at the original session of a meeting may be transacted at an adjourned session, and no additional notice of adjourned sessions shall be required.

Section 1.12. Order of Business. The order of business at all meetings of the Co-owners shall be as follows:

1. Roll Call and certifying of proxies;
2. Proof of proper notice of the meeting or waiver of notice;
3. Reading of minutes of preceding meeting;
4. Report of the Board of Directors;
5. Reports of Officers;
6. Reports of Committees;
7. Report of Manager;
8. Presentation of Budget;
9. Election of Directors (when required);
10. Unfinished business;
11. New business.

Section 1.13. Minutes of Meeting. The Secretary of the Council shall prepare and keep, or cause to be prepared and kept, accurate minutes of every meeting of the Council. Such minutes shall be made available for examination and copying by any Co-owner at any reasonable time.

ARTICLE II

BOARD OF DIRECTORS OF THE COUNCIL

Section 2.1. Form of Administration. The Council shall act by and through its Board of Directors. Initially the number of Directors shall be three (3) and in subsequent years the number shall be set by the Board of Directors at three (3), five (5), seven (7) or nine (9) members as the Board of Directors deems appropriate.

Section 2.2. Authorities and Duties. In its discretion and as required by the Act, the Master Deed, and these Bylaws, the Board of Directors shall provide for the following:

(1) The contracting with a managing agent to provide for the surveillance and security of the Regime Property, the maintenance, repair and replacement of the Common Elements, and the designation and dismissal of the personnel necessary to accomplish the same;

(2) The collection of assessments from the Co-owners from the association or managing entities created pursuant to Vacation Time Sharing Plans with respect to Co-owners of Time Sharing Units;

(3) The procuring and keeping in force of insurance on the Regime Property;

(4) The enactment of reasonable regulations governing the operation and use of Common Elements;

(5) The leasing and/or owning of the Pool Easement Area by the Council;

(6) The enforcement of the terms of the Master Deed, these Bylaws, and any Regulations promulgated pursuant to the Bylaws;

(7) The general administration of the Council and the Regime on behalf of and for the benefit of all Co-owners.

Section 2.3. Election and Term. Until the sale by Grantor of eighty percent (80%) of the Units authorized by the Master Deed to be constructed in all Phases of the Regime Property or December 31, 1992, whichever shall first occur, Grantor shall be entitled to exercise, without the consent of the Co-owners, all rights granted to the Co-owners to elect the members of the Board of Directors by the Act, the Master Deed or these Bylaws.

The initial Board of Directors shall be elected at the organizational meeting of the Council and shall serve until the first annual meeting of the Co-owners. At the first annual meeting the Co-owners shall elect one Director for a term of one (1) year and two (2) Directors for a term of two (2) years. In the event the number of Directors is increased, one-half (1/2) of such new Directors shall be elected for an initial term of one (1) year and one-half shall be elected for an initial term of two (2) years. At the expiration of the initial term of a Director, his successor shall be elected to succeed himself, and a Director shall be deemed to continue in office until his successor has been elected and has assumed office.

Section 2.4. Removal. A Director may be removed from office with or without cause by the affirmative vote of Co-owners holding two-thirds (2/3) of the total interest in the Common Elements. The unexpired portion of the term of any Director so removed shall be filled by a new Director elected by the affirmative vote of the Co-owners holding a majority of the Percentage Interest in the Common Elements.

Section 2.5. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by the Co-owners shall be filled by a new Director elected by the affirmative vote of a majority of the remaining Directors even though such remaining Directors do not constitute a quorum.

Section 2.6. Voting. Each Director shall have one (1) vote on all matters acted upon by the Board of Directors. The vote of a Director shall be cast only by such Director personally at a meeting of the Board of Directors convened in accordance with these Bylaws. Proxies shall not be permitted in any vote of the Board of Directors. The affirmative vote of a simple majority of the Directors present at the time of a vote, if a quorum is present at such time, shall be sufficient for any action unless otherwise specified in these Bylaws.

Section 2.7. Quorum. A majority of Directors shall constitute a quorum for the transaction of business.

Section 2.8. Consents. Any action which may be taken by a vote of the Board of Directors may also be taken by written consent to such action signed by all Directors.

Section 2.9. Annual Meetings. An annual meeting of the Board of Directors shall be held during each fiscal year immediately following the annual meeting of the Co-owners. The time, date and place of the annual meeting of the Board of Directors shall be fixed at the annual meeting of the Co-owners by mutual agreement of the Directors present at such meeting, and no further notice thereof shall be necessary. Any business which is appropriate for action of the Board of Directors may be transacted at an annual meeting.

Section 2.10. Special Meetings. Special meetings of the Board of Directors may be called from time to time by the President of the Council and shall be called upon the written request of two (2) of the Directors. Only such business as is stated in the notice of meeting shall be transacted at a special meeting unless all Directors waive notice of any additional business.

Section 2.11. Notice of Meetings. Except for the annual meeting, written notice of every regular or special meeting of the Board of Directors stating the time, date and place of the meeting and, in the case of special meetings the business proposed to be transacted shall be given to every Director not fewer than three (3) nor more than ten (10) days in advance of the meeting. Failure to give proper notice of a meeting of the Board of Directors shall not invalidate any action taken at such meeting unless (1) a Director who was present but was not given proper notice objects at such meeting, in which case the matter to which such Director objects shall not be taken up, or (2) a Director who is not present and was not given proper notice objects in writing to the lack of proper notice within thirty (30) days following such meeting, in which case the action to which such Director objects shall be void.

Section 2.12. Waiver of Notice. Waiver of notice of a meeting of the Board of Directors shall be deemed the equivalent of proper notice. Any Director may in writing waive notice of any meeting of the Board of Directors either before or after such meeting. Attendance at a meeting by a Director shall be deemed waiver by such Director of notice of the time, date, and place thereof unless such Director specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted unless objection to lack of notice is raised before the business to which proper notice was not given is put to a vote. If notice is waived in advance of a special meeting of the Board of Directors, such waiver shall apply only to such matters transacted at the special meeting which have been communicated in advance to the Director who has waived notice.

Section 2.13. Place of Meeting. All meetings of the Board of Directors shall be held upon the Property or at such other convenient place as the Board of Directors may direct. Meetings may be conducted by conference telephone.

Section 2.14. Minutes of Meetings. The Secretary of the Council shall prepare and keep, or cause to be prepared and kept, accurate minutes of every meeting of the Board of Directors. A copy of such minutes shall be distributed to each Co-owner within thirty (30) days following each meeting, and all such minutes shall be made available for examination and copying by any Co-owner at any reasonable time.

Section 2.15. Compensation. The Directors shall serve without compensation but shall be entitled to reimbursement by the Council for expenses incurred in the conduct of their duties.

ARTICLE III

OFFICERS OF THE COUNCIL

Section 3.1. Designation. The Council shall have a President, a Vice-President, a Secretary and a Treasurer. The Council may also have one or more assistants to any of such officers

as may be necessary from time to time. The offices of Secretary and Treasurer may be filled by the same individual. The officers shall have the authority, powers, duties and responsibilities provided by these Bylaws, or, to the extent not so provided, by the Board of Directors.

Section 3.2. Election and Term. Officers of the Council shall be elected at each annual meeting of the Board of Directors and at such other times as may be required to fill vacancies in any office. All officers shall serve until their successors have been elected and assumed office unless sooner removed as hereinafter provided. An officer may be re-elected to any number of terms.

Section 3.3. Removal. Any officer may be removed from office at any time with or without cause by the Board of Directors.

Section 3.4. President. The President shall be the chief executive officer of the Council. He shall preside at all meetings of the Council and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in a corporate president, 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 deem appropriate to assist in the conduct of the affairs of the Council.

Section 3.5. Vice President. The Vice President shall take the place and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other Co-owner to take the place and perform the duties of the President 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 of Directors.

Section 3.6. Secretary. The Secretary shall prepare and keep, or cause to be prepared and kept, the minutes of all meetings of the Co-owners and of the Board of Directors, and shall have charge of such books and papers as the Board of Directors may direct.

Section 3.7. Treasurer. The Treasurer shall have custody of, and responsibility for Council funds and securities and shall

keep the financial records and books of account belonging to the Council. If a Manager is employed as hereinafter provided, custody of Council funds and securities and responsibility for maintaining full and accurate accounts of all receipts and disbursements may be delegated to the Manager if the Board of Directors so determines, but in such case the Treasurer shall verify the amount of Council funds and securities in the custody of the Manager and review and reconcile the accounts maintained by the Manager at such intervals as may be determined by the Board of Directors.

Section 3.8. Compensation. The officers may receive such compensation as the Board of Directors may determine and shall be entitled to reimbursement by the Council for expenses incurred in the conduct of their duties.

ARTICLE IV

MANAGER

Section 4.1. Employment. Unless the manager initially selected by the Board of Directors or its designee consents to a shorter time, for a period of one (1) calendar year from and including the date upon which the Master Deed is recorded, said manager or its designee shall be employed by the Council as the Manager of the Regime. After such period of time, the Board of Directors shall employ a management agent entirely of its own choosing.

Section 4.2. Qualification. The Manager may be a natural person or a corporation or other legal entity.

Section 4.3. Authority and Duties. The Manager shall provide the services and perform the duties set out in Article II, Section 2.1 of these Bylaws, and shall provide such other services and perform such other duties as authorized and directed from time to time by the Board of Directors. The Manager shall confer fully and freely with the Board of Directors and shall attend meetings of the Board and of the Council when requested to so so by the Board.

ARTICLE V

FINANCES

Section 5.1. Fiscal Year. The fiscal year of the Council shall end December 31 unless the Board of Directors shall

otherwise determine.

Section 5.2. Budget. The Board of Directors shall prepare, adopt and present, or cause to be prepared and presented, to the Co-owners at their annual meeting an annual budget (the "Budget") for the Regime for the next fiscal year. The budget as adopted by the Board of Directors shall set forth with particularity the anticipated Common Expenses for the fiscal year together with the amount of reasonable reserves for the payment of future Common Expenses and contingencies.

Section 5.3. Approval of Budget. The Budget, as adopted by the Board, may be amended upon the motion and affirmative vote of Co-owners holding two-thirds (2/3) of the Percentage Interest in the Common Elements. The Budget persented and as amended if amendments are made, shall become the budget of the Regime for the fiscal year. The terms and the provisions of the Budget shall be binding upon the Co-owners and the Board of Directors until its terms are amended by action of the Board duly presented to a special meeting of Co-owners for approval by Co-owners owning fifty-one (51%) percent of the Percentage Interest in the Common Elements.

Section 5.4. Regular Assessments. The funds required by the Budget shall be collected by the Board of Directors from the Co-owners (except for Co-owners of Time Sharing Units) in proportion to their respective interests in the Common Elements in equal monthly or quarterly assessments of the Board of Directors may determine ("Regular Assessments"). Regular Assessments for Time Sharing Units shall be collected from the associations or management entities created pursuant to a Vacation Time Sharing Plans.

Section 5.5. Special Assessments. The funds required from time to time to pay any Common Expenses which are not covered by the Budget but which are approved by a majority of the Co-owners shall be collected from the Co-owners and from the associations or management entities created pursuant to Vacation Time Sharing Plans by the Board of Directors in such installments as the Co-owners shall determine ("Special Assessments").

Section 5.6. Individual Assessments. Any payments to the Council which one or more, but fewer than all, of the Co-owners shall be obligated to make pursuant to the terms of the Act, the Master Deed, or these Bylaws shall be due upon demand and shall be collected by the Board of Directors as individual assessments ("Individual Assessments").

Section 5.7. Collection. Co-owners shall be personally liable for all assessments and shall pay the same promptly when due. In its discretion, the Board of Directors may take appropriate action to establish reasonable late payment penalties, to collect by suit, foreclosure, or other lawful method any overdue assessment. If any overdue assessment is collected by an attorney or by action at law, the Co-owner owing the same shall be required to pay all reasonable costs of collection, including attorney's fees.

Section 5.8. Penalty. An assessment not paid within thirty (30) days following the date when due shall bear a penalty in an amount to be determined annually by the Board and consistently applied, plus interest on the principal amount of the assessment from the date when due at a rate to be determined by the Board of Directors not to exceed the maximum permitted by law. The penalty shall be added to and collected in the same manner as the assessment. For purposes of this paragraph only, an unpaid assessment shall not be deemed overdue until the Board of Directors has delivered to the Co-owner owing the same a demand for payment, unless the Board of Directors has within thirty (30) days prior to the date when due delivered to such Co-owner a written notice of the amount and the date due, in which case no further demand shall be necessary. The Board of Directors may in its discretion waive all or any portion of a penalty or interest imposed pursuant to this paragraph if it affirmatively appears that the failure to pay the assessment when due was caused by circumstances beyond the control of the Co-owner.

Section 5.9. Accounts. The Board of Directors shall maintain on behalf of the Council a checking account with a state- or federally-chartered bank of its choice. The Board of Directors

may also maintain on behalf of the Council an interest bearing account or interest bearing certificates with a state- or federally-chartered bank, savings and loan association, building and loan association or liquid capital income fund of its choice. All funds of the Council shall be promptly deposited in one of said accounts, except that the Board of Directors may maintain a petty cash fund of not more than fifty dollars ($50.00) for payment of minor current expenses of the Council. The books and records related to any account of the Council shall be made available for examination and copying by any Co-owner at any reasonable time.

Section 5.10. Payments. The Board of Directors shall provide for payment of all debts of the Council from the funds collected from Co-owners. Expenditures specifically approved in the Budget may be paid without further approval unless the Board of Directors shall otherwise determine. All other expenditures which are in excess of an amount to be determined by the Board of Directors shall be reviewed and approved by the President or the Board of Directors before payment is made. Unless the Manager is authorized by the Board of Directors to draw checks upon the account of the Council, any check or request for withdrawals drawn upon any account of the Council shall be signed by the President and the Treasurer or by any two (2) officers of the Council designated by the Board of Directors. The Board of Directors may also authorize the Manager to make disbursements from the petty cash fund, if any.

Section 5.11. Bonding. The Board of Directors may secure a fidelity bond in an amount of not less than ten thousand dollars ($10,000.00) covering every individual authorized to withdraw funds from any checking or savings account maintained by the Council. The cost of the bond shall be a Common Expense.

ARTICLE VI

MAINTENANCE AND IMPROVEMENTS

Section 6.1. Maintenance by Manager. The Manager or the Board of Directors shall provide for the maintenance, repair, and replacement of the Common Elements.

Section 6.2. Maintenance by Co-owners. Except for Time Sharing Units, the Units shall be maintained in good condition and repair by their respective Co-owners. Except for Co-owners of Time Sharing Units, each Co-owner shall also provide for the routine cleaning of all Limited Common Elements reserved for the use of his Unit. The maintenance, repair and routine cleaning of the Time Sharing Units and Limited Common Elements appurtenant to the Time Sharing Units shall be the responsibility of the associations or management entities created pursuant to Vacation Time Sharing Plans.

Section 6.3. Default by Co-owner. In the event that any Co-owner fails to perform the maintenance required of him by these Bylaws or by any lawful Regulation, and such failure creates or permits a condition which is hazardous to life, health, or property, or which unreasonably interferes with the rights of another Co-owner, or which substantially detracts from the value or appearance of the Regime Property, the Board of Directors shall, after giving such Co-owner reasonable notice and opportunity to perform such maintenance, cause such maintenance to be performed and charge all reasonable expenses of so doing to such Co-owner by an Individual Assessment.

Section 6.4. Expenses. The expenses of all maintenance, repair, and replacement provided by the Manager or the Board of Directors, including losses by storm, fire or other casualty insured by the Council, shall be Common Expenses, except that when such expenses are not fully reimbursed by insurance proceeds and when they are necessitated by (1) the failure of a Co-owner to perform the maintenance required by these Bylaws or by any lawful Regulation or (2) the willful act, neglect, or abuse of a Co-owner, they shall be charged to such Co-owner as an Individual Assessment.

Section 6.5. Improvements. The Board of Directors shall provide for the making of such improvements and additions to the

Common Elements as may be approved from time to time by a majority of the Co-owners. The cost of such improvements shall be Common Expenses; provided, however, that no Co-owner shall without his consent be assessed in any one (1) year for the making of improvements to the Common Elements an amount in excess of one (1%) percent of the value of his Unit as set forth in the Master Deed unless such improvements have been approved by Co-owners holding two-thirds (2/3) of the Percentage Interest in the Common Elements.

ARTICLE VII

RESTRICTIONS AND REGULATIONS

Section 7.1. Restrictions. The use of the Regime Property shall be subject to the restrictions set forth in the Master Deed and to the following restrictions:

(1) No Co-owner shall create or permit excessive noise, smoke, or offensive odors or any nuisance or unreasonably interfere with the use and enjoyment of the Regime Property by any other person entitled to the same. No person shall maintain on the Regime Property, and no Co-owner shall permit within his Unit, any condition which is unreasonably hazardous to the life, health or property of any other person.

(2) No Co-owner shall make any additions to, alter or perform any work upon the Common Elements (which term specifically includes the Limited Common Elements) without written authorization of the Board of Directors. No Co-owner shall make any additions to, alter or perform any work upon the exterior of his Unit without written authorization of the Board of Directors.

Section 7.2. Regulations. The Board of Directors shall adopt and amend from time to time such reasonable regulations

("Regulations") governing the operation and use of the Regume Property as it may deem necessary or desirable. It shall be necessary to publish Regulations newly adopted or the amendment or repeal of existing Regulations, and no Co-owner shall be bound by any newly adopted Regulation or any amendment or repeal of an existing Regulation until a copy of the same has been delivered to him.

Section 7.3. Enforcement. The Board of Directors shall enforce the terms of the Act, the Master Deed, and these Bylaws and the Regulations promulgated pursuant hereto by taking prompt and appropriate action to correct any violations. In addition to any other remedy to which the Council or any Co-owner may be entitled, the Board of Directors may impose against a Co-owner reasonable fines not to exceed an amount per day to be determined annually by the Board of Directors and consistently applied for any violation of the terms of the Act, the Master Deed, or these Bylaws or of the Regulations promulgated pursuant hereto. Such fines shall be collected by Individual Assessments. Each day during which a violation occurs or continues may be deemed a separate offense.

Section 7.4. Responsibility of Co-Owners. Each Co-owner shall be deemed responsible for the conduct of members of his household and his tenants, agents, guests and pets, but the responsibility of the Co-owner shall not relieve any member of his household or any of his tenants, agents, or guests for any liability to the Council or to a Co-owner for the acts of such member, tenant, agent or guest.

ARTICLE VIII

LIABILITIES AND INDEMNIFICATION

Section 8.1. Liability of Council. Shipyard Village Council of Co-owners, Inc. is a South Carolina corporation. No member of the Council is or shall be liable for the debts or torts of the Council. In the event, however, that the Council or any Co-owners were held liable by any court of law, no Co-owner shall be liable upon a debt or tort of the Council for any amount in excess of that percentage of total liability of the Council which is equal to his percentage ownership of the Common Elements.

Section 8.2. Indemnification Among Co-owners. Each Co-owner shall be entitled to contribution from and indemnification by every other Co-owner to the extent that such Co-owner discharges or is required to discharge any portion of any liability of the Council in excess of such Co-owner's proportionate share of such liability, except that no Co-owner shall be required to provide contribution or indemnification on account of a liability which was due and payable prior to the time such Co-owner became a Co-owner.

Section 8.3. Liability of Directors and Officers. No director or officer of the Council shall be liable to any Co-owner for any decision, action, or omission made or performed by such Director or officer in the course of his duties unless such Director or officer acted in bad faith or in reckless disregard of the rights of any person or of the terms of the Act, the Master Deed, or these Bylaws.

Section 8.4. Indemnification of Directors and Officers. The Council shall indemnify and defend each Director and each officer of the Council from any liability claimed or imposed against him by reason of his position or actions as a Director or any officer of the Council if all the following conditions are satisfied:

(1) Such Director of officer is not required to bear such liability by the terms of the Act, the Master Deed, or these Bylaws; and

(2) Such Director or officer gives the Council adequate notice of the claim or imposition of liability to permit the Council reasonable opportunity to defend against the same; and

(3) Such Director or officer cooperates with the Council in defending against the liability.

The expense of indemnifying a Director or an officer shall be a Common Expense. The Board of Directors may obtain insurance to provide in whole or in part for this indemnification, and the cost of such insurance shall be a Common Expense.

ARTICLE IX

ATTESTATIONS AND CERTIFICATIONS

Section 9.1. Attestation of Documents. The presence of the signature of the Secretary or an assistant secretary of the Council on any contract, conveyance, or any other document executed on behalf of the Council by another officer of the Council shall attest:

(1) That the officer of the Council executing the document does in fact occupy the official position indicated, that one in such position is duly authorized to execute such document on behalf of the Council, and that the signature of such officer subscribed on the document is genuine; and

(2) That the execution of the document on behalf of the Council has been duly authorized.

Section 9.2. Certification of Documents. When any document relating to the Regime Property or the Council is certified as authentic by the Secretary or an assistant secretary of the Council, a third party without knowledge or reason known to the contrary may rely on such document as being what it purports to be.

Section 9.3. Certification of Actions and Facts. When there is executed by the Secretary or an assistant secretary a written statement setting forth (1) actions taken by the Council or by the Board of Directors, or (2) facts relating to the Regime Property or the Council as determined by the Board of Directors, a third party without knowledge or reason to know to the contrary may rely on such statement as factually true and correct.

Section 9.4. Absence of Seal. The absence of the seal of the Council from any contract, conveyance or other document executed on behalf of the Council shall not impair the validity of such contract, conveyance or document or of any action taken pursuant thereto or in reliance thereon, but the person relying on the same shall bear the burden of establishing that the execution of the same was duly authorized and accomplished on behalf of the Council.

ARTICLE X

AMENDMENTS

Section 10.1. Procedure. Subject to the Master Deed, and specifically to the rights of the Grantor as set forth in Article XIV thereof, these Bylaws may be amended from time to time by resolution adopted by the affirmative vote of the Co-owners holding two-thirds (2/3) of the Percentage Interest in the Common Elements. No amendment shall be effective unless and until recorded as an amendment to the Master Deed in accordance with the Act.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Record of Ownership. Any person who acquires title to a Unit shall promptly inform the Board of Directors of his identity and the date upon and manner in which title was acquired. The Board of Directors shall maintain a record of the names of all Co-owners and of the dates upon which they acquired title to their Units.

Section 11.2. Notification of Transfer. A Co-owner shall promptly notify the Board of Directors of a proposed transfer of title to his Unit setting forth the closing date and the name and address of the transferee.

Section 11.3. Notices. Any notices or documents placed in the mail receptacle or affixed to the front door of a Unit by or at the direction of the Board of Directors shall be deemed delivered to the Co-owner of such Unit, unless the Co-owner has previously specified to the Board of Directors in writing another address for delivery of such notices and documents. Any notice or document addressed to the Board of Directors and delivered to any Director by or at the direction of a Co-owner shall be deemed delivered to the Board of Directors. Any notice to Directors shall be deemed to be given when such notice is deposited postpaid in the U.S. Mail addressed to such Director at his address as it appears in the records of the Council.

Section 11.4. Waiver. No provision of these Bylaws or of the Regulations promulgated pursuant hereto shall be deemed to

have been abrogated or waived by reason of any failure to enforce the same, regardless of the number of violations or breaches which may have occurred.

Section 11.5. Conflicts. In the event of any conflict between these Bylaws and the Act or the Master Deed, the Act or the Master Deed shall control, as appropriate. In the event of a conflict between these Bylaws and the Regulations, these Bylaws shall control.

Section 11.6. Severability. The provisions of these Bylaws are severable, and the invalidity of one or more provisions hereof shall not be deemed to impair or affect in any manner the enforceability or effect of the remainder hereof.

Section 11.7. 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 these Bylaws or the intent of any provision hereof.

Section 11.8. Gender and Number. All pronouns used herein shall be deemed to include the masculine, the feminine, and the neuter, and the singular shall include the plural and vice versa, whenever the context requires or permits.

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(13)

Re-record to correct scrivener's error in Paragraph 3 of Recitals
Re-record to include parking plan and elevations

McNair Law Firm (JBM)

STATE OF SOUTH CAROLINA)
) FIRST AMENDMENT TO MASTER DEED OF
) SHIPYARD VILLAGE HORIZONTAL PROPERTY
COUNTY OF GEORGETOWN) REGIME

This First Amendment to the Master Deed of Shipyard Village Horizontal Property Regime (the "First Amendment") is made, published and declared this 3rd day of August, 1998 by the Shipyard Village Development Corp., LLC, a South Carolina limited liability company, successor to the development rights of Litchfield-By-The-Sea, a South Carolina Joint Venture, (hereinafter called the "Grantor") pursuant to the Master Deed for Shipyard Village Horizontal Property Regime dated July 7, 1982 and recorded in the Register of Deeds Office for Georgetown County ("R.O.D.") in Deed Book 201 at page 883, (hereinafter referred to as the "Master Deed"), and the provisions of the Horizontal Property Act of South Carolina, 1976 as amended (the "Act"); Title 27, Chapter 31 of the Code of Laws of South Carolina, 1976 as amended.

FILED
REGISTER OF MESNE CONVEYANCES
1999 JAN 19 AM 11:56
GEORGETOWN COUNTY, S.C.

RECITALS

1. Litchfield-By-The-Sea, a South Carolina Joint Venture ("LBTS") was the Grantor in the Master Deed.

2. LBTS reserved various developer rights under the terms of the Master Deed including but not limited to the right to submit to the Shipyard Village Horizontal Property Regime all or any portion of the Land as well as those rights set forth in Articles I, XIV and XV of the Master Deed.

3. LBTS assigned all of its reserved developer rights under the Master Deed to The Litchfield Company of South Carolina Limited Partnership by Assignment dated December 29, 1988 and recorded February 7, 1989 in the R.O.D. in Deed Book 322 at page 257 and The Litchfield Company of South Carolina Limited Partnership assigned said reserved developer rights to the Shipyard Village Development Corp., LLC by Assignment dated August 3, 1998 and recorded August 5, 1998 in the R.O.D in Deed Book 890 at page 335.

ARTICLE I
Purpose and Submission - Condominium Ownership

By the recording of the Master Deed, the Declarant created a Horizonal Property Regime and established certain easements, covenants and restrictions which run with the property as more fully set forth in said Master Deed. By virtue of the Master Deed, the Grantor submitted to condominium ownership the Property (hereafter defined) constituting Phase I of Shipyard Village Horizontal Property Regime. The Declarant specifically reserved the right to amend the Master Deed in the future to elect to incorporate into Shipyard Village Horizontal Property

GEORGETOWN COUNTY PARCEL # 4-40-1
RWD

PLAINTIFF'S EXHIBIT 13

CERTIFIED A TRUE AND CORRECT COPY
Wanda G. Gasque
REGISTER OF DEEDS
GEORGETOWN COUNTY, S.C.

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Regime portions of the Land, which together with the Property originally submitted in the Master Deed may be developed into up to four phases, all of which is more fully set forth in Article I of the Master Deed.

This First Amendment to the Master Deed is made, published and filed of record by the Grantor in order to publish its election to develop a portion of the Land composing Phase II (as hereinafter described) pursuant to its rights reserved in Article I of the Master Deed. The Grantor hereby specifies that this First Amendment to the Master Deed shall constitute its election to submit to the Master Deed and the Act the property composing Phase II (the "Phase II Property") and shall bind and inure to the benefit of the Grantor, its successors and assigns, and all subsequent owners of any interest in the Phase II Property, their grantees, successors, heirs, executors, administrators, devisees or assigns. The Grantor publishes and declares that the portion of the Land as described in Exhibit A attached hereto composing Phase II is hereby integrated and combined with the property composing Phase I (the property composing Phases I and II shall be collectively referred to as the "Property") and shall be owned, occupied, used, conveyed, encumbered, leased, and improved in accordance with the provisions of the Act and in accordance with the covenants, restrictions, encumbrances, easements and obligations of record affecting the Property as set forth or incorporated by reference in the Master Deed as amended hereby, all of which shall be deemed to be covenants and obligations running with the Property.

ARTICLE II
Phase II Property

Section 1. The Property. The portion of the Land submitted to condominium ownership in Phase II is shown by the plat entitled "Asbuilt Survey of Phase II, Shipyard Village Horizontal Property Regime Phase II" dated July 28, 1998 prepared by ETS - Engineering and Technical Services, Inc., which plat is attached hereto as Exhibit B and incorporated herein by reference and is recorded in the R.O.D. in Slide 279 at page 7 (the "Phase II Plat"), and Phase II Property is furthermore described in Exhibit A attached hereto and specifically incorporated by reference herein.

PURSUANT TO SECTION 27-31-100 OF THE CODE OF LAWS OF SOUTH CAROLINA 1976 AS AMENDED, NOTICE IS GIVEN THAT ALL ACTIVITIES ON OR OVER AND ALL USES OF ANY SUBMERGED LAND OR OTHER CRITICAL AREAS ARE SUBJECT TO THE JURISDICTION OF THE SOUTH CAROLINA OFFICE OF OCEAN AND COASTAL RESOURCE MANAGEMENT, INCLUDING, BUT NOT LIMITED TO, THE REQUIREMENTS THAT ANY ACTIVITY OR USE MUST BE AUTHORIZED BY THE SOUTH CAROLINA OFFICE OF OCEAN AND COASTAL RESOURCE MANAGEMENT. PURSUANT THERETO, ANY OWNER IS LIABLE TO THE EXTENT OF HIS OWNERSHIP FOR ANY DAMAGES TO, ANY INAPPROPRIATE OR UNPERMITTED USES OF, AND ANY DUTIES OR RESPONSIBILITIES CONCERNING ANY SUBMERGED LAND, COASTAL WATERS OR OTHER CRITICAL AREA.

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Section 2. Phase II Building Locations. Grantor has constructed upon the Phase II Property one building containing 30 Units, said building being designated as the "Captain's Quarters C" Building or the "Phase II Building" on the Unit Plans (as hereinafter defined). The Phase II Building is of concrete and steel construction on pilings with steel stud and synthetic stucco siding. The floors in the Phase II Building are post tensional concrete. The Phase II Building is five (5) floors in height above covered parking with six (6) Units located on each floor. The Phase II Plat and the Unit Plans (as hereinafter defined) show the horizontal and vertical location of the Phase II Building and the Units located therein. Each of the five (5) floors has a common walkway which is connected by two elevators and two common stairways, all of which are General Common Elements. All of the Units in the Phase II Building are adjacent to and are connected with a common walkway located on each floor of the Phase II Building. The location of the Phase II Building and other improvements on the Regime Property is shown on the Phase II Plat. The Phase II Building and the Units contained therein and the General Common Elements and Limited Common Elements constructed on and forming a part of the Regime Property are constructed in substantial accordance with the architectural plans identified as Exhibit C attached hereto and incorporated herein (the "Unit Plans"), which Unit Plans are certified to by a architect licensed to practice in the State of South Carolina, said certification attached hereto as Exhibit D. The Phase II Building is also referred to as the "Captain's Quarters at Shipyard Village." The Phase II Building contains the following Units:

Floor	Unit Numbers
1	C-11, C-12, C-13, C-14, C-15, C-16
2	C-21, C-22, C-23, C-24, C-25, C-26
3	C-31, C-32, C-33, C-34, C-35, C-36
4	C-41, C-42, C-43, C-44, C-45, C-46
5	C-51, C-52, C-53, C-54, C-55, C-56

Section 3. Description of Parking Areas. The Regime contains covered and uncovered parking areas for the use of Unit Owners in parking vehicles and for guest parking. Some of the covered parking areas are Limited Common Elements and their use is restricted exclusively to the Owner of the Unit to which said covered parking is appurtenant, members of his immediate family, guests and tenants. The covered parking is more fully shown in the Unit Plans attached hereto as Exhibit C. The parking will be subject to the rules and regulations promulgated by the Association from time to time.

Section 4. Description of Units in Phase II. The location of the Phase II Building and the Units contained therein are more fully shown on the Phase II Plat and in the Unit Plans attached hereto as Exhibits B and C, respectively and by reference incorporated herein. There are thirty (30) Units in the Phase II Building representing ten (10) different floor plans. The individual Units in Phase II and their floor plans, dimensions and location in the Phase II Building are depicted by the Phase II Plat and the Unit Plans and are described as follows:

a. **"A" Floor Plan Unit.** There are four (4) "A" Floor Plan Units in the Phase II Building located on the second, third, fourth and fifth floors (above the covered parking). Units C-21, C-31, C-41 and C-51 are "A" Floor Plan Units, as more fully shown on the Unit Plans. Each "A" Floor Plan Unit contains approximately 1,983 square feet of heated space, is located on one (1) level, and contains four (4) bedrooms. The "A" Floor Plan Units include rooms as follows: foyer, laundry room, three (3) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

b. **"A-F" Floor Plan Unit.** There is one (1) A-F Floor Plan Unit in the Phase II Building, located on the first floor (above the covered parking). Unit C-11 is the "A-F" Floor Plan Unit, as more fully shown on the Unit Plans. The "A-F" Floor Plan Unit contains approximately 1,983 square feet of heated space, is located on one (1) level, and contains four (4) bedrooms. The "A-F" Floor Plan Unit includes rooms as follows: foyer, laundry room, three (3) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

c. **"B" Floor Plan Unit.** There are four (4) "B" Floor Plan Units in the Phase II Building, located on the second, third, fourth and fifth floors (above the covered parking). Units C-22, C-32, C-42 and C-52 are "B" Floor Plan Units, as more fully shown on the Unit Plans. The "B" Floor Plan Unit contains approximately 1,537 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "B" Floor Plan Units contain rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

d. **"B-F" Floor Plan Unit.** There is one "B-F" Floor Plan Unit in the Phase II Building, located on the first floor (above the covered parking). Unit C-12 is the "B-F" Floor Plan Unit. The "B-F" Floor Plan Unit contains approximately 1,537 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "B-F" Floor Plan Unit contains rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

e. **"B-Opposite" Floor Plan Unit.** There are eight (8) "B-Opposite" Floor Plan Units in the Phase II Building located on the second, third, fourth and fifth floors (above the covered parking). Units C-23, C-33, C-43, C-53, C-25, C-35, C-45 and C-55 are "B-Opposite" Floor Plan Units, as more fully shown on the Unit Plans. The "B-Opposite" Floor Plan Unit contains approximately 1,537 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "B-Opposite" Floor Plan Units contain rooms as follows: foyer, laundry

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room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

f. **"B-F Opposite" Floor Plan Unit.** There are two (2) "B-F Opposite" Floor Plan Units in the Phase II Building located on the first floor (above the covered parking). Units C-13 and C-15 are the "B-F Opposite" Floor Plan Units, as more fully shown on the Unit Plans. The "B-F Opposite" Floor Plan Units contain approximately 1,537 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "B-F Opposite" Floor Plan Units contain rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

g. **"C" Floor Plan Unit.** There are four (4) "C" Floor Plan Units in the Phase II Building, located on the second, third, fourth and fifth floors (above the covered parking). Units C-24, C-34, C-44 and C-54 are "C" Floor Plan Units, as more fully shown on the Unit Plans. The "C" Floor Plan Unit contains approximately 1,537 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "C" Floor Plan Units contain rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

h. **"C-F" Floor Plan Unit.** There is one "C-F" Floor Plan Unit in the Phase II Building, located on the first floor (above the covered parking). Unit C-14 is the "C-F" Floor Plan Unit. The "C-F" Floor Plan Unit contains approximately 1,537 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "C-F" Floor Plan Unit contains rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

i. **"D" Floor Plan Unit.** There are four (4) "D" Floor Plan Units in the Phase II Building, located on the second, third, fourth and fifth floors (above the covered parking). Units C-26, C-36, C-46 and C-56 are "D" Floor Plan Units, as more fully shown on the Unit Plans. The "D" Floor Plan Units contain approximately 1,652 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "D" Floor Plan Units contain rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

j. **"D-F" Floor Plan Unit.** There is one "D-F" Floor Plan Unit in the Phase II Building, located on the first floor (above the covered parking). Unit C-16 is the "D-F" Floor Plan Unit. The "D-F" Floor Plan Unit contains approximately

1,652 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "D-F" Floor Plan Unit contains rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

Section 5. Unit Boundaries. Each Unit in Phase II is composed of the interior cubic space, fixtures, appliances, furnishings, walls, floors, ceilings, and building material enclosed within the following boundaries:

a. The upper boundaries of the Unit shall extend to the unfinished interior surfaces of the unfinished sheetrock or other ceiling material. The lower boundaries of the Unit shall extend to the unfinished surface of the structural concrete slab constituting the floor.

b. The perimetrical boundaries of the Unit shall extend to the unfinished interior surfaces of the perimeter walls of the Unit excluding load bearing structural interior walls or components.

c. Each Unit shall also encompass and include, and each Owner shall be responsible for maintenance and repair of the following whether located within or without the boundaries described in (a) and (b) above: (i) the doorways, windows, vents and other non-structural elements in the walls, floor, and ceilings of the Unit which are regarded as enclosures of space; (ii) the doors (including any screen doors) opening into the Unit and into any storage area integral to the Unit, including the frames, casings, hinges, handles and other fixtures which are part of the doors; (iii) the sliding glass doors, if any, opening from each Unit to said Unit's balcony, (iv) the window glasses, screens, frames, and casings which are part of the window openings of the Unit; (v) the plumbing, wiring, and mechanical vents that exclusively serve the Unit; (vi) the appliances, air conditioning, and heating units, (including the condenser and all piping, wiring and attachments), hot water heaters, lavatories, bath tubs, toilets, carpeting, floor covering, trim finished surface of ceilings and walls, wiring, insulation, and other fixtures, furnishings, and building materials which are part of the Unit when delivered to the initial Owner and which exclusively serve the Unit; and (vii) all appurtenances which are integral and exclusive to the Unit, including, but not limited to, lamps attached to the exterior of the Unit and water and sewer pipes within the Unit and exclusively serving the Unit.

Section 6. Central Systems Not Part of Units. No pipes, wires, conduits or other public utility lines or installations constituting a part of the overall systems designed for the service of more than one Unit in the Phase II Building, nor any of the structural members of the Phase II Building, nor any other property of any kind which is not removable without jeopardizing the

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soundness, safety or usefulness of the remainder of the Phase II Building shall be deemed to be a part of any Unit.

ARTICLE III
Description of General Common Elements, Limited Common Elements, and Percentage Interests

Section 1. General Common Elements. The General Common Elements in Phase II of the Regime are described as follows: (i) the property composing Phase II as described on Exhibit A hereto and all those portions of the Phase II Building and property which are not included as or comprise part of the Units or the Limited Common Elements; (ii) the foundations, structural parts, supports, main and load bearing and exterior walls, non-load bearing walls and partitions not located within the Unit, columns, beams, roofs, floor slabs, pipe chases and interior walls and partitions, if any, enclosing said pipe chases, and the space occupied by all of the following: corridors, elevators, elevator equipment and stairways (except for certain stairways associated with A-F, B-F, B-F Opposite, C-F and D-F Floor Plan Units and designated as Limited Common Elements) as hereinafter set forth; (iii) all parking areas not designated for a specific Unit, access roads, driveways, pedestrian sidewalks, landscape and planting areas, fences, street lights and other facilities located within the Property, if any; (iv) installations of all central services and utilities and water, gas, sewer, electric, telephone and other utility lines, pipes, conduits, fixtures and associated equipment, facilities which serve the General Common Elements or serve more than one Unit or both; (v) the lobby area of the Phase II Building, elevator and electrical rooms; (vi) portions of the Regime Property constituting Phase II Building and other improvements thereon used exclusively for the management, operation and maintenance of the Regime Property; (vii) all other apparatus and installations existing or intended for common use.

Section 2. Limited Common Elements. Limited Common Elements shall mean and include all balconies that are located adjacent to each Unit and designated storage areas located on the same floor of the Phase II Building as the Unit and designated by the Unit's number as set forth in the Unit Plans. Limited Common Elements shall also include storage units located in the covered parking area which storage units shall be designated by the Unit's number. The Limited Common Elements shall also include certain stairways from the balconies of Units C-11, C-12, C-13, C-14, C-15 and C-16 to the ground level which stairs are shown on the Unit Plans. Units C-12 and C-13 share a portion of said stairs from the landing where each Unit's separate stairs join to the ground level, all of which is more particularly shown on the Units Plans. The landing and the portion of the stairs being shared by the aforesaid Units shall be restricted exclusively to the two Unit Owners sharing said landing and stairs, members of their immediate family, guests and tenants. The Unit Owners, as aforesaid, sharing said landing and stairs shall not place furniture plants, grills or other similar items within such area of joint use nor otherwise block the use of such joint landing and stair area. The Limited Common Elements shall also include parking spaces designated for exclusive use of a Unit, such parking spaces being designated by the Unit's number and shown in the Unit Plans attached hereto as Exhibit

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000000705 01/19/1999 BD0942 P00008

C. Except as otherwise set forth herein, the use of the Limited Common Elements are restricted exclusively to the respective Unit Owner, members of his immediate family, guests and tenants.

Section 3. Percentage Interests. Each Unit has appurtenant and assigned to it an undivided percentage interest in the General Common Elements and Limited Common Elements as set forth on Exhibit E attached hereto; provided, however, the use of the Limited Common Elements shall be restricted as set forth in Article III, Section 2 hereof. The Percentage Interest of a Unit in the General Common Elements and Limited Common Elements shall be inseparable from each Unit, and any conveyance, lease, devise or other disposition or mortgage or other encumbrance of any Unit shall extend to and include the Percentage Interest and the General Common Elements and Limited Common Elements, whether or not expressly referred to in the instrument effecting the same. The Percentage Interest of the Units, the General Common Elements and Limited Common Elements shall not be separately conveyed, transferred, alienated or encumbered and each of said Percentage Interest shall be deemed to be conveyed, transferred, alienated or encumbered with respect to its respective Unit, notwithstanding that the description in the instrument of conveyance, transfer, alienation or encumbrance may only refer to the fee title to the Unit. The Percentage Interest of each Unit has been determined by dividing the assigned value of each Unit by the aggregate assigned value of all of the Units. The assigned value of the Units in the Phase II Building are set forth on Exhibit E hereto. Assigned values are fixed for the sole purpose of complying with the Act and shall not prevent an owner from fixing a different circumstantial value to his or her Unit. For purposes of this instrument, the total assigned value of the Units in Phase II is $2,725,000.00 and the total assigned value of the Regime Property submitted to condominium ownership in Phases I and II is $9,125,000.00. Exhibit E sets forth the identification of the numbers, types, valuations, common interest and voting strength of each Unit in Phases I and II of Shipyard Village Horizontal Property Regime. Each Unit in Phases I and II shall be entitled to vote on all matters relating to the Association or to the Regime Property in proportion to their respective Percentage Interest in the General Common Elements as set forth in Exhibit E. The Grantor may construct in any future phase or group of phases any combination or mixture of the Units as provided in the Master Deed using the values assigned thereto but in no event shall the Percentage Interests for any Unit in Phases I and II be reduced more than is set forth in Exhibit C of the Master Deed. Percentage Interests in the General Common Elements and Limited Common Elements assigned to a Unit shall not be changed except with the unanimous consent of all of the Owners of all of the Units except as otherwise provided in the Master Deed.

ARTICLE IV
Confirmation and Ratification of Master Deed

Section 1. Grantor. Except as expressly supplemented and amended by this instrument, the Master Deed of Shipyard Village Horizontal Property Regime is hereby ratified and confirmed by the Grantor, and by reference to the Master Deed and all amendments thereto are specifically incorporated herein and republished and declared as hereby amended.

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Section 2. Reservation of Rights. The Grantor, in accordance with the Master Deed, reserves all rights to submit to the Regime all or any portion of the Land as provided in Article I, Article XIV, and Article XV of the Master Deed, and all other rights reserved by the Grantor as provided in the Master Deed.

Section 3. Owners. By acceptance of the deed to a Unit, each purchaser of a Unit in Phases I and II ratifies and covenants to observe on behalf of himself, his heirs, successors and assigns, the Master Deed, as amended, and the Bylaws governing Shipyard Village Council of Co-Owners, Inc.

ARTICLE V
Miscellaneous

Section 1. Definitions. Except as otherwise set forth herein, the defined terms shall have those same meanings as set forth in the Master Deed.

Section 2. Controlling Provisions. Except as specifically amended herein, the Master Deed, as amended by the First Amendment shall remain in full force and effect.

[SIGNATURE PAGE ATTACHED]

000000705 01/19/1999 BK0912 PG010
00010407 08/05/1998 B891 P110
00013406 10/07/1998 B907 P136

IN WITNESS WHEREOF, Declarant has executed this First Amendment to Master Deed the day and year first above written.

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF:

James B. Moore Jr.

Chandra M. Howell

SHIPYARD VILLAGE DEVELOPMENT CORP., LLC
a South Carolina limited liability company

By: The Litchfield Company of South Carolina Limited Partnership, a South Carolina limited partnership, its Manager

By: Litchfield Enterprises, Inc., its sole general partner

By: D. G. Mahon, III (Seal)
Title: President

STATE OF SOUTH CAROLINA)
) ACKNOWLEDGEMENT
COUNTY OF GEORGETOWN)

I, James B. Moore Jr., a Notary Public residing in the County and State aforesaid, do certify that the Shipyard Village Development Corp., LLC, a South Carolina Limited Liability Company, by The Litchfield Company of South Carolina Limited Partnership, its Manager by Litchfield Enterprises, Inc., its sole general partner by D. G. Mahon, III, its President, who is personally known to me, this day appeared before me personally and did acknowledge that it did sign, seal and deliver the foregoing instrument of its own free will and accord, for the purposes therein named and expressed.

SWORN to before me this 3rd day of August, 1998.

James B. Moore Jr. (L.S.)
Notary Public for SC
My Commission Expires: 3/25/2001

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EXHIBIT A
(Legal Description)

All that certain piece, parcel or tract of land situate, lying and being in the County of Georgetown, State of South Carolina in Tax District Number 4 containing 1.17 acres as shown on a map entitled "As-Built Survey of Phase II, Shipyard Village Horizontal Property Regime, Phase II prepared for the Shipyard Village Development Corp., L.L.C." dated July 28, 1998, prepared by E.T.S.-Engineering and Technical Services, Inc., and recorded in the Register of Deeds Office for Georgetown County in Slide 279 at Page 7, and such property having such size, shape, metes, bounds, courses and distances as will more fully appear according to said map which map is incorporated herein by reference.

00010407 08/05/1998 B891 P12
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EXHIBIT B
(Phase II Plat)

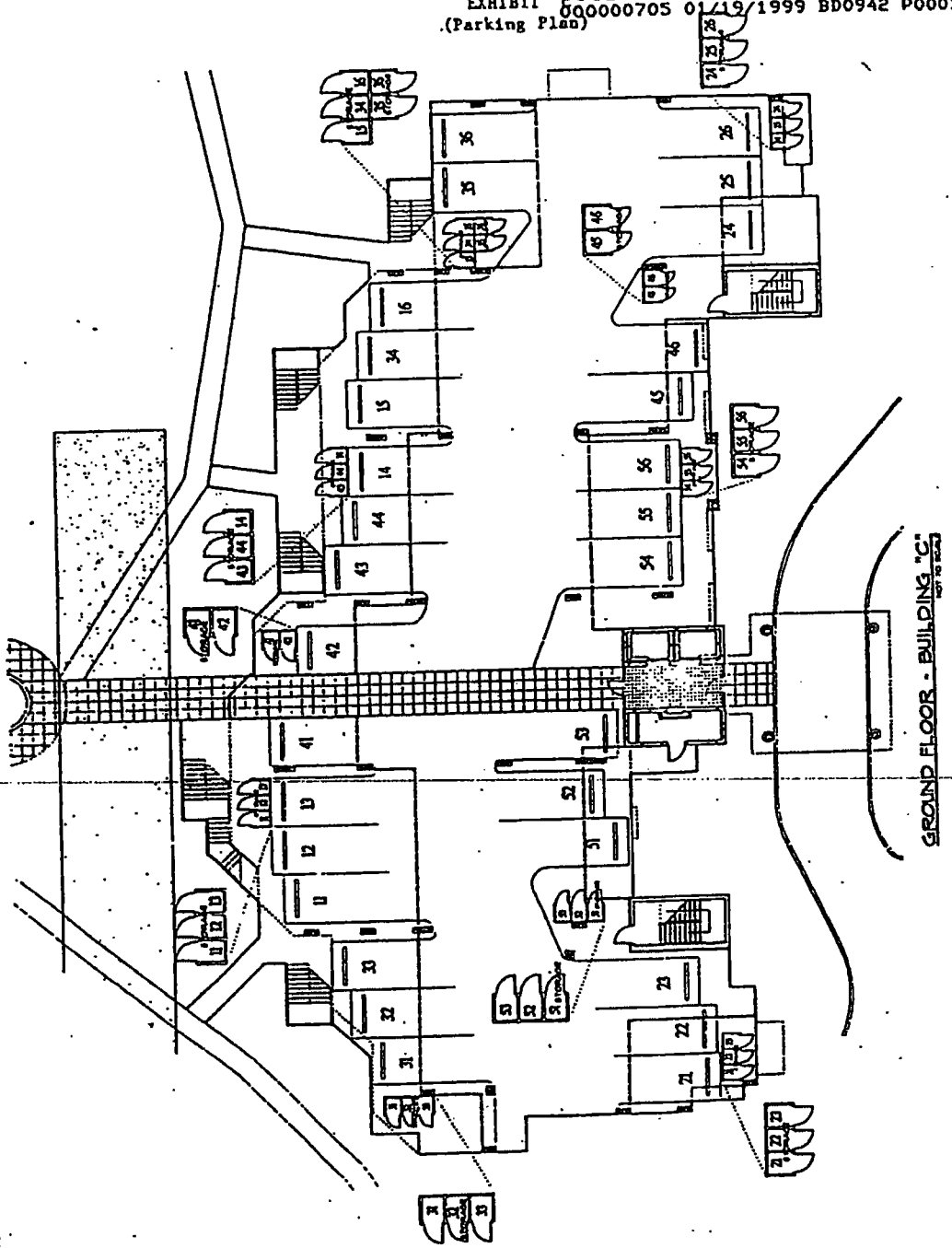
As-Built Survey of Phase II, Shipyard Village Horizontal Property Regime prepared for Shipyard Village Development Corp., LLC by E.T.S.-Engineering and Technical Services, Inc., said map being dated July 28, 1998 and recorded in the Register of Deeds Office for Georgetown County in Slide 279 at page 7.

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00010407 08/05/1998 B891 P13
00013406 10/07/1998 B907 P139

EXHIBIT C
(Unit Plans)

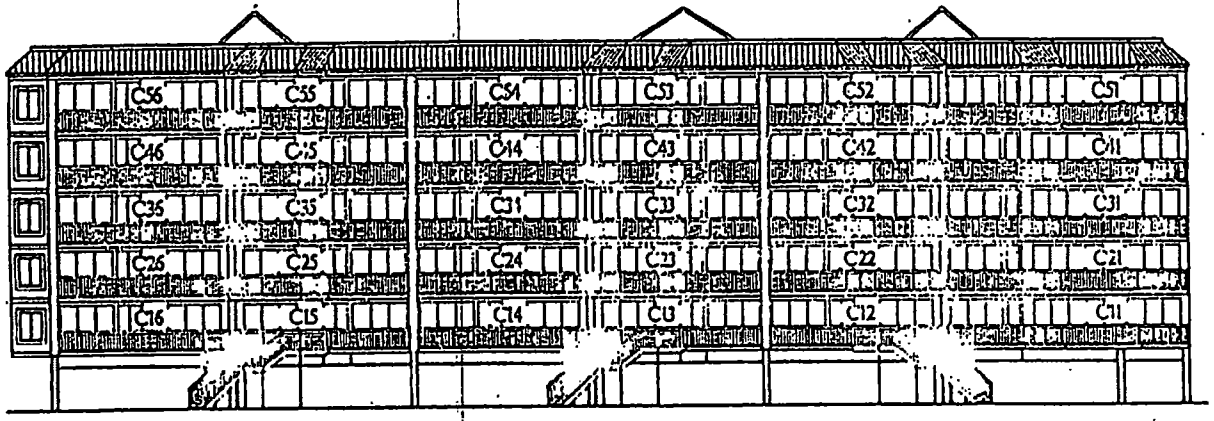
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000000705 01/19/1999 BD0942 P00014

EXHIBIT "
(Parking Plan)





NORTHWEST ELEVATION - BUILDING "C"
NOT TO SCALE

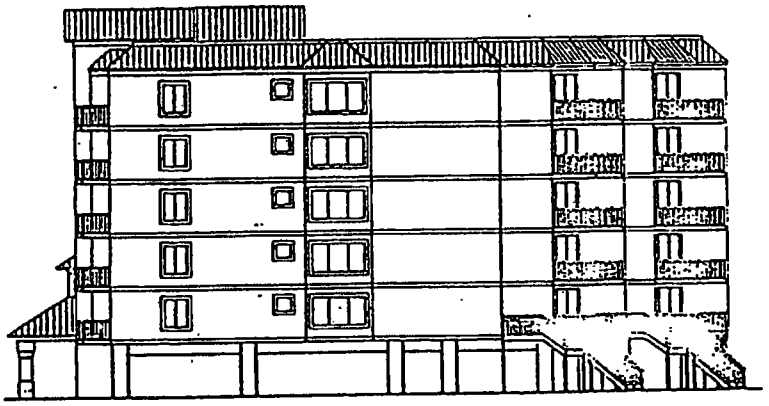


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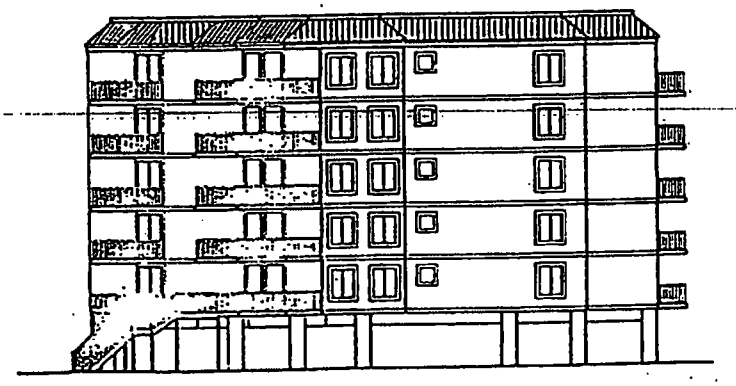
Exhibit "C" (Elevations)

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00013406 10/07/1998 B907 P142
EXHIBIT "C" 00000705 01/19/1999 BD0942 P00016
(Elevations)

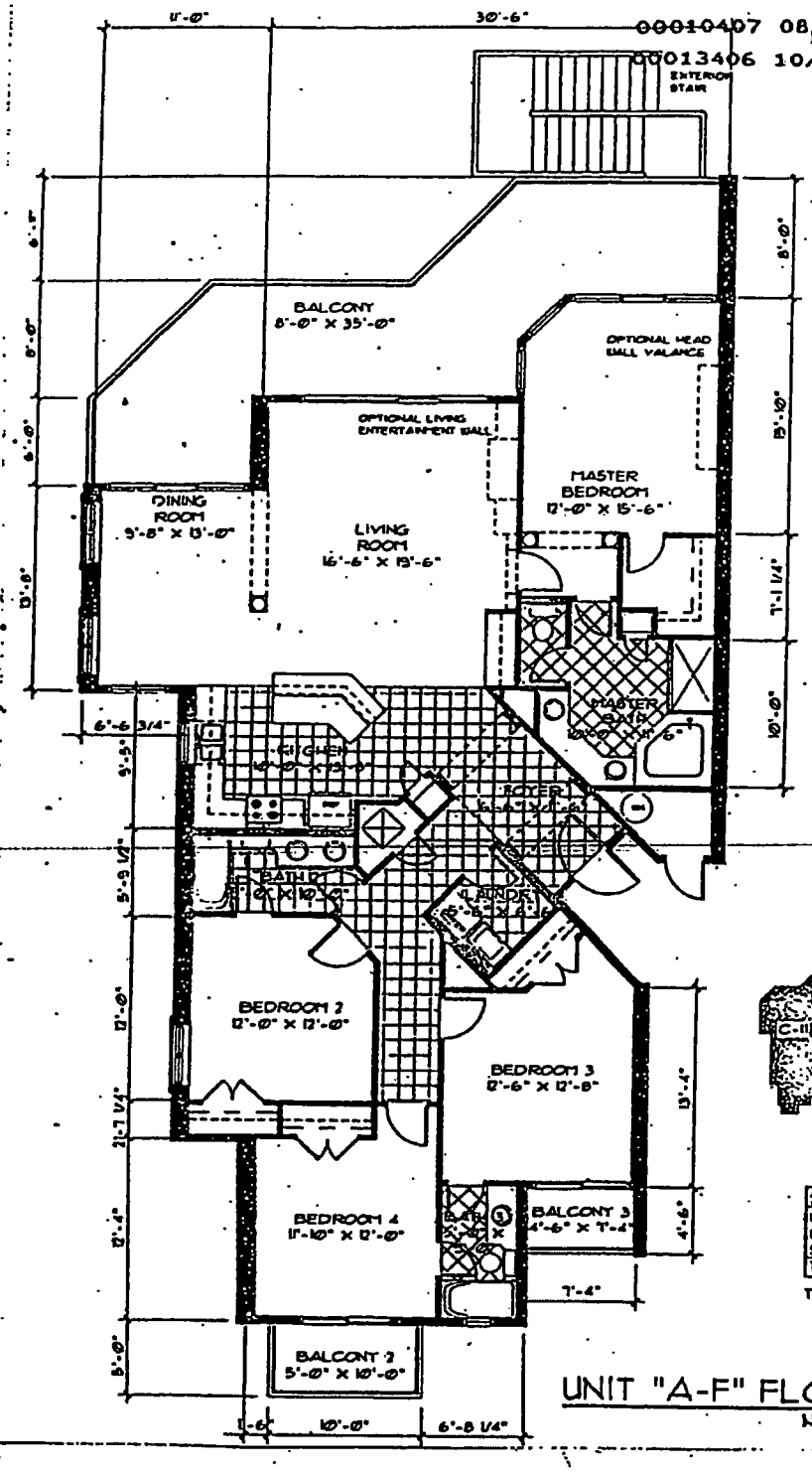


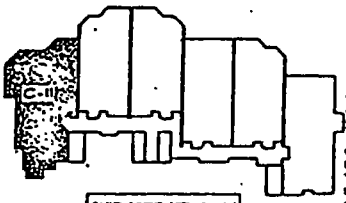
SOUTHWEST ELEVATION - BUILDING "C"
NOT TO SCALE



NORTHEAST ELEVATION - BUILDING "C"
NOT TO SCALE

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EXHIBIT "C"
00013406 10/(0[illegible]1998)B907 P143





BACKYARD KEYPLAN

SQUARE FOOTAGE	
HEATED	1983
BALCONY	466
STORAGE	32
TOTAL	2481

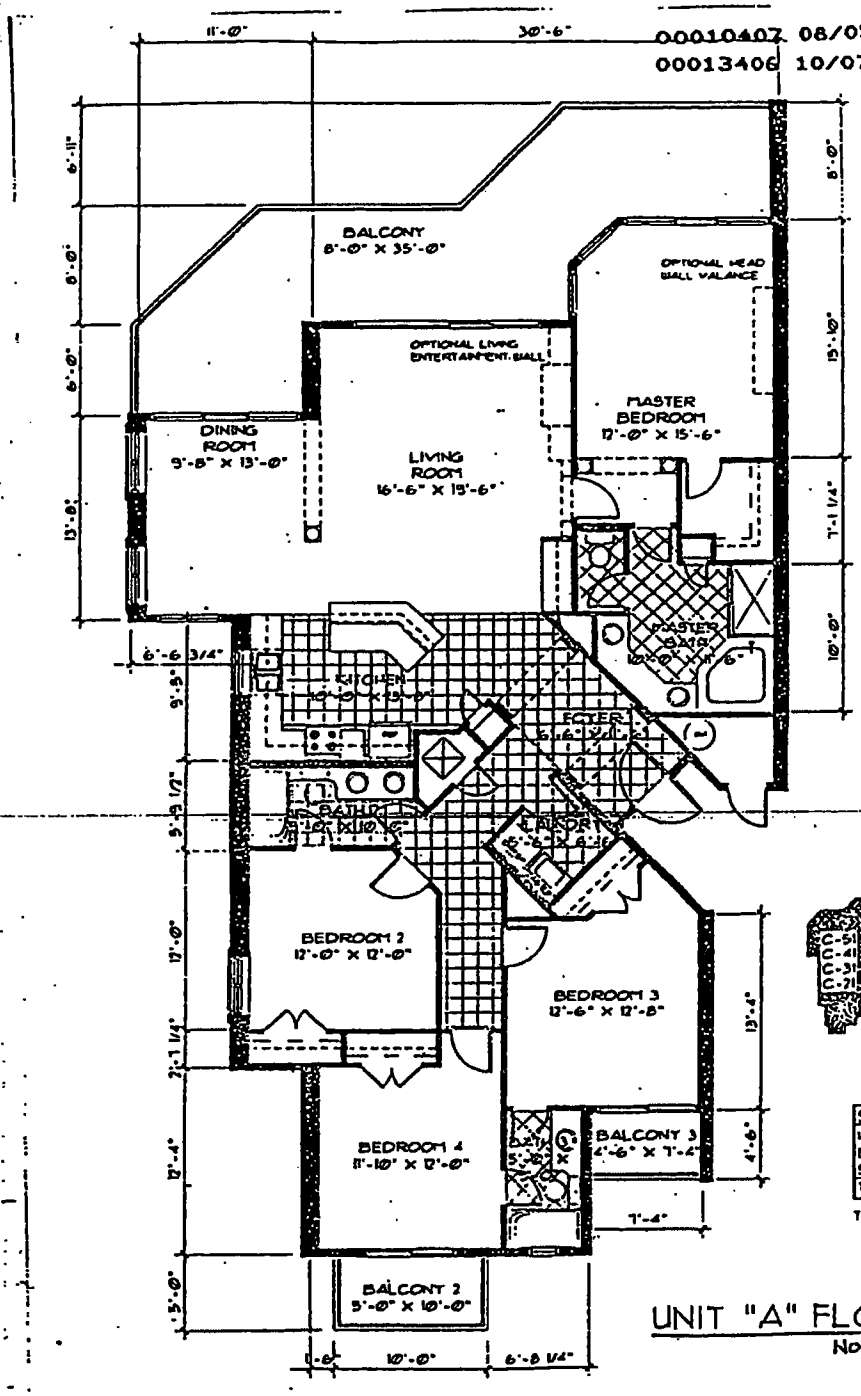
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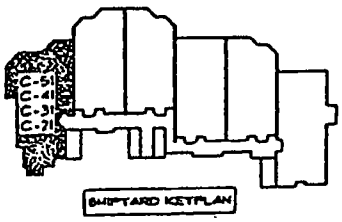
UNIT "A-F" FLOOR PLAN

NOT TO SCALE

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SQUARE FOOTAGE	
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BALCONY	466
STORAGE	32
TOTAL	2481

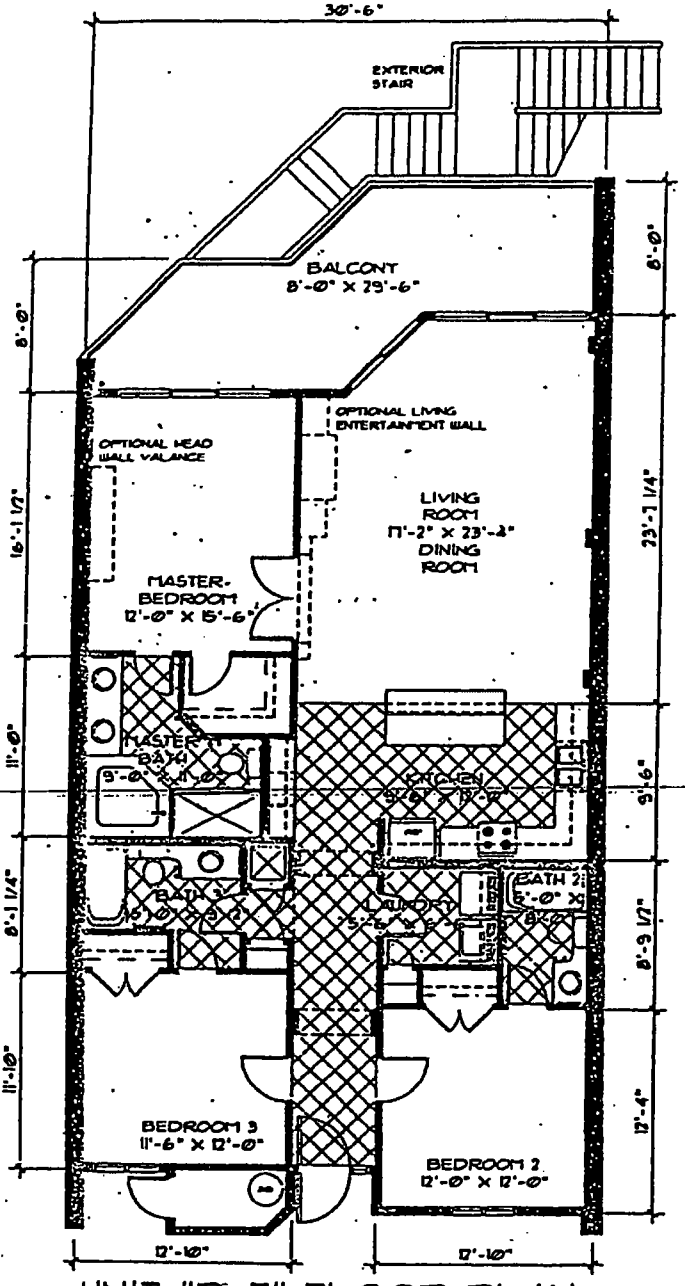
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UNIT "A" FLOOR PLAN

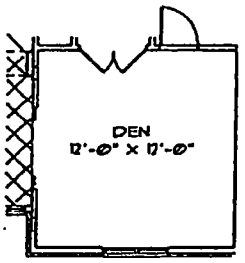
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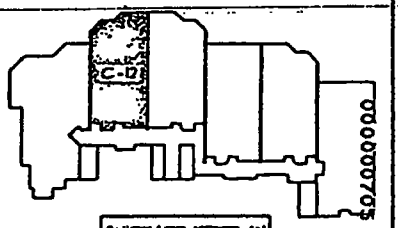
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UNIT "B-F" FLOOR PLAN
SCALE 1/8"=1'-0"



POCKET DOORS
OPTIONAL SCALE 1/8"=1'-0"

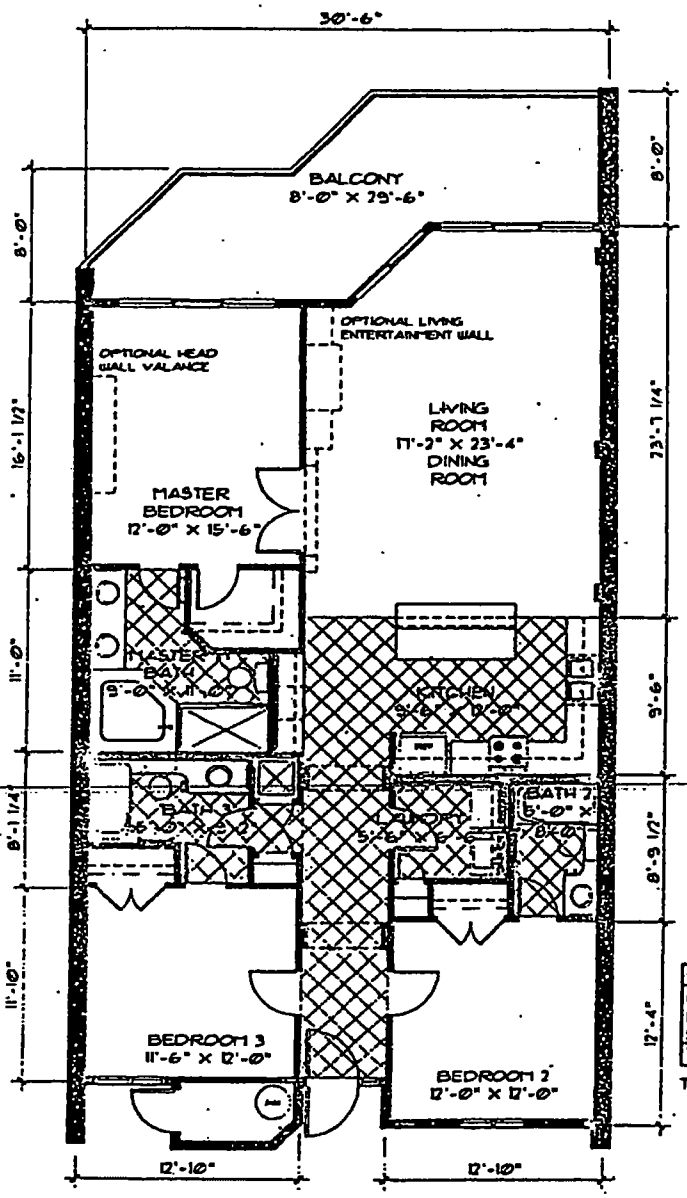


SQUARE FOOTAGE	
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BALCONY	235
STORAGE	30
TOTAL	1802

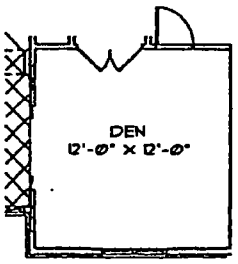
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00000705 01/19/1999 B0942 P00019

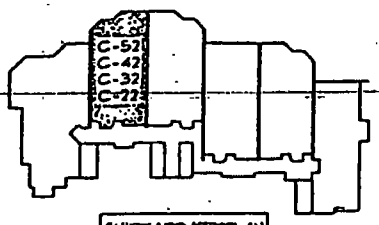
000000705 01/19/1999 BD0942 P00020
00010407 08/05/1998 B891 P17
00013406 10/07/1998 B907 P146



UNIT "B" FLOOR PLAN
SCALE 1/8"=1'-0"



POCKET DOORS
OPTIONAL SCALE 1/8"=1'-0"

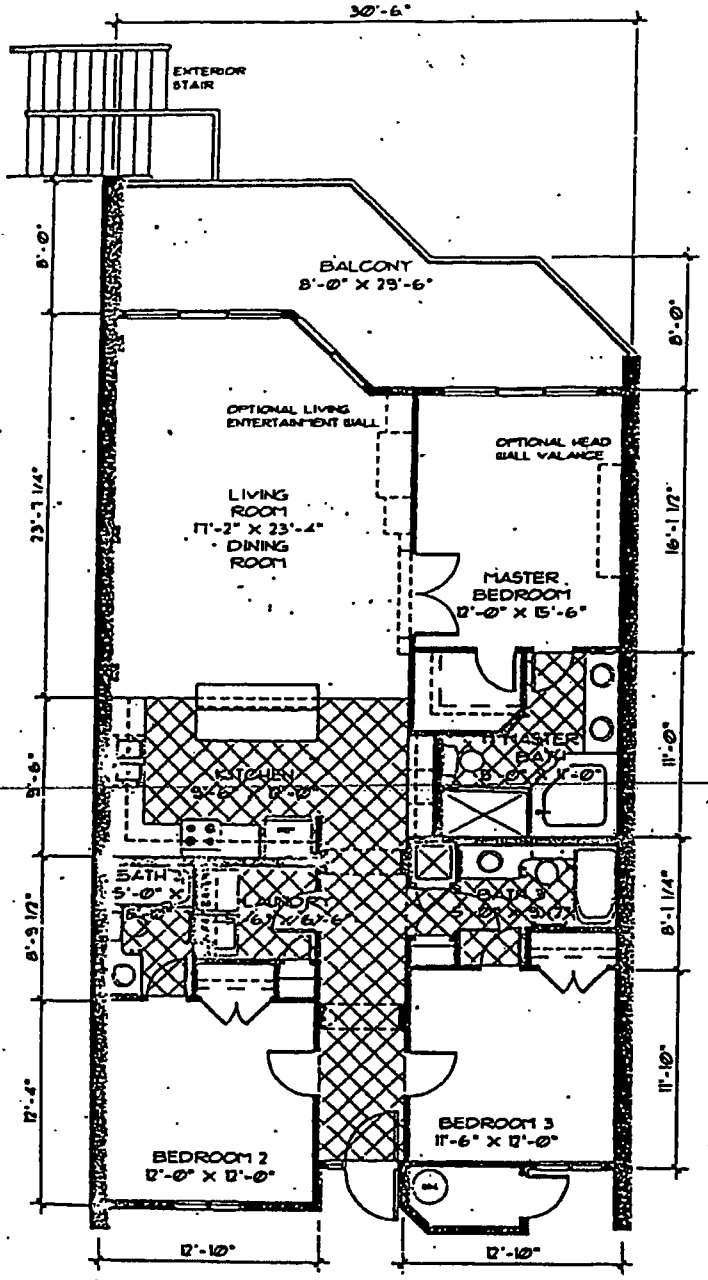


SHIPYARD KEYPLAN

SQUARE FOOTAGE	
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BALCONY	235
STORAGE	30
TOTAL	1802

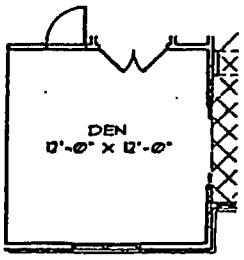
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00010407 08/05/1998 B891 P18
00013406 10/07/1998 B907 P147



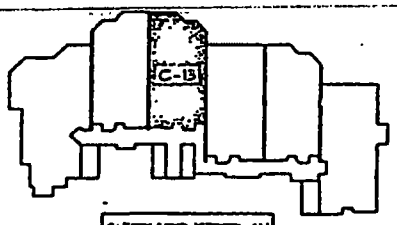
UNIT "B-F-OPP" FLOOR PLAN

SCALE 1/8"=1'-0"



POCKET DOORS

OPTIONAL SCALE 1/8"=1'-0"

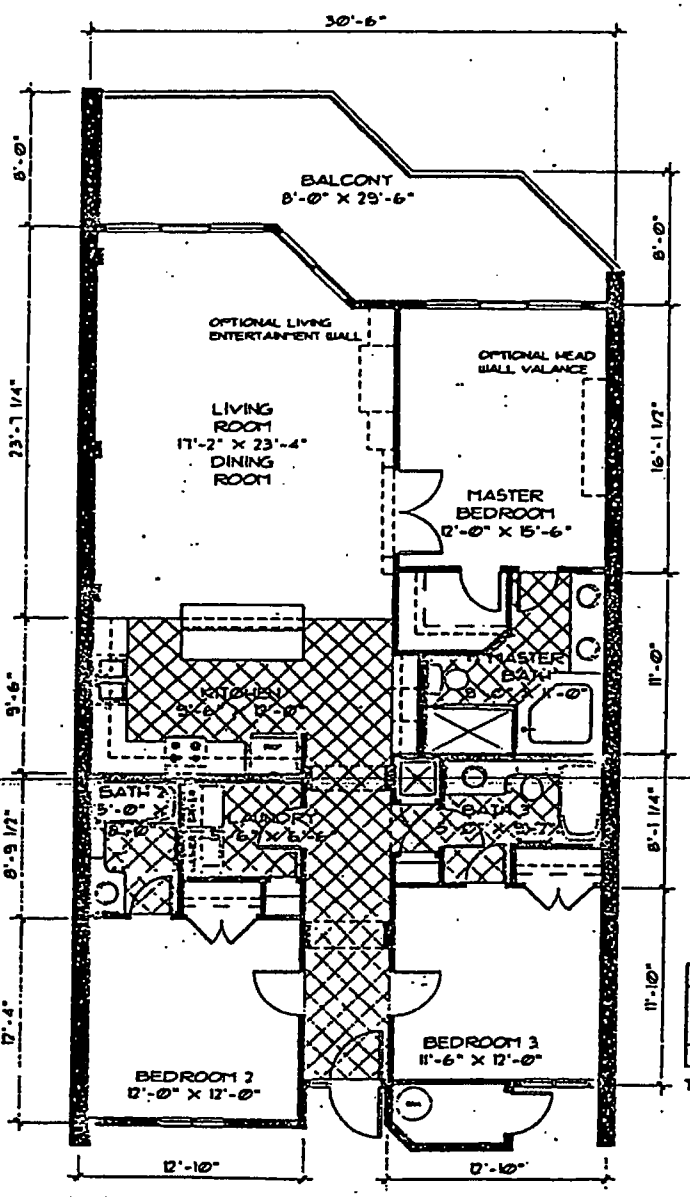


SHEETYARD KEYPLAN

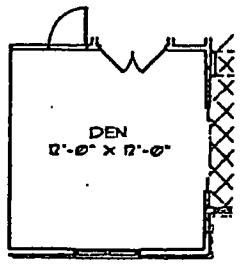
SQUARE FOOTAGE	
HEATED	1537
BALCONY	235
STORAGE	30
TOTAL	1802

THIS UNIT OCCURS AT LEVEL 1

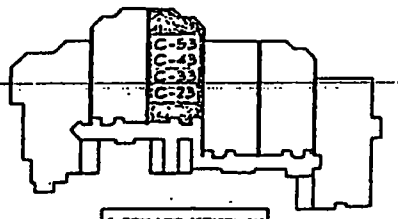
000000705 01/19/1999 BD0942 P00022
00010407 08/05/1998 B891 P19
00013406 10/07/1998 B907 P148



UNIT "B-OPP" FLOOR PLAN
SCALE 1/8"=1'-0"



POCKET DOORS
OPTIONAL SCALE 1/8"=1'-0"

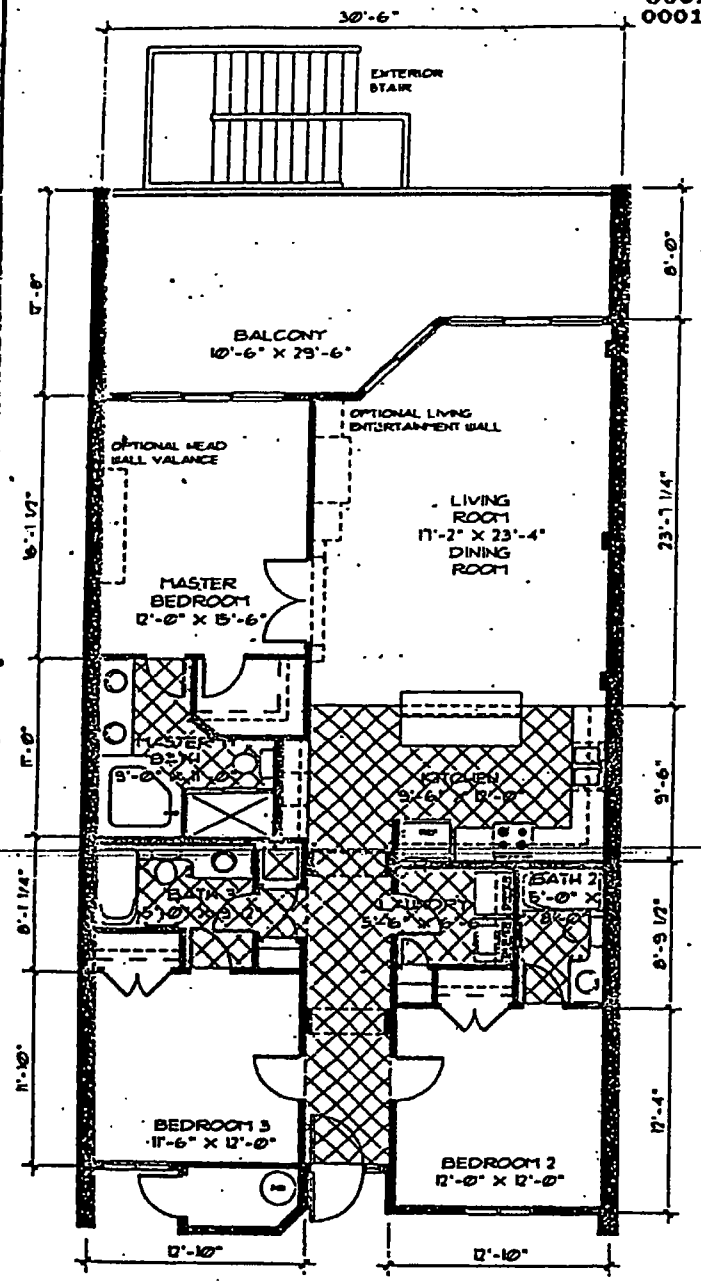


SHIPYARD KEYPLAN

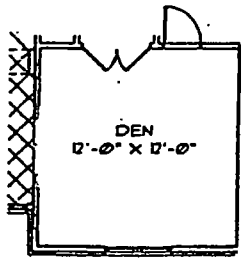
SQUARE FOOTAGE	
HEATED	1537
BALCONY	235
STORAGE	30
TOTAL	1802

THIS UNIT OCCURS AT LEVEL'S 2,3,4, & 5.

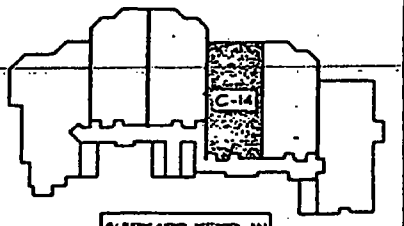
000000705 01/19/1999 BD0942 P00023
00010407 08/05/1998 B891 P20
00013406 10/07/1998 B907 P149



UNIT "C-F" FLOOR PLAN
SCALE 1/8"=1'-0"



POCKET DOORS
OPTIONAL SCALE 1/8"=1'-0"

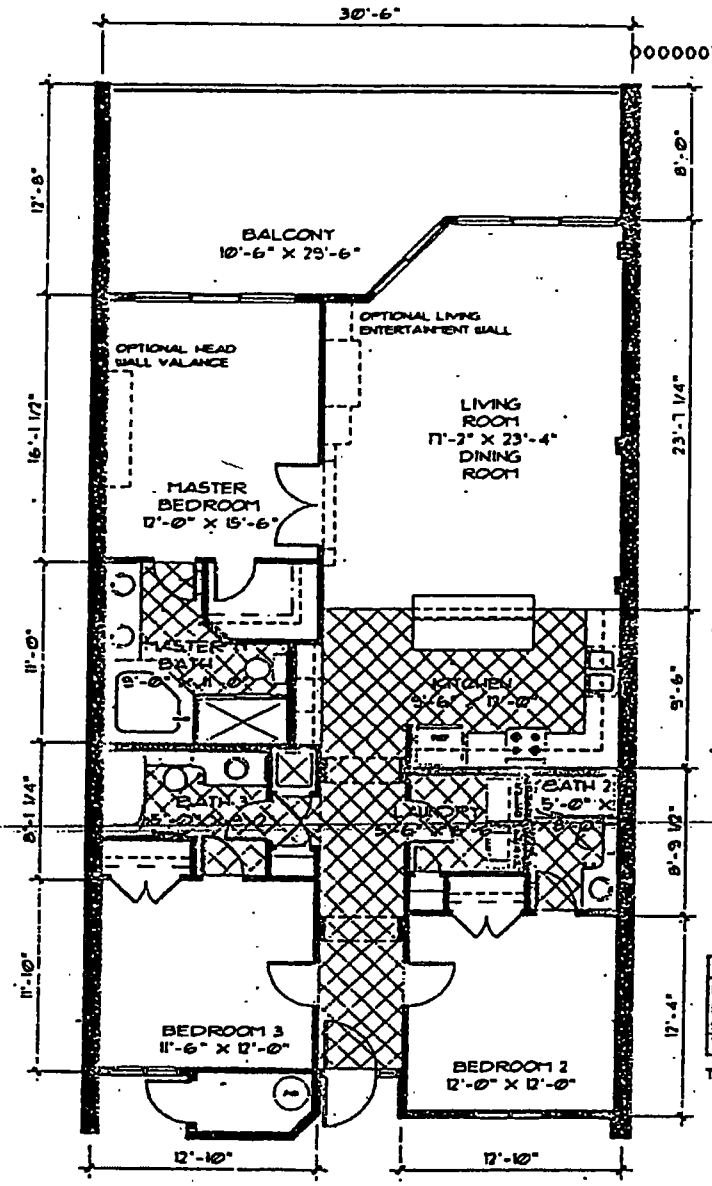


SHIPYARD KEYPLAN

SQUARE FOOTAGE	
HEATED	1537
BALCONY	309
STORAGE	30
TOTAL	1876

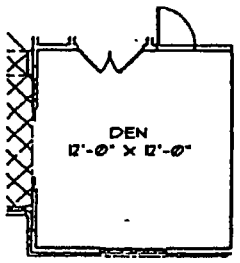
THIS UNIT OCCURS AT LEVEL 1

00010407 08/05/1998 B891 P21
00013406 10/07/1998 B907 P150
00000705 01/19/1999 BD0942 P00024



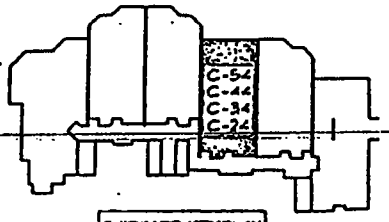
UNIT "C" FLOOR PLAN

SCALE. 1/8"=1'-0"



POCKET DOORS

OPTIONAL SCALE 1/8"=1'-0"



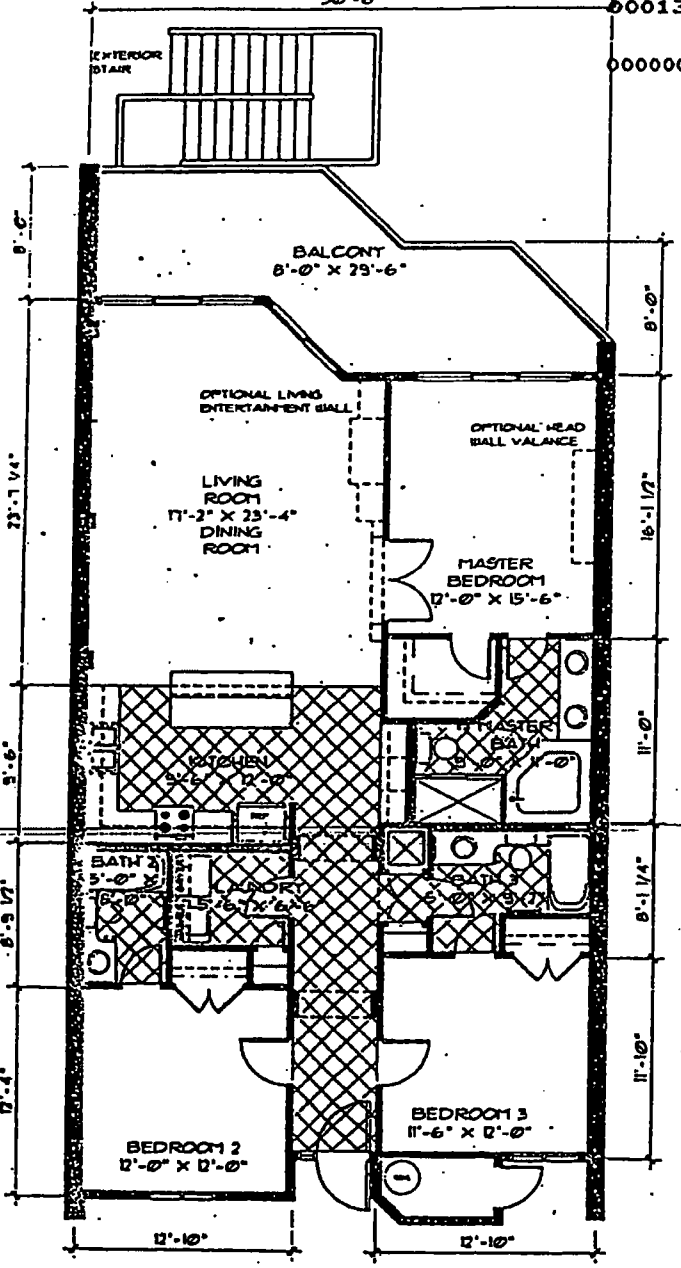
SHIPYARD KEYPLAN

SQUARE FOOTAGE	
HEATED	1537
BALCONY	309
STORAGE	30
TOTAL	1876

THIS UNIT OCCURS AT LEVELS 2,3,4, & 5.

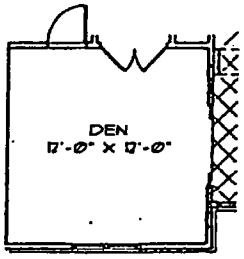
00010407 08/05/1998 B891 P22
00013406 10/07/1998 B907 P151

000000705 01/19/1999 BD0942 P00085



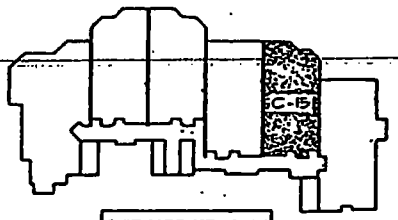
UNIT "B-F-OPP" FLOOR PLAN

SCALE: 1/8"=1'-0"



POCKET DOORS

OPTIONAL SCALE 1/8"=1'-0"



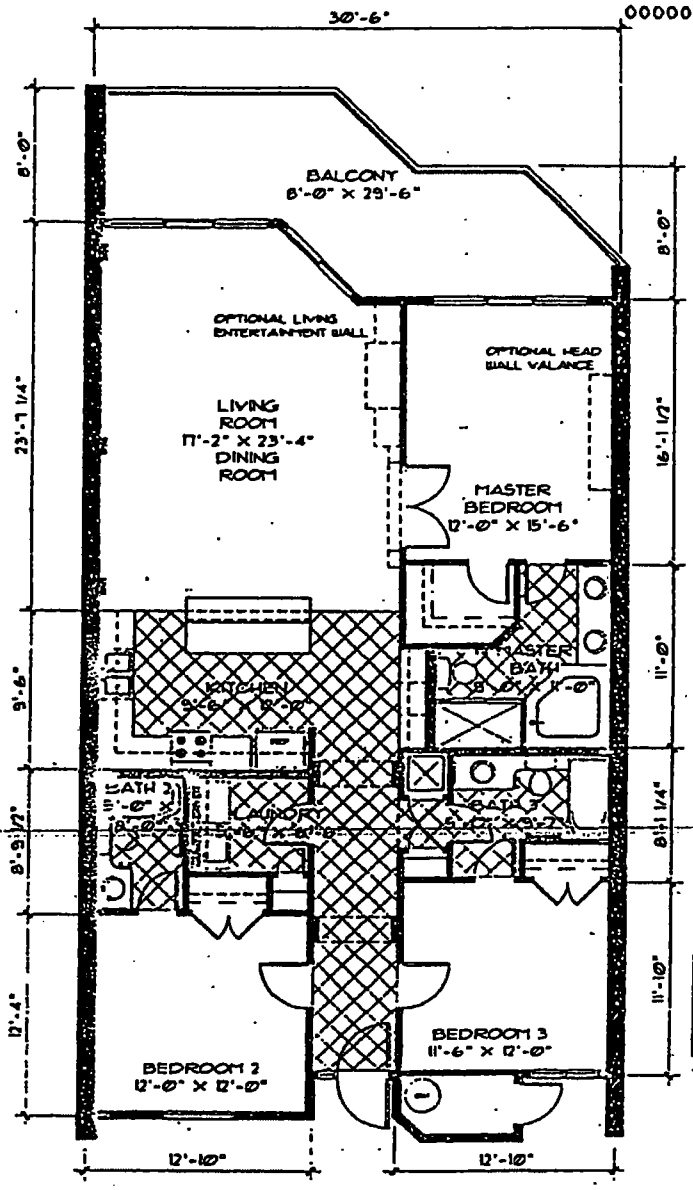
SHIPYARD KEYPLAN

SQUARE FOOTAGE	
HEATED	1537
BALCONY	235
STORAGE	30
TOTAL	1802

THIS UNIT OCCURS AT LEVEL 1

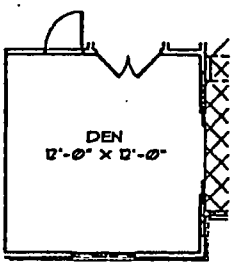
00010407 08/05/1998 B891 P23
00013406 10/07/1998 B907 P152

000000705 01/19/1999 BD0942 P00026



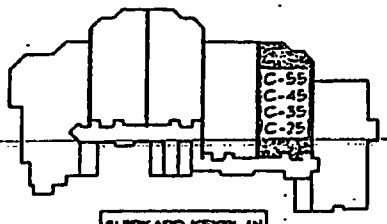
UNIT "B-OPP" FLOOR PLAN

SCALE 1/8"=1'-0"



POCKET DOORS

OPTIONAL SCALE 1/8"=1'-0"



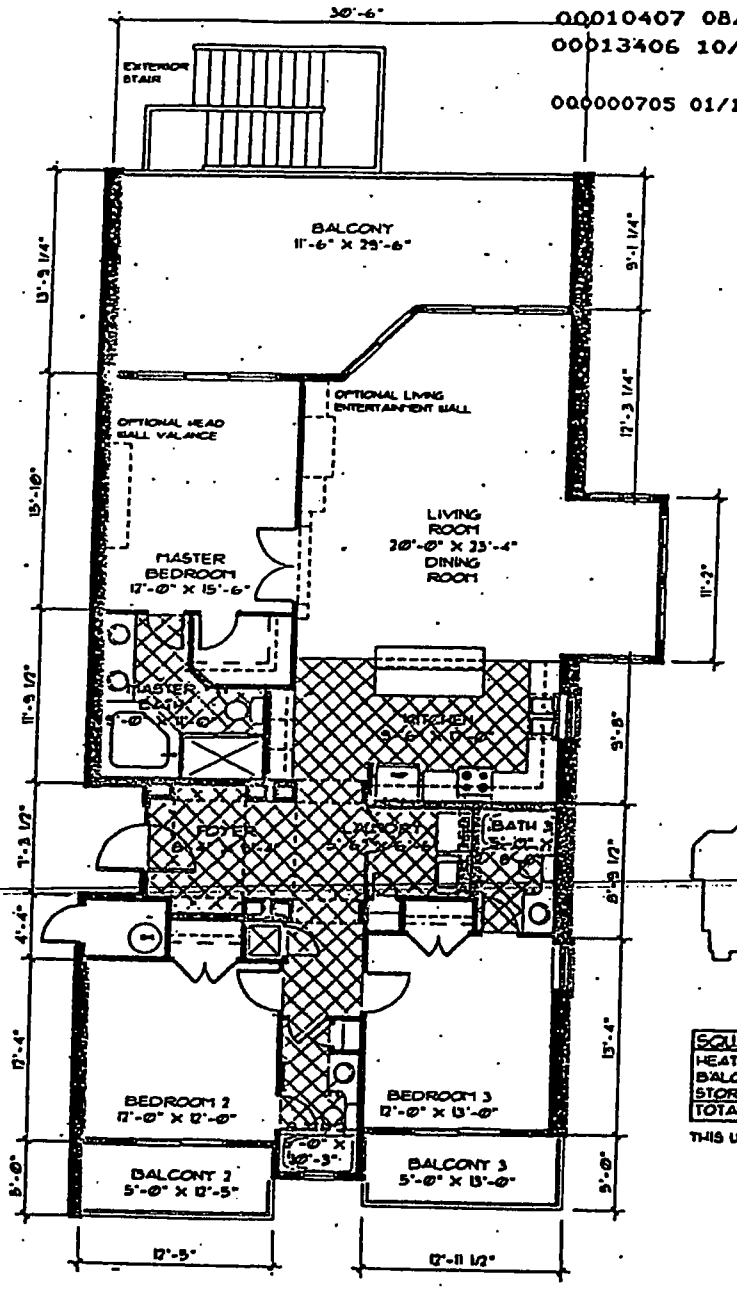
SHIPYARD KEYPLAN

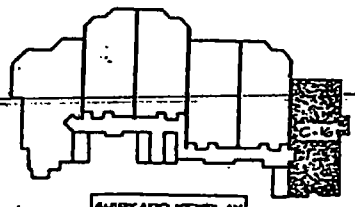
SQUARE FOOTAGE	
HEATED	1537
BALCONY	235
STORAGE	30
TOTAL	1802

THIS UNIT OCCURS AT LEVELS 2,3,4, & 5.

00010407 08/05/1998 B891 P24
00013406 10/07/1998 B907 P153

000000705 01/19/1999 BD0942 P00027





COURTYARD KEYPLAN

SQUARE FOOTAGE	
HEATED	1692
BALCONY	467
STORAGE	26
TOTAL	2185

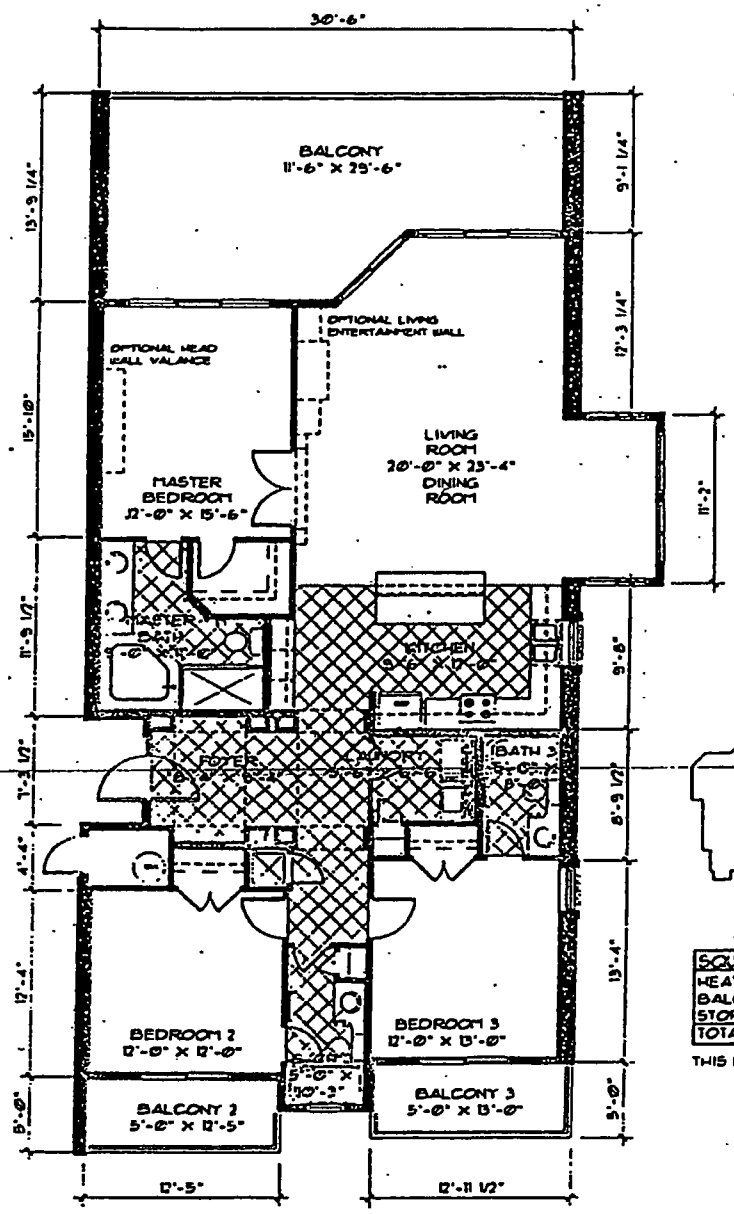
THIS UNIT OCCURS AT LEVEL 1

UNIT "D-F" FLOOR PLAN

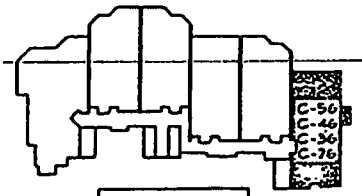
NOT TO SCALE

00010407 08/05/1998 B891 P25
00013406 10/07/1998 B907 P154

000000705 01/19/1999 BD0942 P00028



UNIT "D" FLOOR PLAN
NOT TO SCALE



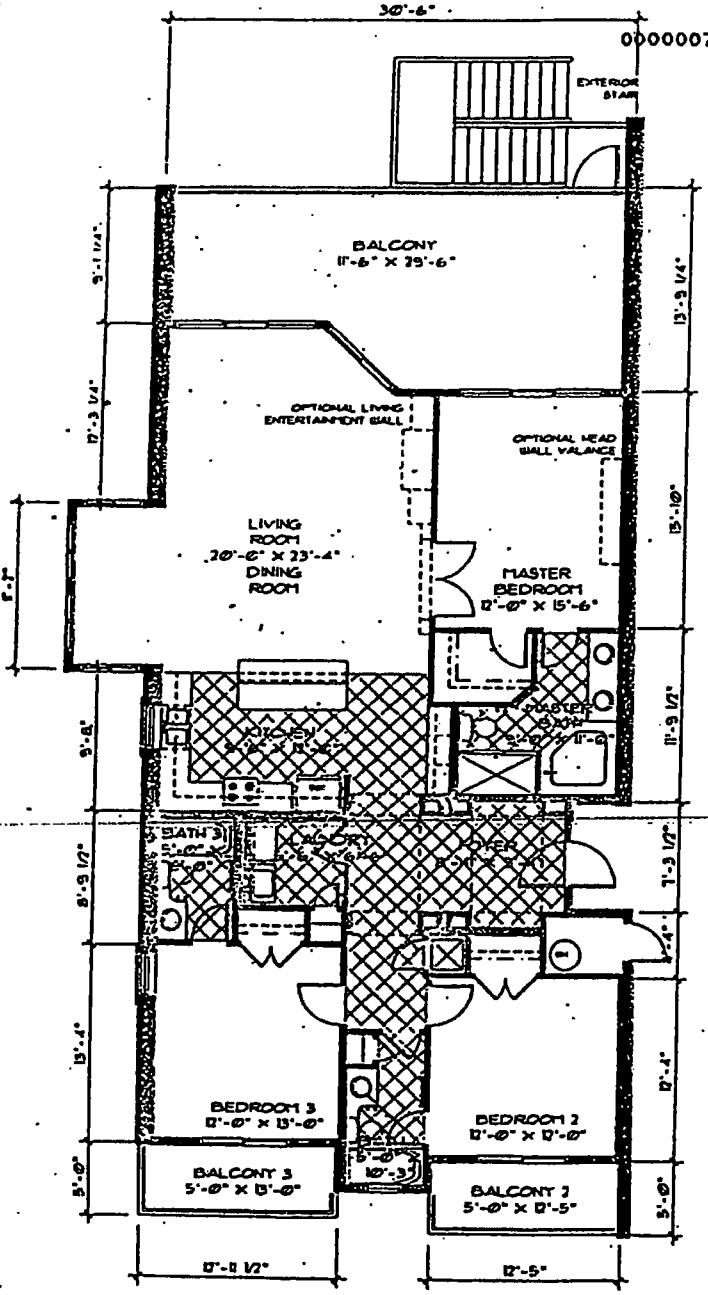
SHEPPARD KEYPLAN

SQUARE FOOTAGE	
HEATED	1652
BALCONY	467
STORAGE	26
TOTAL	2145

THIS UNIT OCCURS AT LEVELS 2,3,4, & 5.

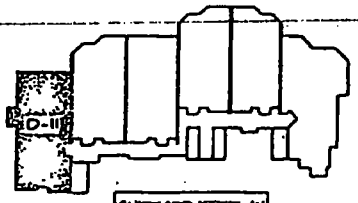
00010407 08/05/1998 B891 P26
00013406 10/07/1998 B907 P155

000000705 01/19/1999 BD0942 P00029



UNIT "A-F" FLOOR PLAN

NOT TO SCALE



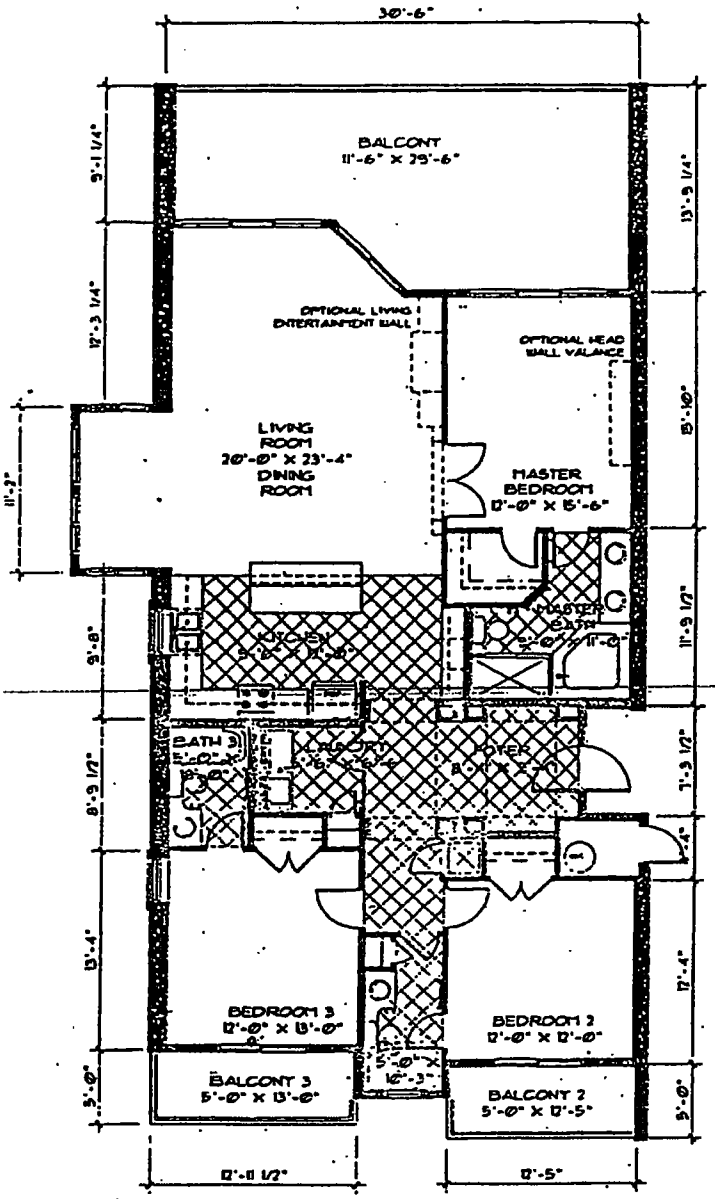
BARTYARD KEYPLAN

SQUARE FOOTAGE	
HEATED	1652
BALCONY	467
STORAGE	26
TOTAL	2145

THIS UNIT OCCURS AT LEVEL I

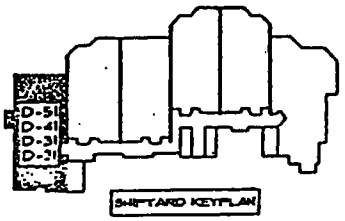
00010407 08/05/1998 B891 P27
00013406 10/07/1998 B907 P156

000000705 01/19/1999 BD0942 P00030



UNIT "A" FLOOR PLAN

NOT TO SCALE

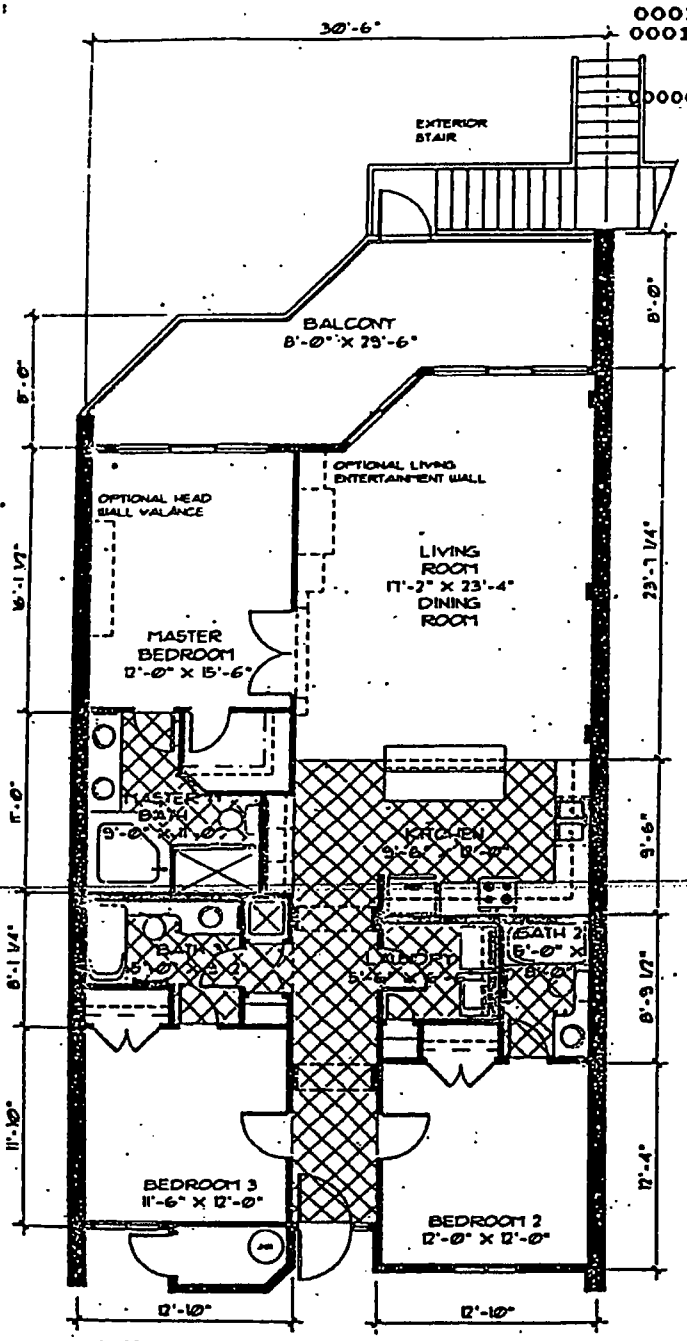


SQUARE FOOTAGE	
HEATED	1652
BALCONY	467
STORAGE	26
TOTAL	2145

THIS UNIT OCCURS AT LEVELS 2,3,4, & 5.

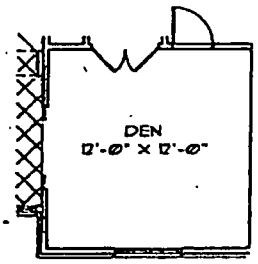
00010407 08/05/1998 B891 P28
00013406 10/07/1998 B907 P157

00000705 01/19/1999 BD0942 P00031



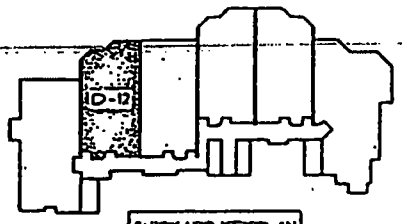
UNIT "B-F" FLOOR PLAN

SCALE 1/8"=1'-0"



POCKET DOORS

OPTIONAL SCALE 1/8"=1'-0"

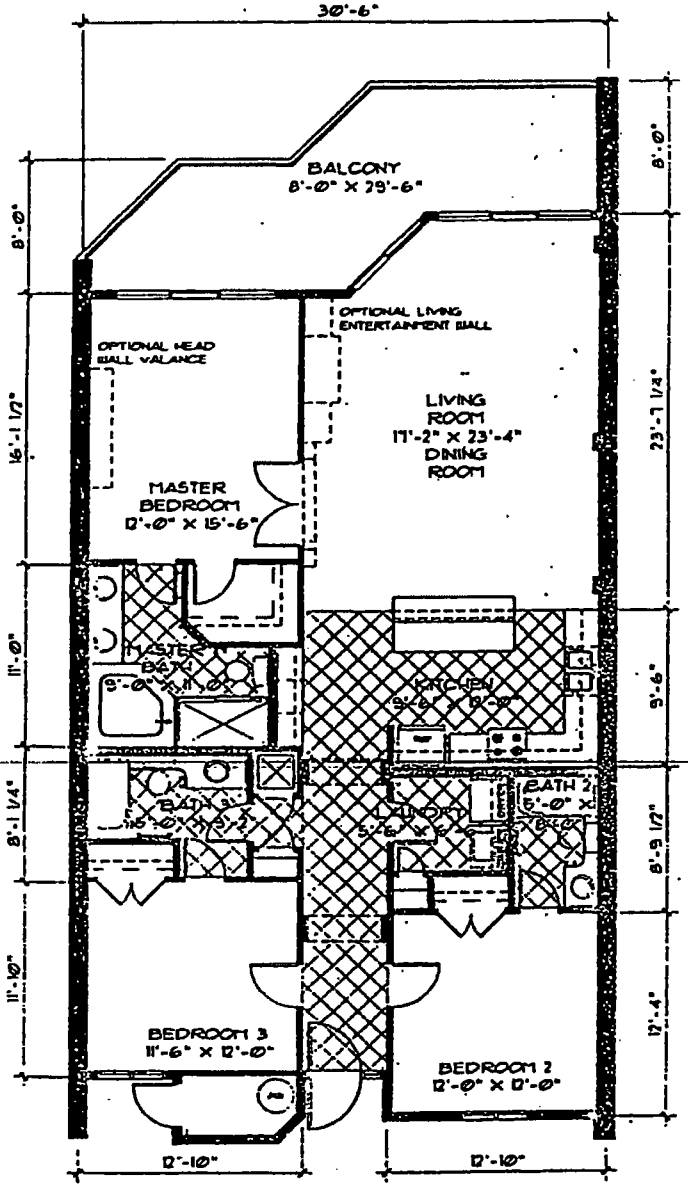


SHIPYARD KEYPLAN

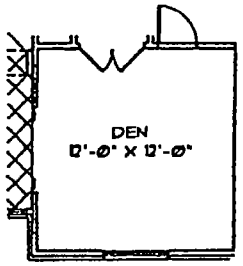
SQUARE FOOTAGE	
HEATED	1537
BALCONY	235
STORAGE	30
TOTAL	1807

THIS UNIT OCCURS AT LEVEL 1.

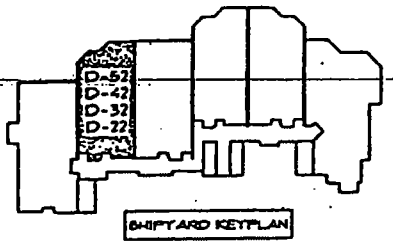
000000705 01/19/1999 BD0942 P00032
00010407 08/05/1998 B891 P29
00013406 10/07/1998 B907 P158



UNIT "B" FLOOR PLAN
SCALE 1/8"=1'-0"



POCKET DOORS
OPTIONAL SCALE 1/8"=1'-0"

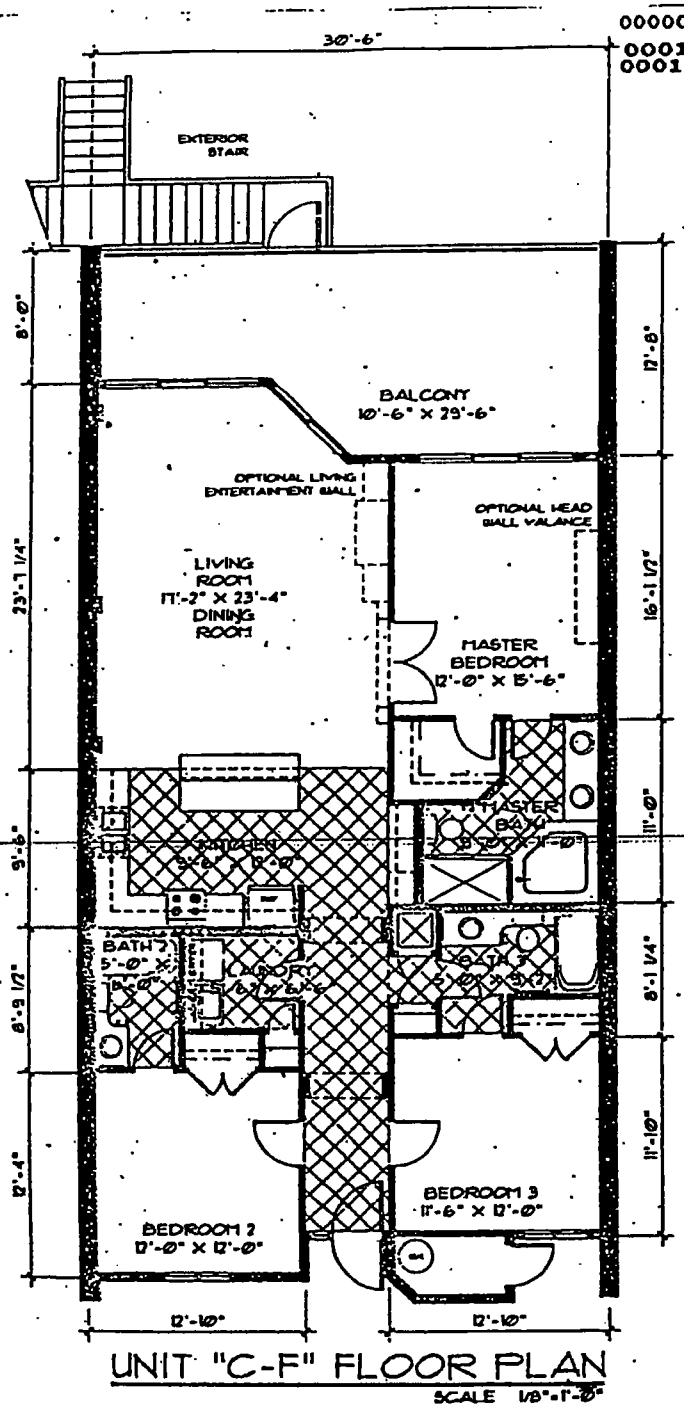


SHIFTARD KEYPLAN

SQUARE FOOTAGE	
HEATED	1537
BALCONY	235
STORAGE	30
TOTAL	1802

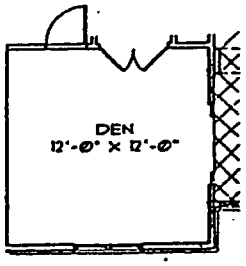
THIS UNIT OCCURS AT LEVELS 2,3,4, & 5.

000000705 01/19/1999 BD0942 P00033
00010407 08/05/1998 B891 P30
00013406 10/07/1998 B907 P159



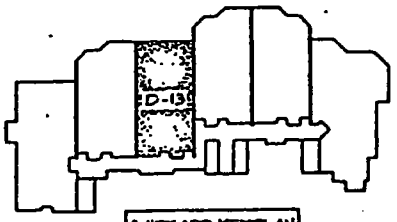
UNIT "C-F" FLOOR PLAN

SCALE 1/8"=1'-0"



POCKET DOORS

OPTIONAL SCALE 1/8"=1'-0"

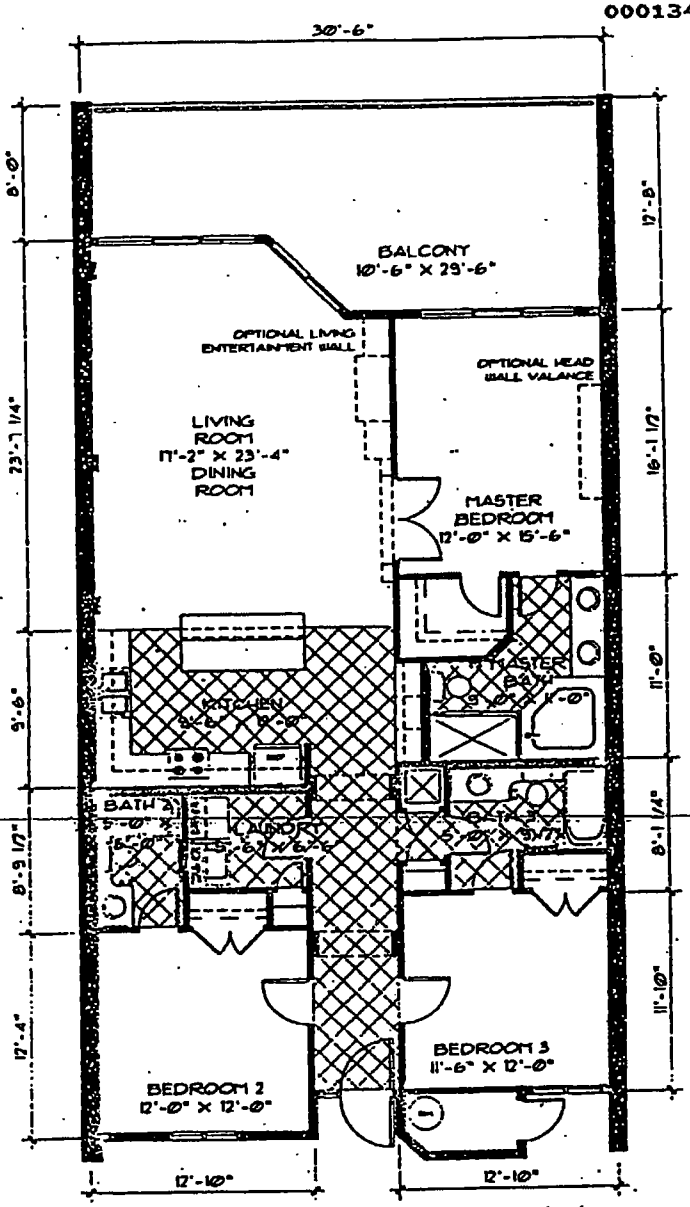


SHIPYARD KEYPLAN

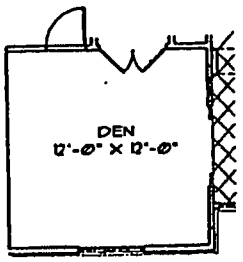
SQUARE FOOTAGE	
HEATED	1537
BALCONY	309
STORAGE	30
TOTAL	1876

THIS UNIT OCCURS AT LEVEL 1

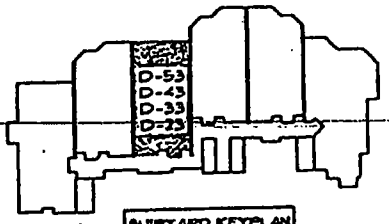
000000705 01/19/1999 RD0942 P00034
00010407 08/05/1998 B891 P31
00013406 10/07/1998 B907 P160



UNIT "C" FLOOR PLAN
SCALE 1/8"=1'-0"



POCKET DOORS
OPTIONAL SCALE 1/8"=1'-0"

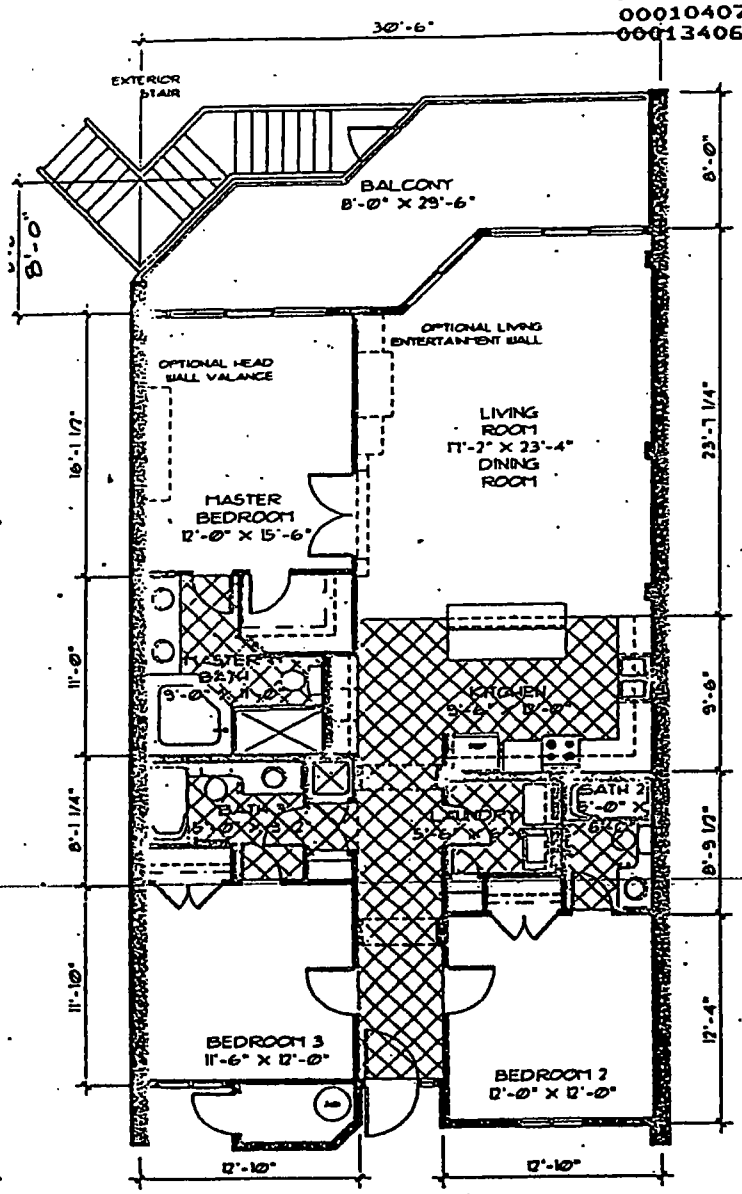


SHIPYARD KEYPLAN

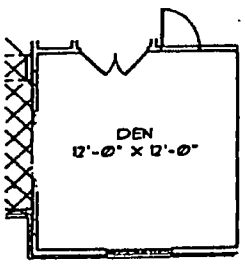
SQUARE FOOTAGE	
HEATED	1537
BALCONY	309
STORAGE	30
TOTAL	1876

THIS UNIT OCCURS AT LEVELS 2,3,4, & 5.

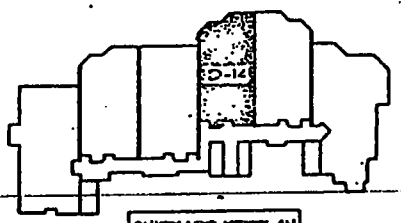
000000705 01/19/1999 BD0942 P00035
00010407 08/05/1998 B891 P32
00013406 10/07/1998 B907 P161



UNIT "B-F" FLOOR PLAN
SCALE 1/8"=1'-0"



POCKET DOORS
OPTIONAL SCALE 1/8"=1'-

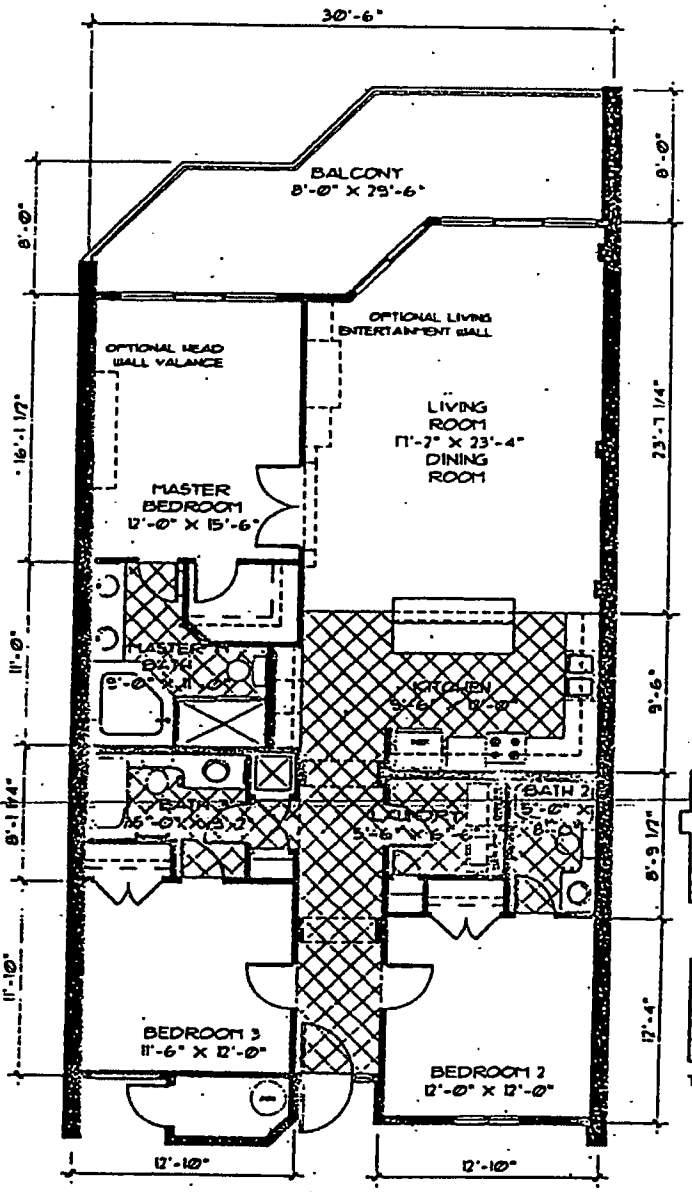


SHIPYARD KEYPLAN

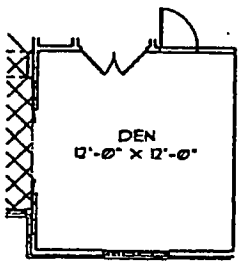
SQUARE FOOTAGE	
HEATED	1537
BALCONY	235
STORAGE	30
TOTAL	1802

THIS UNIT OCCURS AT LEVEL L

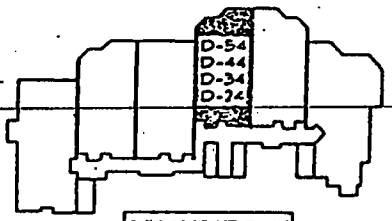
000000705 01/19/1999 BD0942 P00036
00010407 08/05/1998 B891 P33
00013406 10/07/1998 B907 P162



UNIT "B" FLOOR PLAN
SCALE 1/8"=1'-0"



POCKET DOORS
OPTIONAL SCALE 1/8"=1'-0"

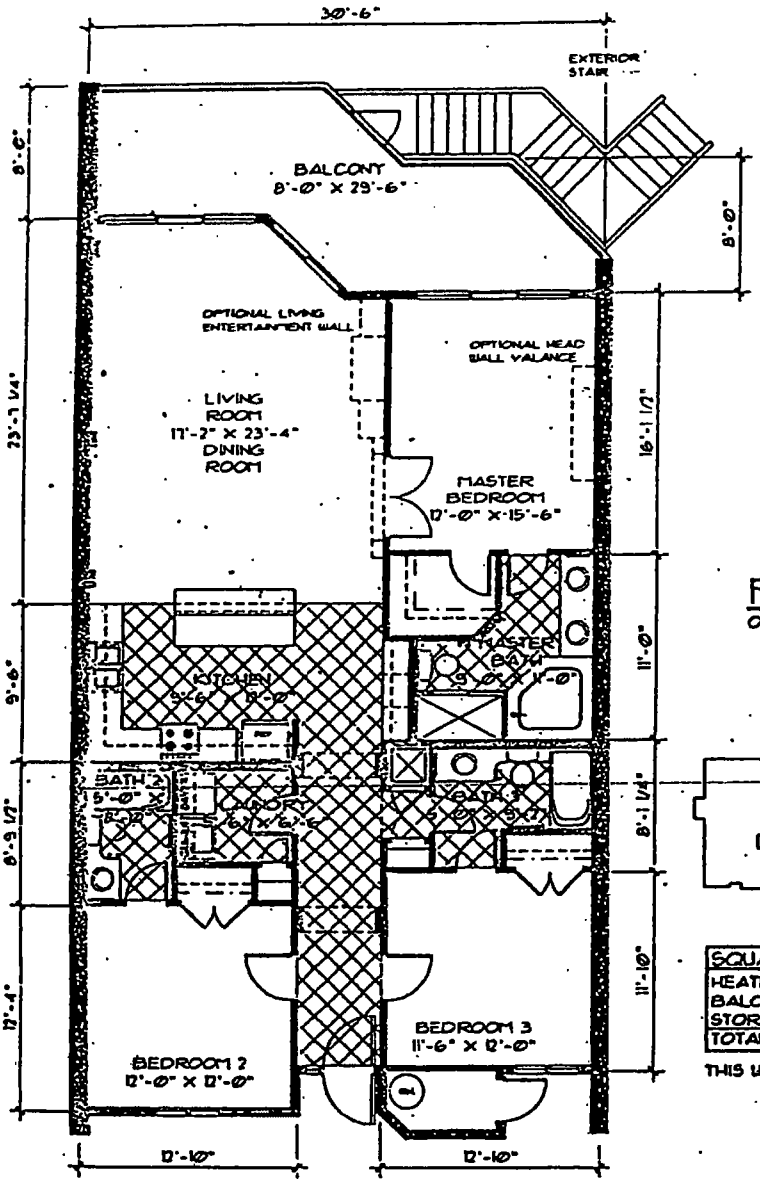


SHIPYARD KEYPLAN

SQUARE FOOTAGE	
HEATED	1537
BALCONY	235
STORAGE	30
TOTAL	1802

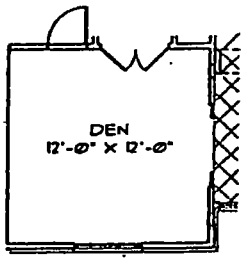
THIS UNIT OCCURS AT LEVELS 2,3,4, & 5.

000000705 01/19/1999 BD0942 P00037
00010407 08/05/1998 B891 P34
00013406 10/07/1998 B907 P163



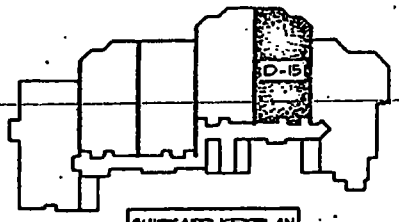
UNIT "B-F-OPP" FLOOR PLAN

SCALE 1/8"=1'-0"



POCKET DOORS

OPTIONAL SCALE 1/8"=1'-0"

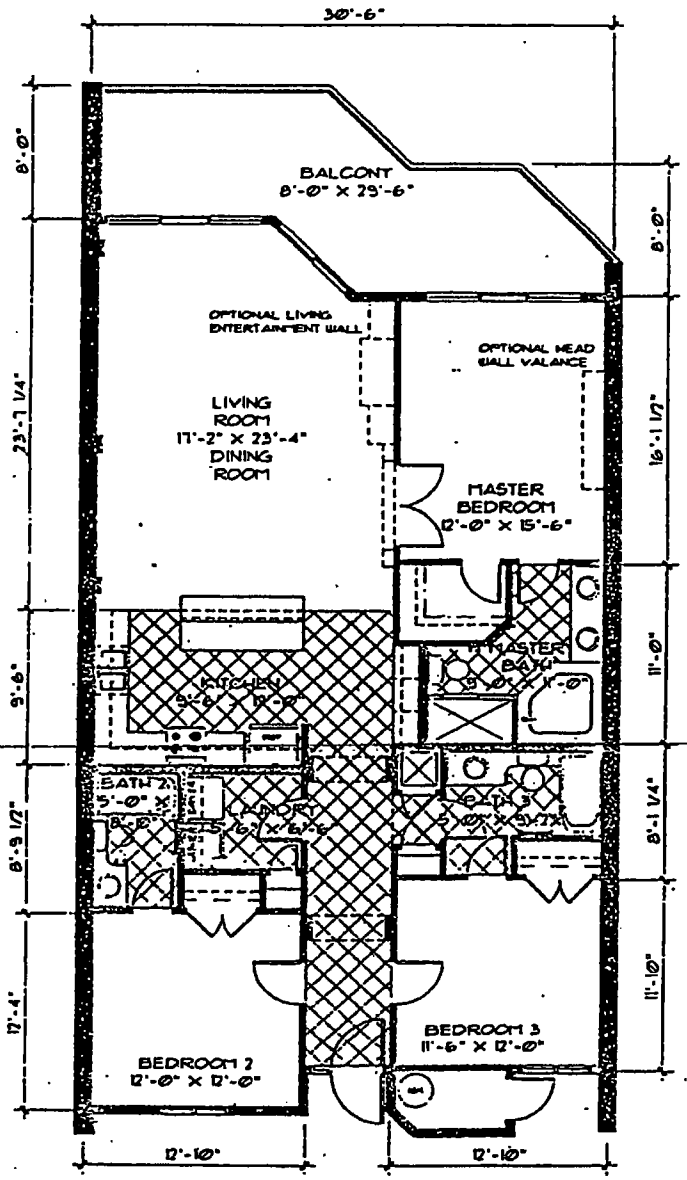


SHIPYARD KEYPLAN

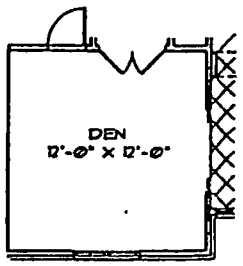
SQUARE FOOTAGE	
HEATED	1537
BALCONY	235
STORAGE	30
TOTAL	1802

THIS UNIT OCCURS AT LEVEL 1

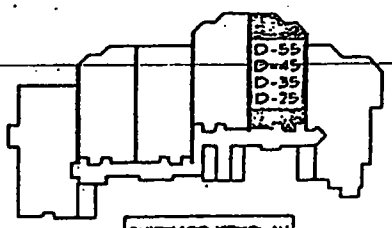
000000705 01/19/1999 BD0942 P00038
00010407 08/05/1998 B891 P35
00013406 10/07/1998 B907 P164



UNIT "B-OPP" FLOOR PLAN
SCALE 1/8"=1'-0"



POCKET DOORS
OPTIONAL SCALE 1/8"=1'-0"

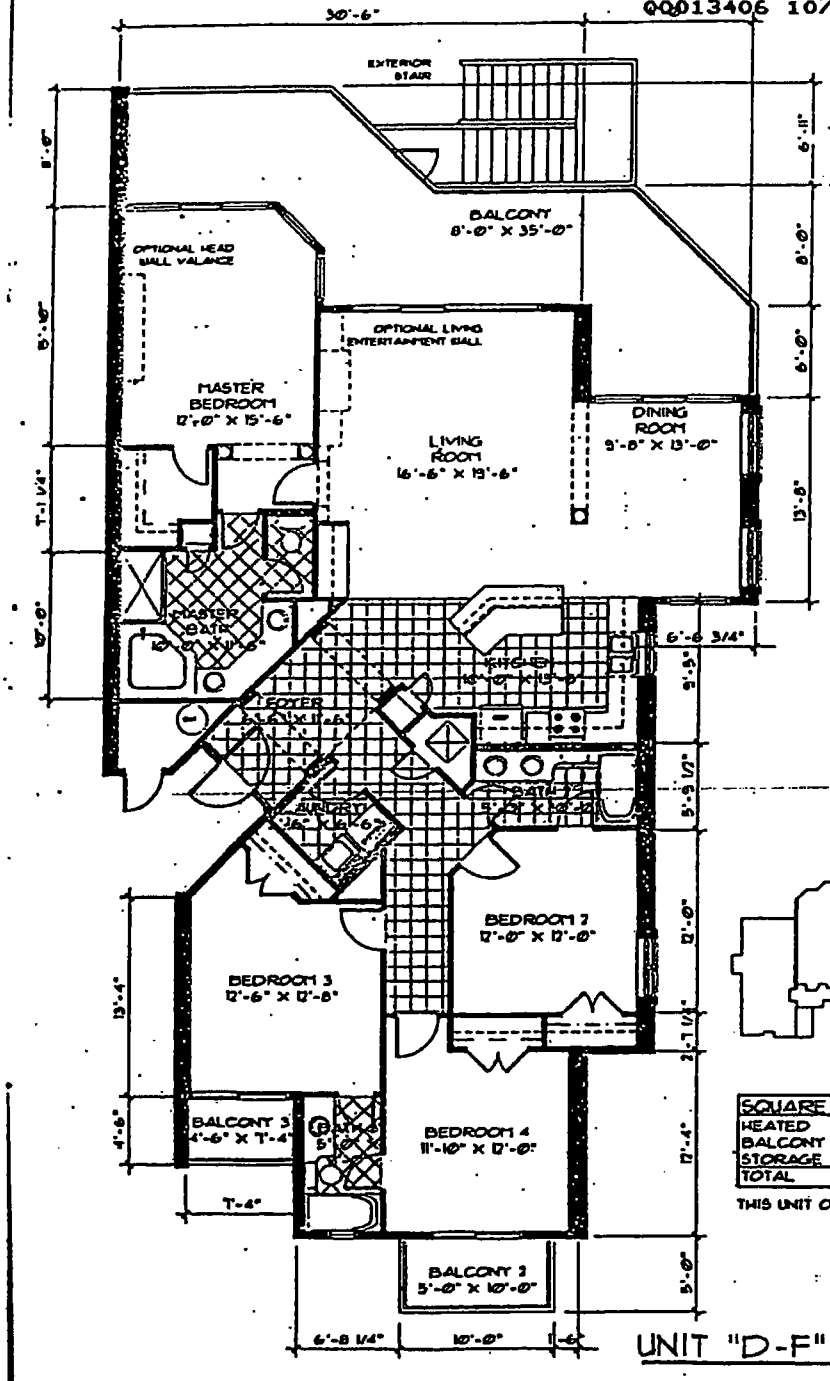


SHIPYARD KEYPLAN

SQUARE FOOTAGE	
HEATED	1537
BALCONY	235
STORAGE	30
TOTAL	1802

THIS UNIT OCCURS AT LEVELS 2,3,4, & 5.

000000705 01/19/1999 BD0942 P00039
00010407 08/05/1998 B891 P36
QQ013406 10/07/1998 B907 P165



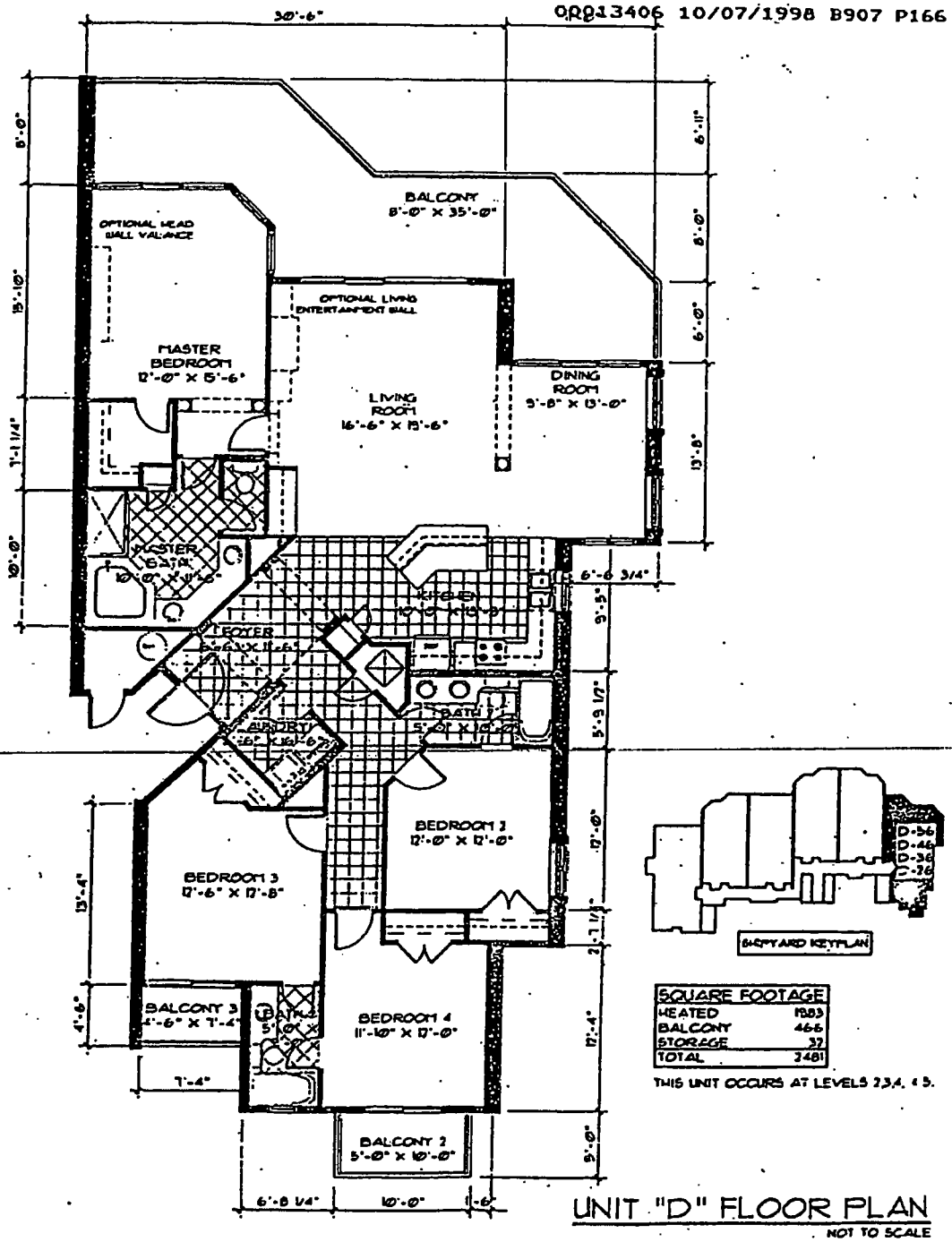
SQUARE FOOTAGE	
HEATED	1983
BALCONY	466
STORAGE	32
TOTAL	2481

THIS UNIT OCCURS AT LEVEL 1

UNIT "D-F" FLOOR PLAN

NOT TO SCALE

000000705 01/19/1999 BD0942 P00040
00010407 08/05/1998 B891 P37
OR813406 10/07/1998 B907 P166



SQUARE FOOTAGE	
HEATED	1883
BALCONY	466
STORAGE	32
TOTAL	2481

THIS UNIT OCCURS AT LEVELS 2,3,4, & 5.

UNIT "D" FLOOR PLAN

NOT TO SCALE

000000705 01/19/1999 BD0942 P00041
00010407 08/05/1998 B891 P38
00013406 10/07/1998 B907 P167

EXHIBIT "D"

Pursuant to Section 27-31-110 of the Code of Laws of South Carolina, 1976 amended, I hereby state that to the best of my knowledge the unit plans described in Exhibit "C" of the First Amendment to the Master Deed of the Shipyard Village Horizontal Property Regime, as being those plans consisting of 24 pages and that the Phase II building with the units located therein shown in the unit plans is the same as constructed on the property.

Jenkins Hancock and Sides
Architecture, Interiors, Engineering Inc.

By: _____
Edwin Hancock
Vice President

00010407 08/05/1998 B891 P39
00013406 10/07/1998 B907 P168
000000705 01/19/1999 BD0942 P00042

EXHIBIT E
(Percentage Interests)

SCHEDULE OF STATED VALUES AND PERCENTAGE INTERESTS

Unit Number	Unit Type	Assigned Value for Purposes of Horizontal Property Act	Percentage Interest
A-11	G	80,000	.87671%
A-12	G	80,000	.87671%
A-13	G	80,000	.87671%
A-14	G	80,000	.87671%
A-15	G	80,000	.87671%
A-16	G	80,000	.87671%
A-17	G	80,000	.87671%
A-18	G	80,000	.87671%
A-21	G	80,000	.87671%
A-22	G	80,000	.87671%
A-23	G	80,000	.87671%
A-24	G	80,000	.87671%
A-25	G	80,000	.87671%
A-26	G	80,000	.87671%
A-27	G	80,000	.87671%
A-28	G	80,000	.87671%
A-31	G	80,000	.87671%
A-32	G	80,000	.87671%
A-33	G	80,000	.87671%
A-34	G	80,000	.87671%
A-35	G	80,000	.87671%
A-36	G	80,000	.87671%
A-37	G	80,000	.87671%
A-38	G	80,000	.87671%
A-41	G	80,000	.87671%
A-42	G	80,000	.87671%
A-43	G	80,000	.87671%
A-44	G	80,000	.87671%
A-45	G	80,000	.87671%
A-46	G	80,000	.87671%
A-47	G	80,000	.87671%
A-48	G	80,000	.87671%
A-51	G	80,000	.87671%
A-52	G	80,000	.87671%
A-53	G	80,000	.87671%

(i)

00010407 08/05/1998 B891 P40
00013406 10/07/1998 B907 P169
000000705 01/19/1999 BD0942 P00043

Unit Number	Unit Type	Assigned Value for Purposes of Horizontal Property Act	Percentage Interest
A-54	G	80,000	.87671%
A-55	G	80,000	.87671%
A-56	G	80,000	.87671%
A-57	G	80,000	.87671%
A-58	G	80,000	.87671%
B-11	G	80,000	.87671%
B-12	G	80,000	.87671%
B-13	G	80,000	.87671%
B-14	G	80,000	.87671%
B-15	G	80,000	.87671%
B-16	G	80,000	.87671%
B-17	G	80,000	.87671%
B-18	G	80,000	.87671%
B-21	G	80,000	.87671%
B-22	G	80,000	.87671%
B-23	G	80,000	.87671%
B-24	G	80,000	.87671%
B-25	G	80,000	.87671%
B-26	G	80,000	.87671%
B-27	G	80,000	.87671%
B-28	G	80,000	.87671%
B-31	G	80,000	.87671%
B-32	G	80,000	.87671%
B-33	G	80,000	.87671%
B-34	G	80,000	.87671%
B-35	G	80,000	.87671%
B-36	G	80,000	.87671%
B-37	G	80,000	.87671%
B-38	G	80,000	.87671%
B-41	G	80,000	.87671%
B-42	G	80,000	.87671%
B-43	G	80,000	.87671%
B-44	G	80,000	.87671%
B-45	G	80,000	.87671%
B-46	G	80,000	.87671%
B-47	G	80,000	.87671%
B-48	G	80,000	.87671%
B-51	G	80,000	.87671%
B-52	G	80,000	.87671%

00010407 08/05/1998 B891 P41
00013406 10/07/1998 B907 P170

000000705 01/19/1999 BD0942 P00044

Unit Number	Unit Type	Assigned Value for Purposes of Horizontal Property Act	Percentage Interest
B-53	G	80,000	.87671%
B-54	G	80,000	.87671%
B-55	G	80,000	.87671%
B-56	G	80,000	.87671%
B-57	G	80,000	.87671%
B-58	G	80,000	.87671%
C-11	J	95,000	1.04109%
C-12	I	90,000	.98630%
C-13	I	90,000	.98630%
C-14	I	90,000	.98630%
C-15	I	90,000	.98630%
C-16	I	90,000	.98630%
C-21	J	95,000	1.01409%
C-22	I	90,000	.98630%
C-23	I	90,000	.98630%
C-24	I	90,000	.98630%
C-25	I	90,000	.98630%
C-26	I	90,000	.98630%
C-31	J	95,000	1.04109%
C-32	I	90,000	.98630%
C-33	I	90,000	.98630%
C-34	I	90,000	.98630%
C-35	I	90,000	.98630%
C-36	I	90,000	.98630%
C-41	J	95,000	1.04109%
C-42	I	90,000	.98630%
C-43	I	90,000	.98630%
C-44	I	90,000	.98630%
C-45	I	90,000	.98630%
C-46	I	90,000	.98630%
C-51	J	95,000	1.04109%
C-52	I	90,000	.98630%
C-53	I	90,000	.98630%
C-54	I	90,000	.98630%
C-55	I	90,000	.98630%
C-56	I	90,000	.98630%
		$9,125,000	100%

00013406 10/07/1998 B907 P171
000000705 01/19/1999 BD0942 P00045

50.00 re-record McNair
#556

McNair 24800
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RECORDED 10/07/1998 10:39A
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Fee:50.00 State:0.00
County:0.00 Trans:0.00
Georgetown County, SC
Register of Deeds
Wanda J. Gresette

re-record

FILED
REGISTER OF MESNE
CONVEYANCES

99 JAN 19 AM 11:56

GEORGETOWN COUNTY, S.C.
BOOK 942 PAGE 1
Wanda J. Gresette

re-record

Recorded this 27th day of
January A. D. 1999
Edna W. Freeman
Auditor, Georgetown Co., S.C.

Recorded this 9th day of
October A. D. 1998
Edna W. Freeman
Auditor, Georgetown Co., S.C.

00010407 08/05/1998 B891 P42

McNair 22480

00010407
RECORDED 08/05/1998 03:00P
Bk:891 Pg:1 Pages:42
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County:0.00 Trans:0.00
Georgetown County, SC
Register of Deeds
Wanda J. Gresette

Shipyard Village Development Corp LLC

1st amend master Deed
1.17 ac Ph II
Shipyard Village

Recorded this 7th day of
August A. D. 1998
Edna W. Freeman
Auditor, Georgetown Co., S.C.

00013908 10/16/1998 B910 P25
000000706 01/19/1999 BD0942 P00046

Re-record to correct scrivener's error in Paragraph 6 of Recital 1999 BD0942 P00046

FILED
REGISTER OF MESNE
CONVEYANCES
99 JAN 19 AM 11:56
GEORGETOWN, S.C.

McNair Law Firm (JBM)

STATE OF SOUTH CAROLINA)
) SECOND AMENDMENT TO MASTER DEED OF
) SHIPYARD VILLAGE HORIZONTAL PROPERTY
COUNTY OF GEORGETOWN) REGIME

This Second Amendment to the Master Deed of Shipyard Village Horizontal Property Regime (the "Second Amendment") is made, published and declared this 15 day of October, 1998 by the Shipyard Village Development Corp., LLC, a South Carolina limited liability company, successor to the development rights of Litchfield-By-The-Sea, a South Carolina Joint Venture, (hereinafter called the "Grantor") pursuant to the Master Deed for Shipyard Village Horizontal Property Regime dated July 7, 1982 and recorded in the Register of Deeds Office for Georgetown County ("R.O.D.") in Deed Book 201 at page 883, (hereinafter referred to as the "Master Deed") the First Amendment to Master Deed of Shipyard Village Horizontal Property Regime dated August 3, 1998 and recorded in the R.O.D. in Deed Book 891 at page 1 (the "First Amendment"), and the provisions of the Horizontal Property Act of South Carolina, 1976 as amended (the "Act"), Title 27, Chapter 31 of the Code of Laws of South Carolina, 1976 as amended.

RECITALS

1. Litchfield-By-The-Sea, a South Carolina Joint Venture ("LBTS") was the Grantor in the Master Deed.

2. LBTS reserved various developer rights under the terms of the Master Deed including but not limited to the right to submit to the Shipyard Village Horizontal Property Regime all or any portion of the Land as well as those rights set forth in Articles I, XIV and XV of the Master Deed.

3. LBTS assigned all of its reserved developer rights under the Master Deed to The Litchfield Company of South Carolina Limited Partnership by Assignment dated December 29, 1988 and recorded February 7, 1989 in the R.O.D. in Deed Book 322 at page 257 and The Litchfield Company of South Carolina Limited Partnership assigned said reserved developer rights to the Shipyard Village Development Corp., LLC by Assignment dated August 3, 1998 and recorded August 5, 1998 in the R.O.D in Deed Book 890 at page 335.

ARTICLE I
Purpose and Submission - Condominium Ownership

By the recording of the Master Deed, the Declarant created a Horizonal Property Regime and established certain easements, covenants and restrictions which run with the property as more fully set forth in said Master Deed. By virtue of the Master Deed and the First Amendment, the Grantor submitted to condominium ownership the Property (hereafter defined)

GEORGETOWN COUNTY PARCEL # 4-142-184
RWD

CERTIFIED A TRUE
AND CORRECT COPY
Wanda J. Graves
REGISTER OF DEEDS
GEORGETOWN COUNTY, S.C.

PLAINTIFF'S
EXHIBIT
14

constituting Phase I and Phase II of Shipyard Village Horizontal Property Regime. The Declarant specifically reserved the right to amend the Master Deed in the future to elect to incorporate into Shipyard Village Horizontal Property Regime portions of the Land, which together with the Property originally submitted in the Master Deed may be developed into up to four phases, all of which is more fully set forth in Article I of the Master Deed.

This Second Amendment to the Master Deed is made, published and filed of record by the Grantor in order to publish its election to develop a portion of the Land composing Phase III (as hereinafter described) pursuant to its rights reserved in Article I of the Master Deed. The Grantor hereby specifies that this Second Amendment to the Master Deed shall constitute its election to submit to the Master Deed and the Act the property composing Phase III (the "Phase III Property") and shall bind and inure to the benefit of the Grantor, its successors and assigns, and all subsequent owners of any interest in the Phase III Property, their grantees, successors, heirs, executors, administrators, devisees or assigns. The Grantor publishes and declares that the portion of the Land as described in Exhibit A attached hereto composing Phase III is hereby integrated and combined with the property composing Phase I and Phase II (the property composing Phases I, II and III shall be collectively referred to as the "Property") and shall be owned, occupied, used, conveyed, encumbered, leased, and improved in accordance with the provisions of the Act and in accordance with the covenants, restrictions, encumbrances, easements and obligations of record affecting the Property as set forth or incorporated by reference in the Master Deed as amended hereby, all of which shall be deemed to be covenants and obligations running with the Property.

ARTICLE II
Phase III Property

Section 1. The Property. The portion of the Land submitted to condominium ownership in Phase III is shown by the plat entitled "Asbuilt Survey of Phase III, Shipyard Village Horizontal Property Regime" dated October 1, 1998 prepared by ETS - Engineering and Technical Services, Inc., which plat is attached hereto as Exhibit B and incorporated herein by reference and is recorded in the R.O.D. in Slide 288 at page 3 (the "Phase III Plat"), and the Phase III Property is furthermore described in Exhibit A attached hereto and specifically incorporated by reference herein.

PURSUANT TO SECTION 27-31-100 OF THE CODE OF LAWS OF SOUTH CAROLINA 1976 AS AMENDED, NOTICE IS GIVEN THAT ALL ACTIVITIES ON OR OVER AND ALL USES OF ANY SUBMERGED LAND OR OTHER CRITICAL AREAS ARE SUBJECT TO THE JURISDICTION OF THE SOUTH CAROLINA OFFICE OF OCEAN AND COASTAL RESOURCE MANAGEMENT, INCLUDING, BUT NOT LIMITED TO, THE REQUIREMENTS THAT ANY ACTIVITY OR USE MUST BE AUTHORIZED BY THE SOUTH CAROLINA OFFICE OF OCEAN AND COASTAL RESOURCE MANAGEMENT. PURSUANT THERETO, ANY OWNER IS LIABLE TO THE EXTENT OF HIS OWNERSHIP FOR ANY DAMAGES TO, ANY INAPPROPRIATE OR UNPERMITTED USES OF, AND ANY DUTIES OR RESPONSIBILITIES

CONCERNING ANY SUBMERGED LAND, COASTAL WATERS OR OTHER CRITICAL AREA.

Section 2. Phase III Building Locations. Grantor has constructed upon the Phase III Property one building containing 30 Units, said building being designated as the "Captain's Quarters D" Building or the "Phase III Building" on the Unit Plans (as hereinafter defined). The Phase III Building is of concrete and steel construction on pilings with steel stud and synthetic stucco siding. The floors in the Phase III Building are post tensional concrete. The Phase III Building is five (5) floors in height above covered parking with six (6) Units located on each floor. The Phase III Plat and the Unit Plans (as hereinafter defined) show the horizontal and vertical location of the Phase III Building and the Units located therein. Each of the five (5) floors has a common walkway which is connected by two elevators and two common stairways, all of which are General Common Elements. All of the Units in the Phase III Building are adjacent to and are connected with a common walkway located on each floor of the Phase III Building. The location of the Phase III Building and other improvements on the Regime Property is shown on the Phase III Plat. The Phase III Building and the Units contained therein and the General Common Elements and Limited Common Elements constructed on and forming a part of the Regime Property are constructed in substantial accordance with the architectural plans identified as Exhibit C attached hereto and incorporated herein (the "Unit Plans"), which Unit Plans are certified to by a architect licensed to practice in the State of South Carolina, said certification attached hereto as Exhibit D. The Phase III Building is also referred to as the "Captain's Quarters at Shipyard Village." The Phase III Building contains the following Units:

Floor	Unit Numbers
1	D-11, D-12, D-13, D-14, D-15, D-16
2	D-21, D-22, D-23, D-24, D-25, D-26
3	D-31, D-32, D-33, D-34, D-35, D-36
4	D-41, D-42, D-43, D-44, D-45, D-46
5	D-51, D-52, D-53, D-54, D-55, D-56

Section 3. Description of Parking Areas. The Regime contains covered and uncovered parking areas for the use of Unit Owners in parking vehicles and for guest parking. Some of the covered parking areas are Limited Common Elements and their use is restricted exclusively to the Owner of the Unit to which said covered parking is appurtenant, members of his immediate family, guests and tenants. The covered parking is more fully shown in the Unit Plans attached hereto as Exhibit C. The parking will be subject to the rules and regulations promulgated by the Association from time to time.

Section 4. Description of Units in Phase III. The location of the Phase III Building and the Units contained therein are more fully shown on the Phase III Plat and in the Unit Plans attached hereto as Exhibits B and C, respectively and by reference incorporated herein. There are thirty (30) Units in the Phase III Building representing ten (10) different floor plans. The individual Units in Phase III and their floor plans, dimensions and location in the Phase III

Building are depicted by the Phase III Plat and the Unit Plans and are described as follows:

a. "A" Floor Plan Unit. There are four (4) "A" Floor Plan Units in the Phase III Building located on the second, third, fourth and fifth floors (above the covered parking). Units D-21, D-31, D-41 and D-51 are "A" Floor Plan Units, as more fully shown on the Unit Plans. Each "A" Floor Plan Unit contains approximately 1,652 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "A" Floor Plan Units include rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

b. "A-F" Floor Plan Unit. There is one (1) A-F Floor Plan Unit in the Phase III Building, located on the first floor (above the covered parking). Unit D-11 is the "A-F" Floor Plan Unit, as more fully shown on the Unit Plans. The "A-F" Floor Plan Unit contains approximately 1,652 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "A-F" Floor Plan Unit includes rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

c. "B" Floor Plan Unit. There are eight (8) "B" Floor Plan Units in the Phase III Building, located on the second, third, fourth and fifth floors (above the covered parking). Units D-22, D-32, D-42, D-52, D-24, D-34, D-44 and D-54 are "B" Floor Plan Units, as more fully shown on the Unit Plans. The "B" Floor Plan Unit contains approximately 1,537 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "B" Floor Plan Units contain rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

d. "B-F" Floor Plan Unit. There are two (2) "B-F" Floor Plan Unit in the Phase III Building, located on the first floor (above the covered parking). Units D-12 and D-14 are the "B-F" Floor Plan Units. The "B-F" Floor Plan Unit contains approximately 1,537 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "B-F" Floor Plan Unit contains rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

e. "B-Opposite" Floor Plan Unit. There are four (4) "B-Opposite" Floor Plan Units in the Phase III Building located on the second, third, fourth and fifth floors (above the covered parking). Units D-25, D-35, D-45 and D-55 are "B-Opposite" Floor Plan Units, as more fully shown on the Unit Plans. The "B-Opposite"

Floor Plan Unit contains approximately 1,537 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "B-Opposite" Floor Plan Units contain rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

f. **"B-F Opposite" Floor Plan Unit.** There is one (1) "B-F Opposite" Floor Plan Unit in the Phase III Building located on the first floor (above the covered parking). Unit D-15 is the "B-F Opposite" Floor Plan Unit, as more fully shown on the Unit Plans. The "B-F Opposite" Floor Plan Unit contains approximately 1,537 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "B-F Opposite" Floor Plan Units contain rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

g. **"C" Floor Plan Unit.** There are four (4) "C" Floor Plan Units in the Phase III Building, located on the second, third, fourth and fifth floors (above the covered parking). Units D-23, D-33, D-43 and D-53 are "C" Floor Plan Units, as more fully shown on the Unit Plans. The "C" Floor Plan Unit contains approximately 1,537 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "C" Floor Plan Units contain rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

h. **C-F" Floor Plan Unit.** There is one "C-F" Floor Plan Unit in the Phase III Building, located on the first floor (above the covered parking). Unit C-13 is the "C-F" Floor Plan Unit. The "C-F" Floor Plan Unit contains approximately 1,537 square feet of heated space, is located on one (1) level, and contains three (3) bedrooms. The "C-F" Floor Plan Unit contains rooms as follows: foyer, laundry room, two (2) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

i. **"D" Floor Plan Unit.** There are four (4) "D" Floor Plan Units in the Phase III Building, located on the second, third, fourth and fifth floors (above the covered parking). Units D-26, D-36, D-46 and D-56 are "D" Floor Plan Units, as more fully shown on the Unit Plans. The "D" Floor Plan Units contain approximately 1,983 square feet of heated space, is located on one (1) level, and contains four (4) bedrooms. The "D" Floor Plan Units contain rooms as follows: foyer, laundry room, three (3) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

j. "D-F" Floor Plan Unit. There is one "D-F" Floor Plan Unit in the Phase III Building, located on the first floor (above the covered parking). Unit D-16 is the "D-F" Floor Plan Unit. The "D-F" Floor Plan Unit contains approximately 1,983 square feet of heated space, is located on one (1) level, and contains four (4) bedrooms. The "D-F" Floor Plan Unit contains rooms as follows: foyer, laundry room, three (3) guest bedrooms, two (2) guest bathrooms, master bedroom, master bathroom, living room/dining room combination, kitchen, together with closets.

Section 5. Unit Boundaries. Each Unit in Phase III is composed of the interior cubic space, fixtures, appliances, furnishings, walls, floors, ceilings, and building material enclosed within the following boundaries:

a. The upper boundaries of the Unit shall extend to the unfinished interior surfaces of the unfinished sheetrock or other ceiling material. The lower boundaries of the Unit shall extend to the unfinished surface of the structural concrete slab constituting the floor.

b. The perimetrical boundaries of the Unit shall extend to the unfinished interior surfaces of the perimeter walls of the Unit excluding load bearing structural interior walls or components.

c. Each Unit shall also encompass and include, and each Owner shall be responsible for maintenance and repair of the following whether located within or without the boundaries described in (a) and (b) above: (i) the doorways, windows, vents and other non-structural elements in the walls, floor, and ceilings of the Unit which are regarded as enclosures of space; (ii) the doors (including any screen doors) opening into the Unit and into any storage area integral to the Unit, including the frames, casings, hinges, handles and other fixtures which are part of the doors; (iii) the sliding-glass doors, if any, opening from each Unit to said Unit's balcony, (iv) the window glasses, screens, frames, and casings which are part of the window openings of the Unit; (v) the plumbing, wiring, and mechanical vents that exclusively serve the Unit; (vi) the appliances, air conditioning, and heating units, (including the condenser and all piping, wiring and attachments), hot water heaters, lavatories, bath tubs, toilets, carpeting, floor covering, trim finished surface of ceilings and walls, wiring, insulation, and other fixtures, furnishings, and building materials which are part of the Unit when delivered to the initial Owner and which exclusively serve the Unit; and (vii) all appurtenances which are integral and exclusive to the Unit, including, but not limited to, lamps attached to the exterior of the Unit and water and sewer pipes within the Unit and exclusively serving the Unit.

Section 6. Central Systems Not Part of Units. No pipes, wires, conduits or other public utility lines or installations constituting a part of the overall systems designed for the service of

Section 2. Reservation of Rights. The Grantor, in accordance with the Master Deed, reserves all rights to submit to the Regime all or any portion of the Land as provided in Article I, Article XIV, and Article XV of the Master Deed, and all other rights reserved by the Grantor as provided in the Master Deed.

Section 3. Owners. By acceptance of the deed to a Unit, each purchaser of a Unit in Phases I, II and III ratifies and covenants to observe on behalf of himself, his heirs, successors and assigns, the Master Deed, as amended, and the Bylaws governing Shipyard Village Council of Co-Owners, Inc.

ARTICLE V
Miscellaneous

Section 1. Definitions. Except as otherwise set forth herein, the defined terms shall have those same meanings as set forth in the Master Deed.

Section 2. Controlling Provisions. Except as specifically amended herein, the Master Deed, as amended by the Second Amendment shall remain in full force and effect.

[SIGNATURE PAGE ATTACHED]

00013908 10/16/1998 B910 P32
000000706 01/19/1999 BD0942 P00053

IN WITNESS WHEREOF, Declarant has executed this Second Amendment to Master Deed the day and year first above written.

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF:

Rhonda M. Howell

Kay Lambert

SHIPYARD VILLAGE DEVELOPMENT CORP., LLC
a South Carolina limited liability company

By: The Litchfield Company of South Carolina Limited Partnership, a South Carolina limited partnership, its Manager

By: Litchfield Enterprises, Inc., its sole general partner

By: D. G. Mahon III (Seal)
Title: President

STATE OF SOUTH CAROLINA)
) ACKNOWLEDGEMENT
COUNTY OF GEORGETOWN)

I, Kay Lambert, a Notary Public residing in the County and State aforesaid, do certify that the Shipyard Village Development Corp., LLC, a South Carolina Limited Liability Company, by The Litchfield Company of South Carolina Limited Partnership, its Manager by Litchfield Enterprises, Inc., its sole general partner by D. G. Mahon, III, its President, who is personally known to me, this day appeared before me personally and did acknowledge that it did sign, seal and deliver the foregoing instrument of its own free will and accord, for the purposes therein named and expressed.

SWORN to before me this 15th day of October, 1998.

Kay Lambert (L.S.)
Notary Public for SC
My Commission Expires: 3/18/2001

00013908 10/16/1998 B910 P33
000000706 01/19/1999 BD0942 P00054

EXHIBIT A
(Legal Description)

All that certain piece, parcel or tract of land situate, lying and being in the County of Georgetown, State of South Carolina in Tax District Number 4 containing 1.59 acres as shown on a map entitled "As-Built Survey of Phase III, Shipyard Village Horizontal Property Regime, prepared for the Shipyard Village Development Corp., L.L.C." dated October 1, 1998, prepared by E.T.S.-Engineering and Technical Services, Inc., and recorded in the Register of Deeds Office for Georgetown County in Slide 288 at Page 3, and such property having such size, shape, metes, bounds, courses and distances as will more fully appear according to said map which map is incorporated herein by reference.

Georgetown: 24965

00013908 10/16/1998 B910 P34
000000706 01/19/1999 BD0942 P00055

EXHIBIT B
(Phase III Plat)

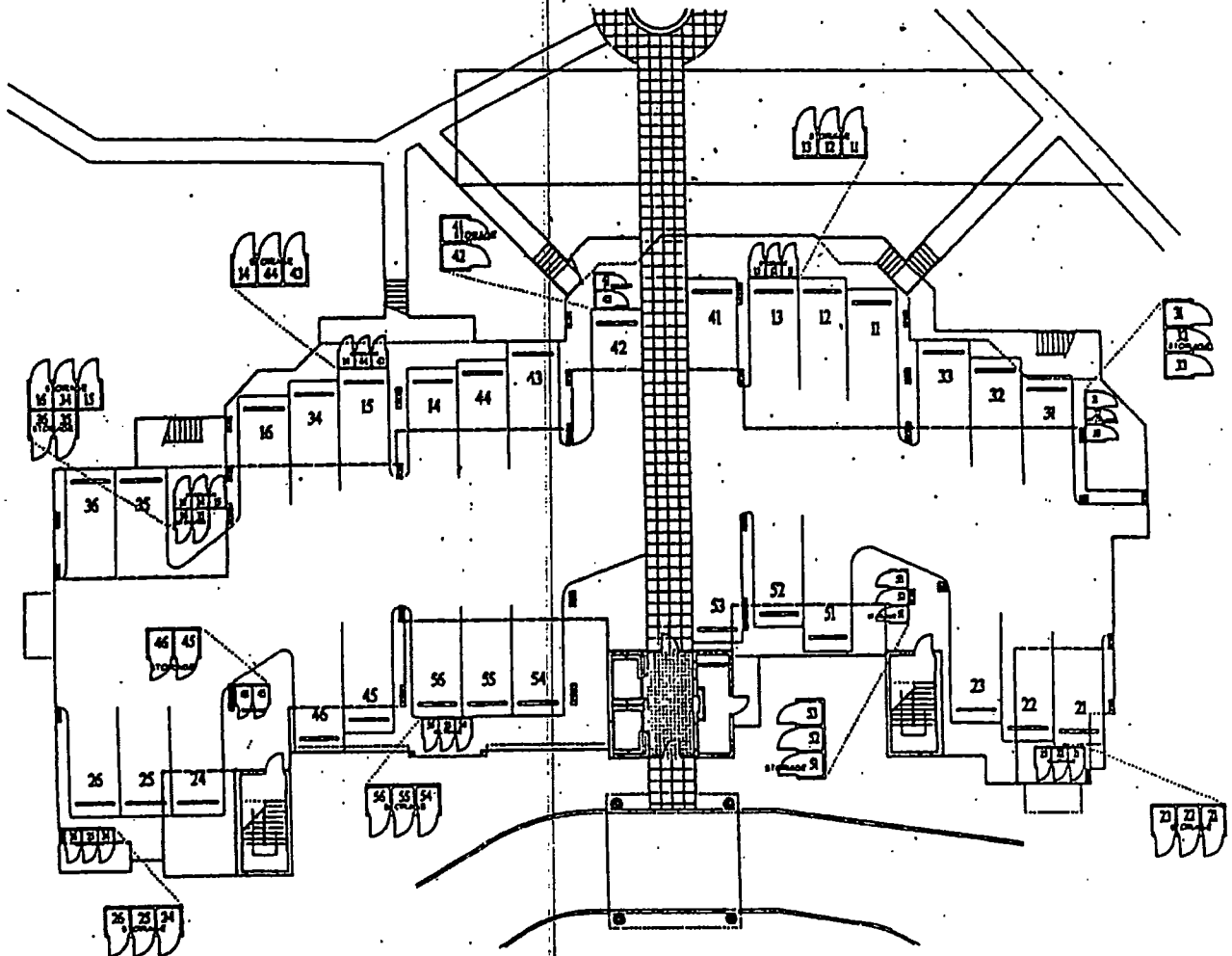
As-Built Survey of Phase III, Shipyard Village Horizontal Property Regime prepared for Shipyard Village Development Corp., LLC by E.T.S.-Engineering and Technical Services, Inc., said map being dated October 1, 1998 and recorded in the Register of Deeds Office for Georgetown County in Slide 288 at page 3.

Georgetown: 24965

00013908 10/16/1998 B910 P35
000000706 01/19/1999 BD0942 P00056

EXHIBIT C
(Unit Plans)

Georgetown: 24965

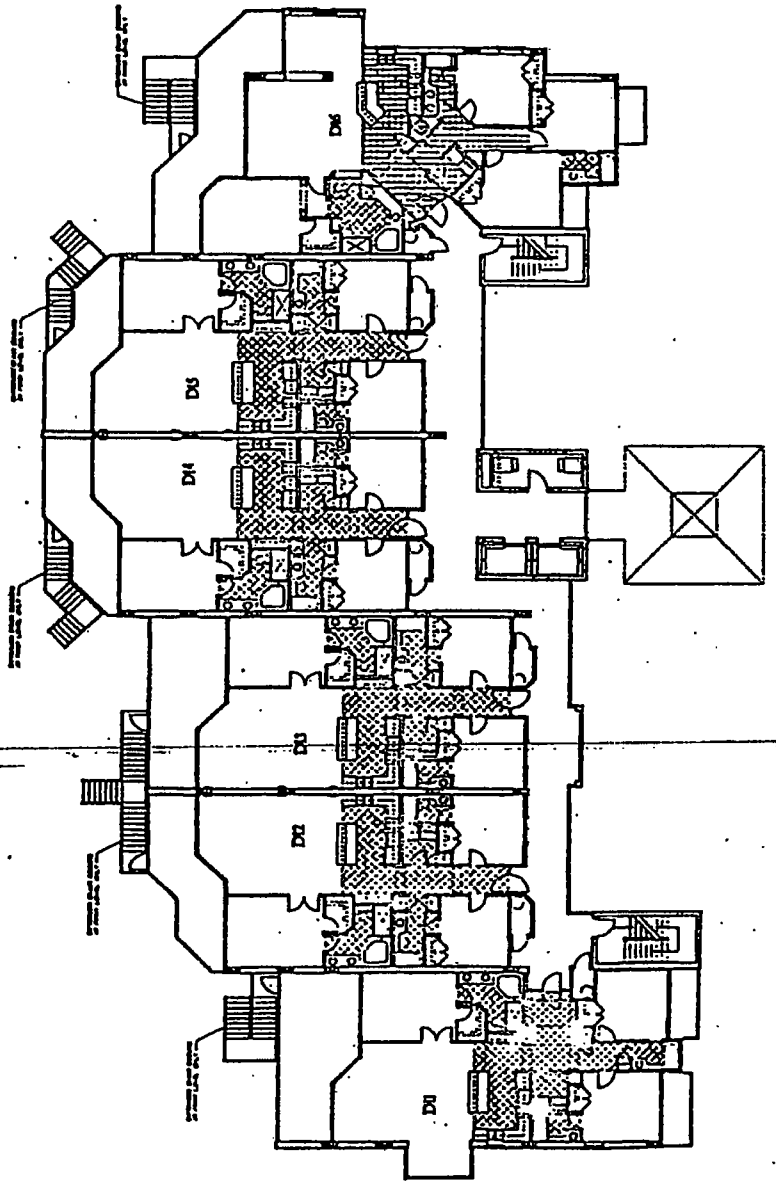


GROUND FLOOR - BUILDING "D"

NOT TO SCALE

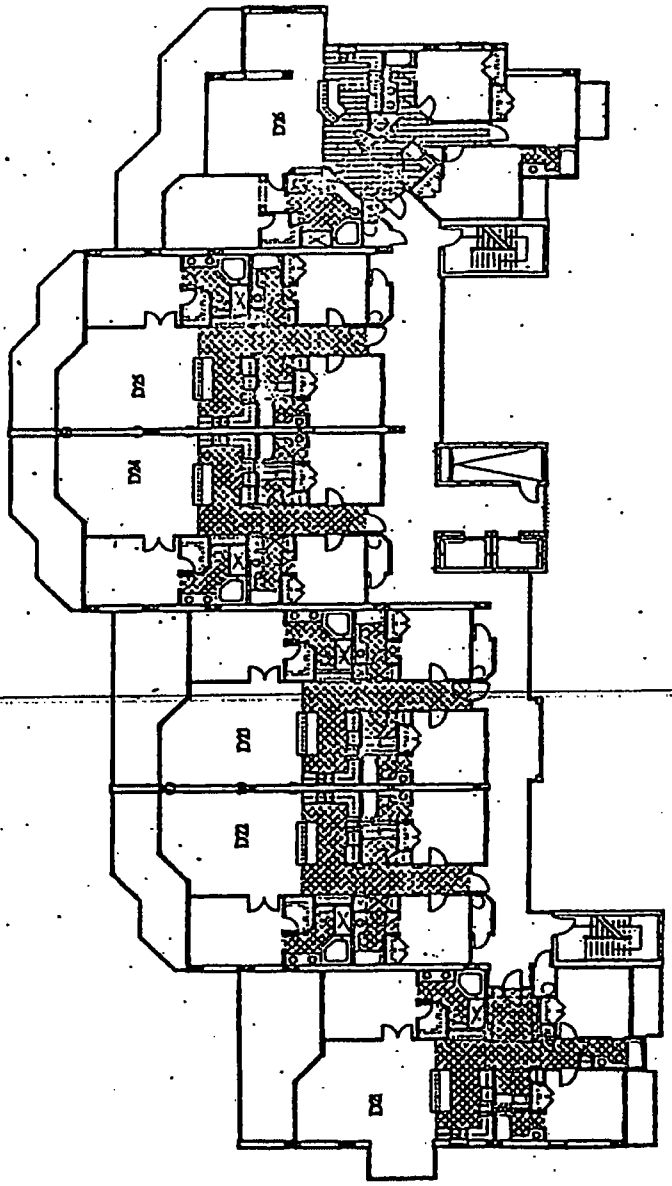
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00013908 10/16/1998 B910 P37
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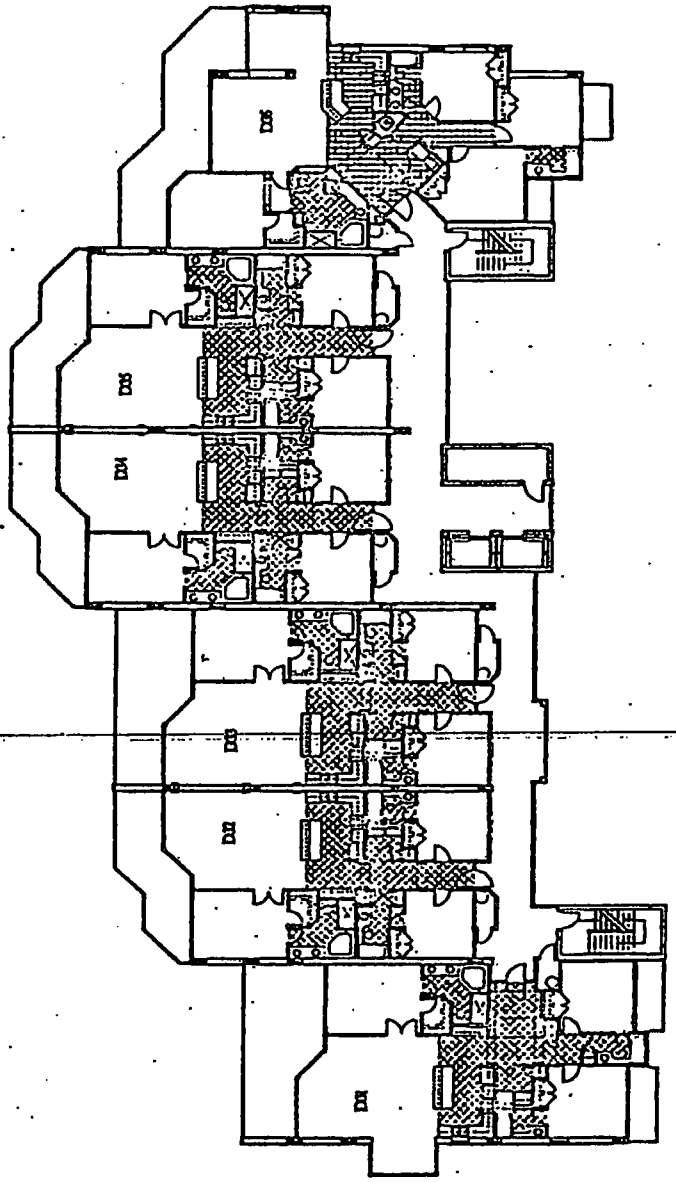
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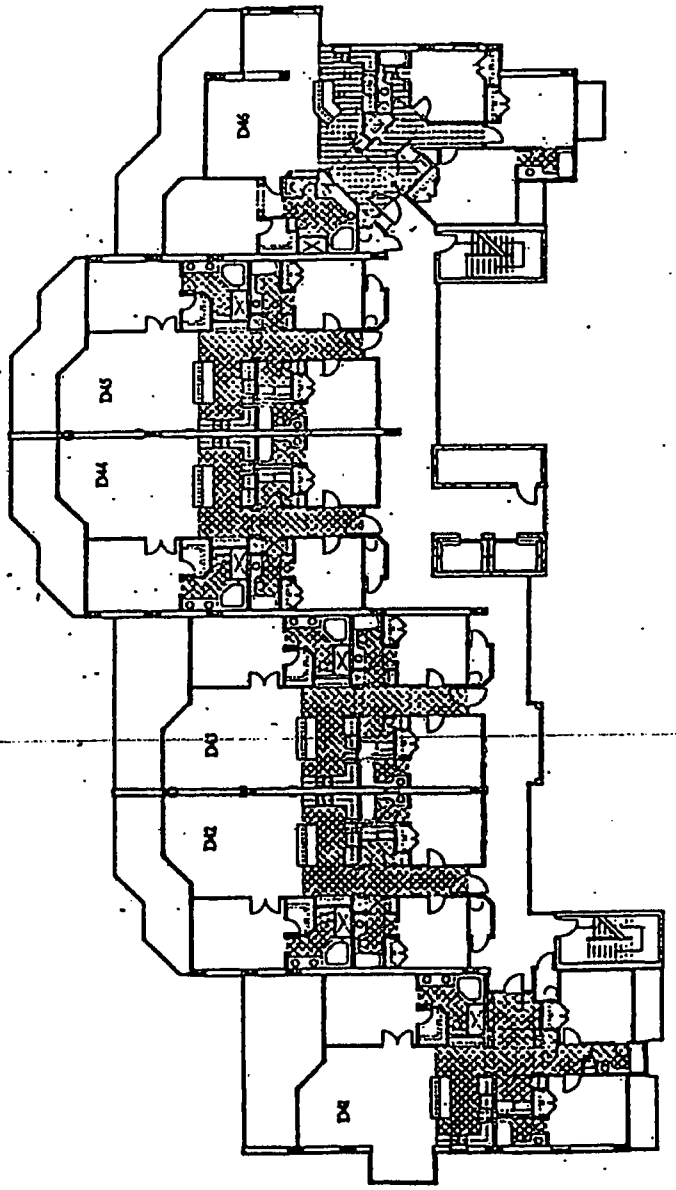
SECOND FLOOR - BUILDING "D"

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000000706 01/19/1999 BD0942 P00060



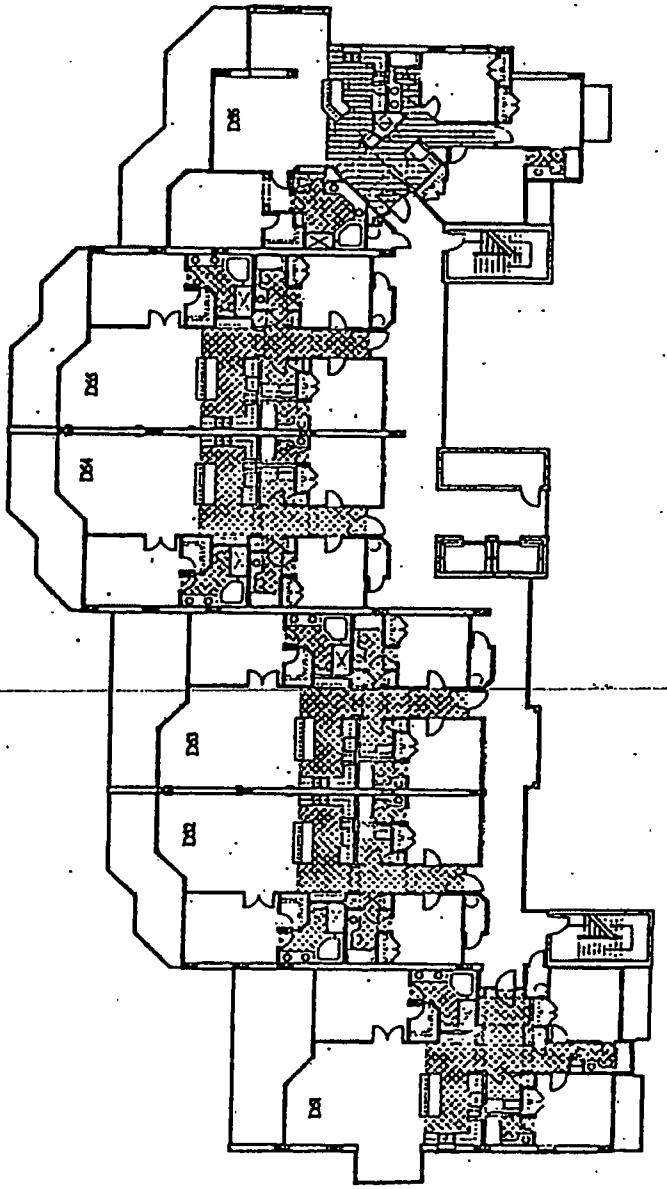
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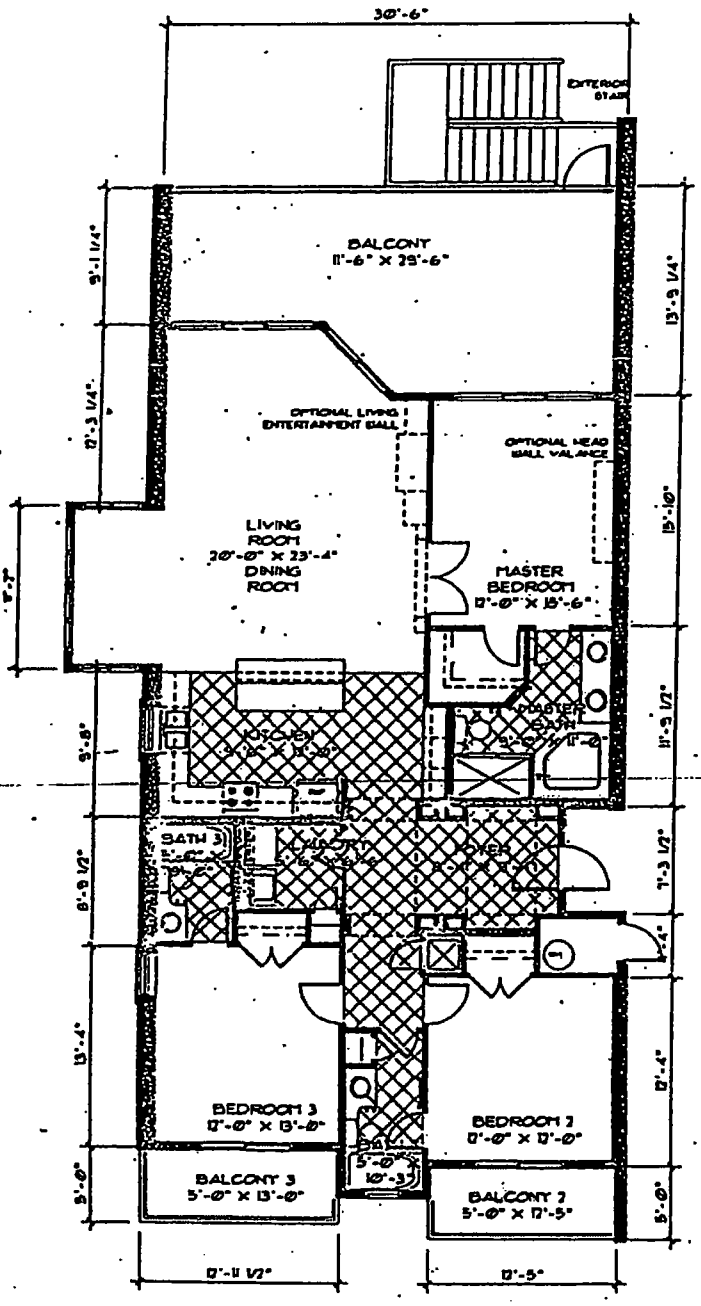
FOURTH FLOOR - BUILDING "D"

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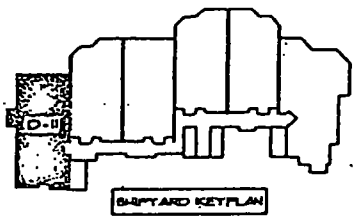
FIFTH FLOOR - BUILDING "D"

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UNIT "A-F" FLOOR PLAN

NOT TO SCALE

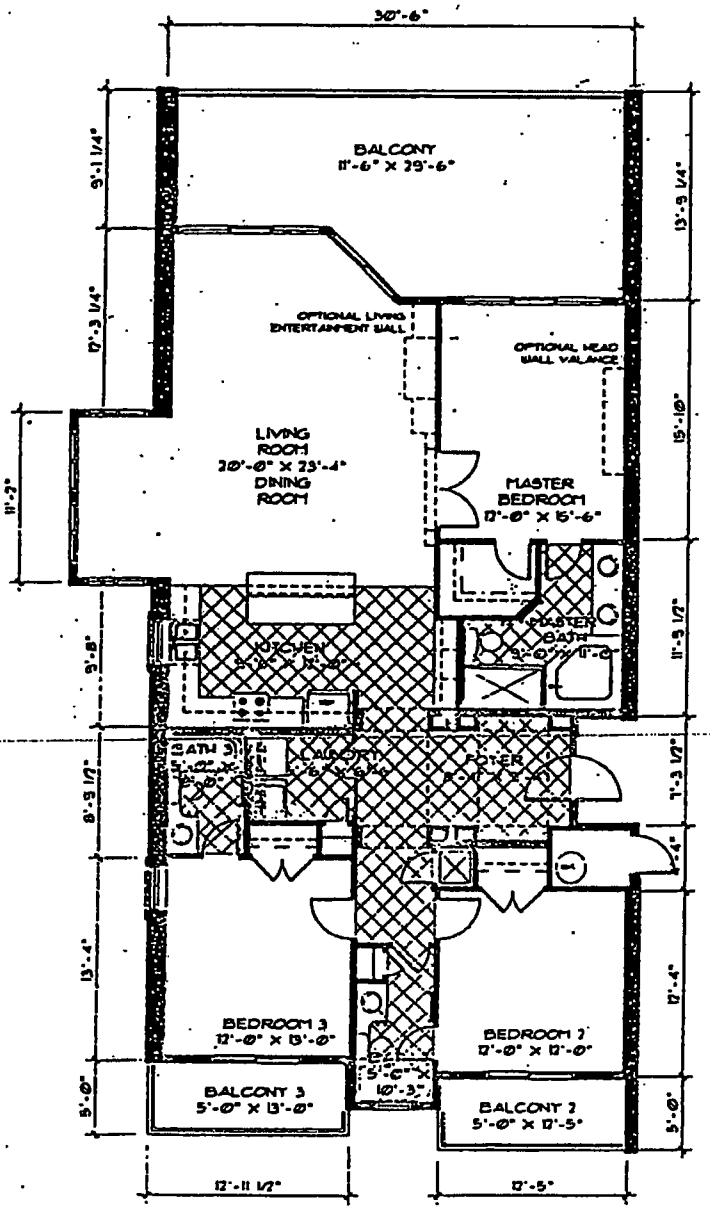


BAYYARD KEYPLAN

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BALCONY	467
STORAGE	26
TOTAL	2145

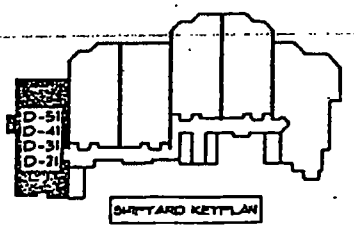
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UNIT "A" FLOOR PLAN

NOT TO SCALE

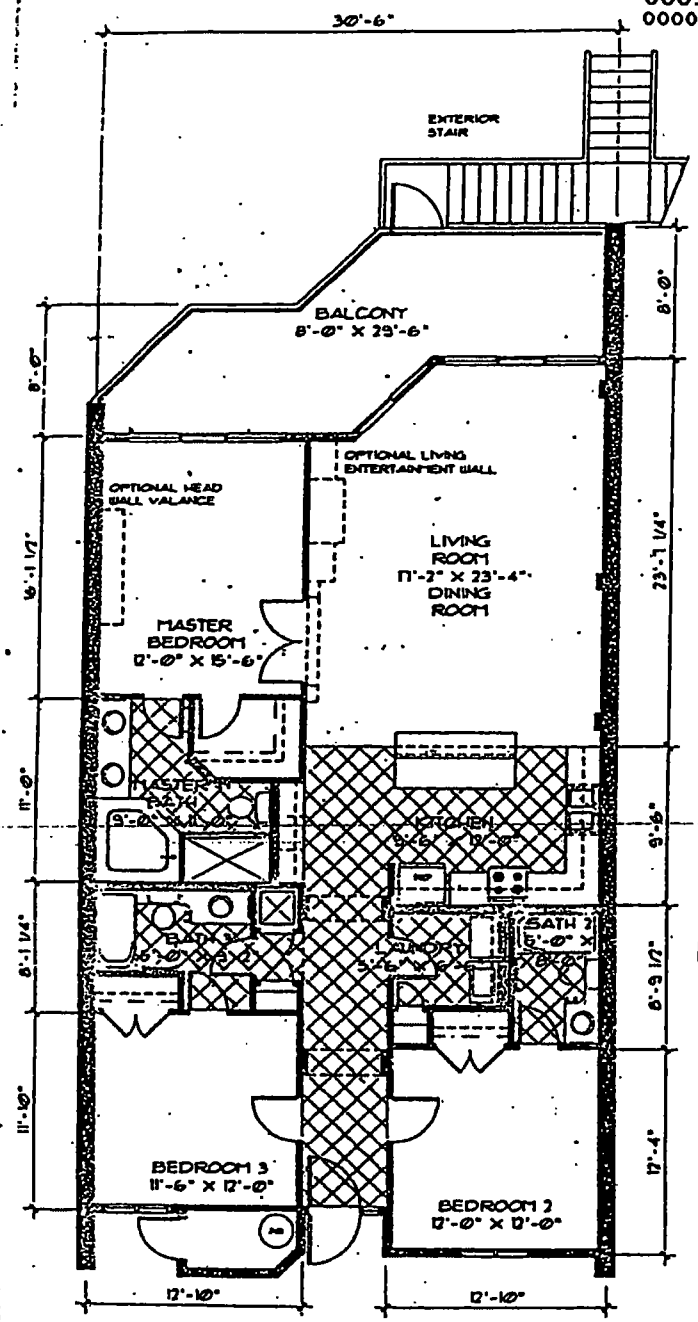


SHUTTARD KEYPLAN

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BALCONY	467
STORAGE	26
TOTAL	2145

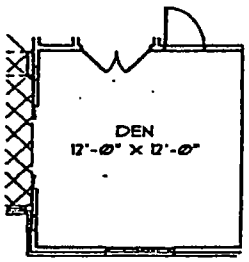
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00013908 10/16/1998 B910 P44
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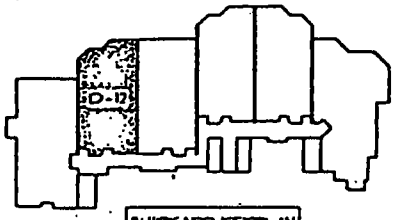
UNIT "B-F" FLOOR PLAN

SCALE 1/8"=1'-0"



POCKET DOORS

OPTIONAL SCALE 1/8"=1'-0"

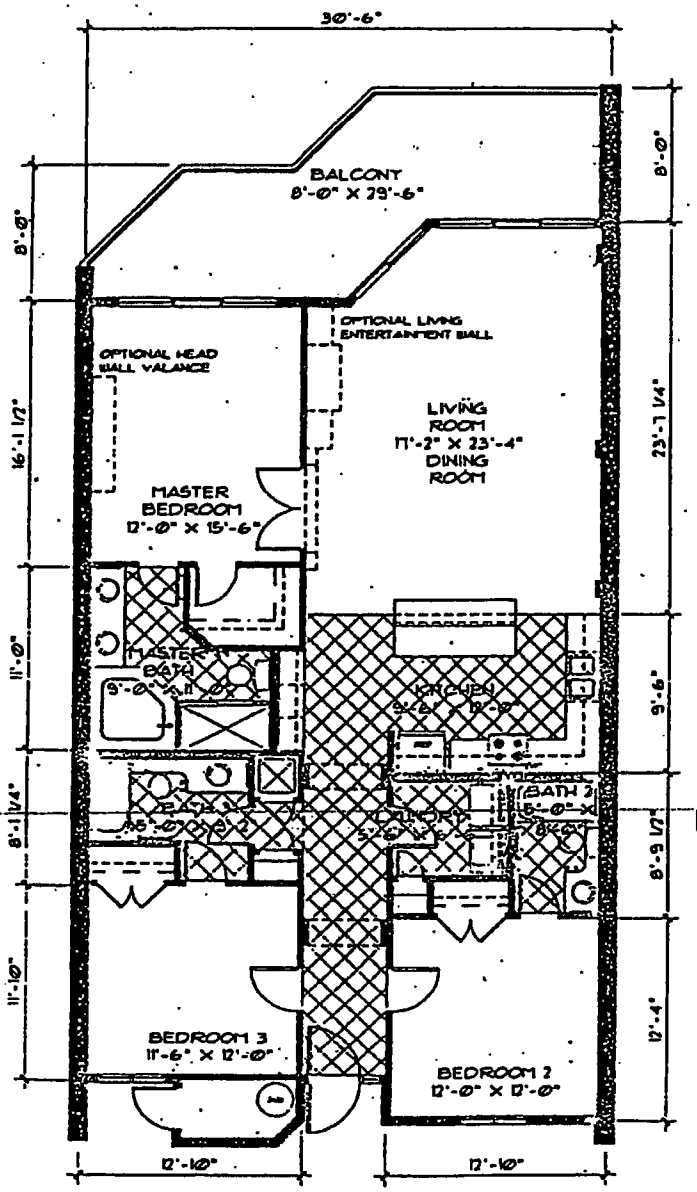


SHIPYARD KEYPLAN

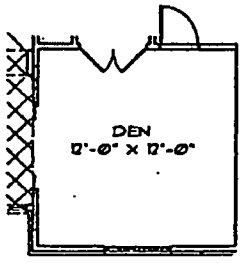
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BALCONY	235
STORAGE	30
TOTAL	1802

THIS UNIT OCCURS AT LEVEL 1

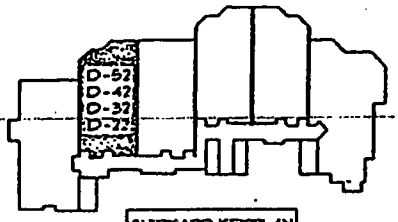
00013908 10/16/1998 B910 P45
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UNIT "B" FLOOR PLAN
SCALE 1/8"=1'-0"



POCKET DOORS
OPTIONAL SCALE 1/8"=1'-0"

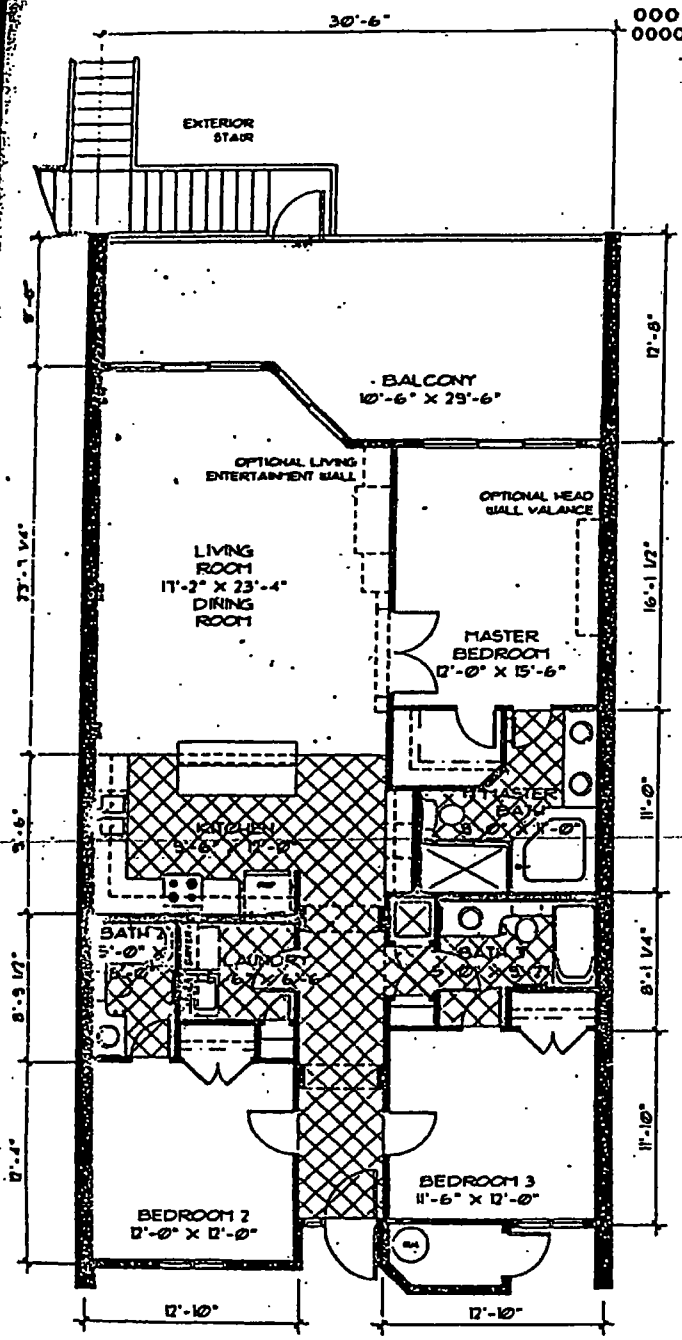


SHIPYARD KEYPLAN

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BALCONY	235
STORAGE	30
TOTAL	1802

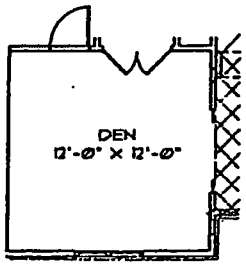
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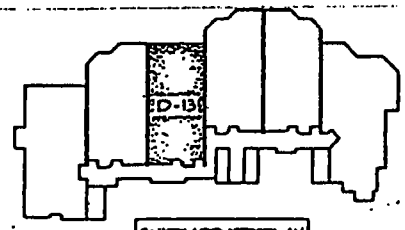
UNIT "C-F" FLOOR PLAN

SCALE 1/8"=1'-0"



POCKET DOORS

OPTIONAL SCALE 1/8"=1'-0"

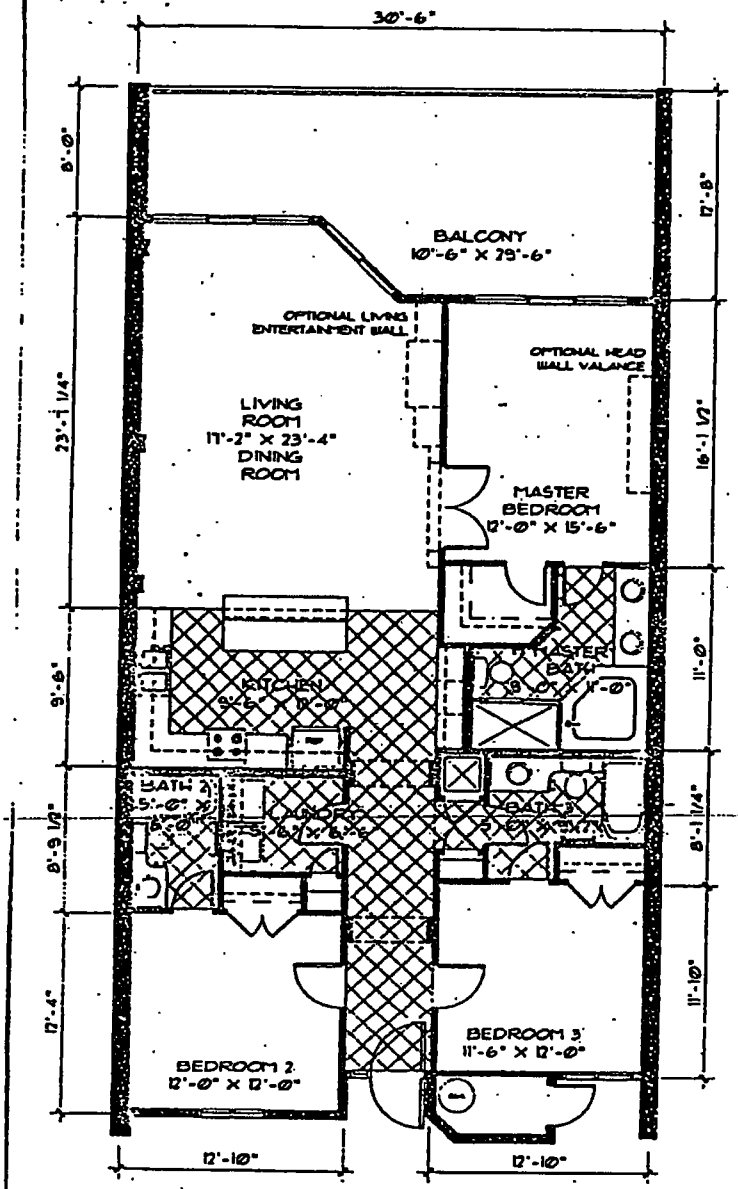


SHIFTARD KEYPLAN

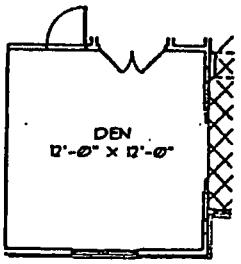
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TOTAL	1876

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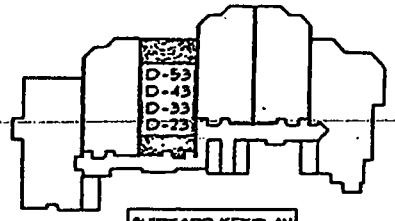
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UNIT "C" FLOOR PLAN
SCALE 1/8"=1'-0"



POCKET DOORS
OPTIONAL SCALE 1/8"=1'-0"

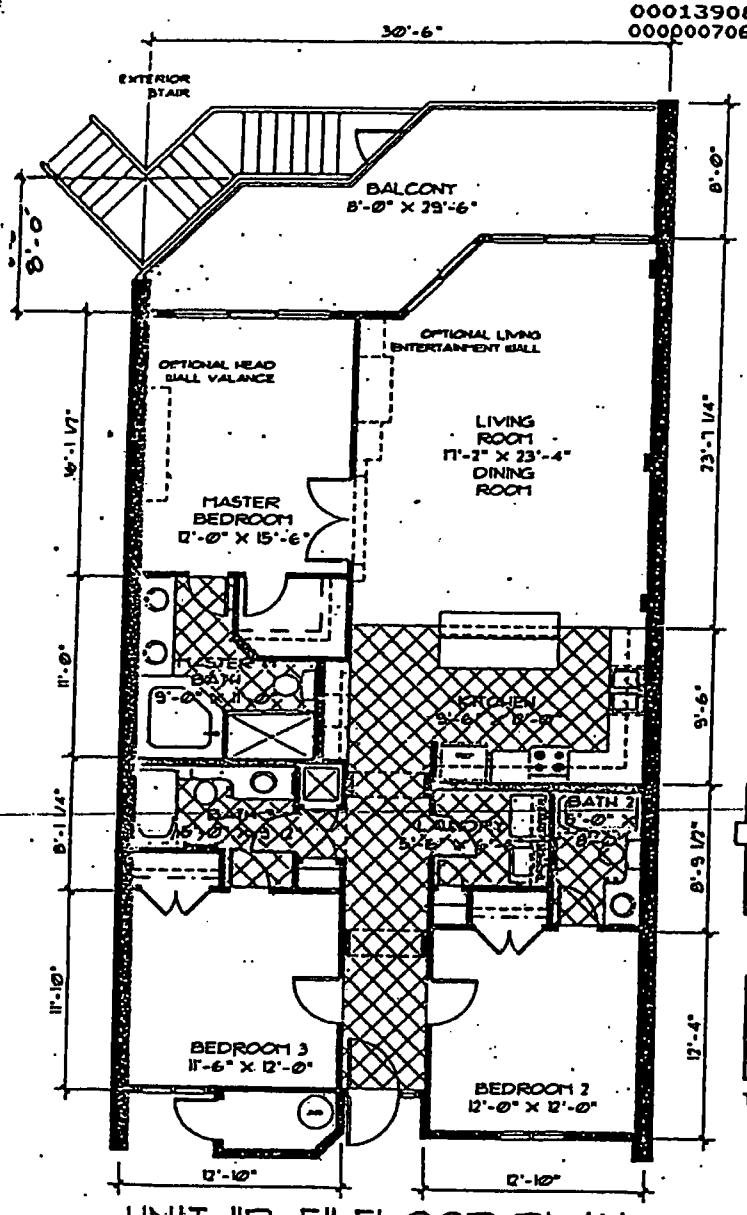


SHIPYARD KEYPLAN

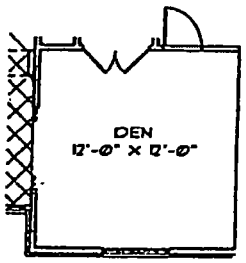
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BALCONY	302
STORAGE	30
TOTAL	1876

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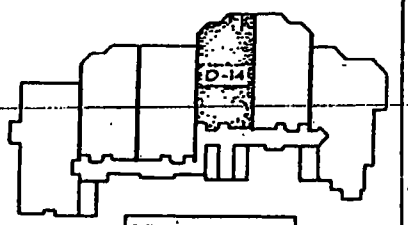
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UNIT "B-F" FLOOR PLAN
SCALE 1/8"=1'-0"



POCKET DOORS
OPTIONAL SCALE 1/8"=1'-

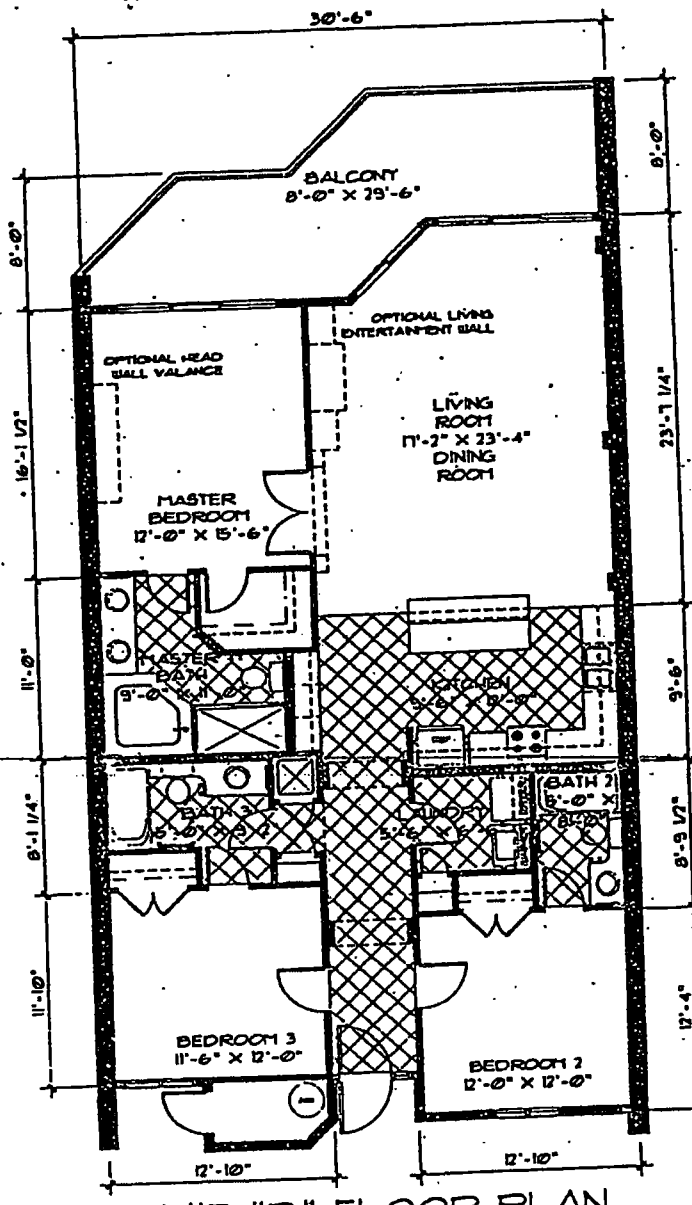


SHIFTARD KEYPLAN

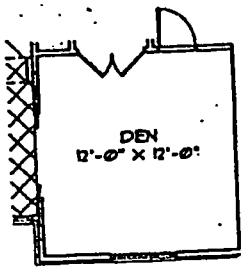
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HEATED	1537
BALCONY	235
STORAGE	30
TOTAL	1802

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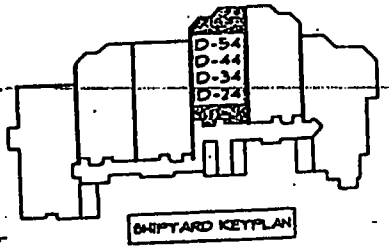
00013908 10/16/1998 B910 P49
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UNIT "B" FLOOR PLAN
SCALE 1/8"=1'-0"



POCKET DOORS
OPTIONAL SCALE 1/8"=1'-0"

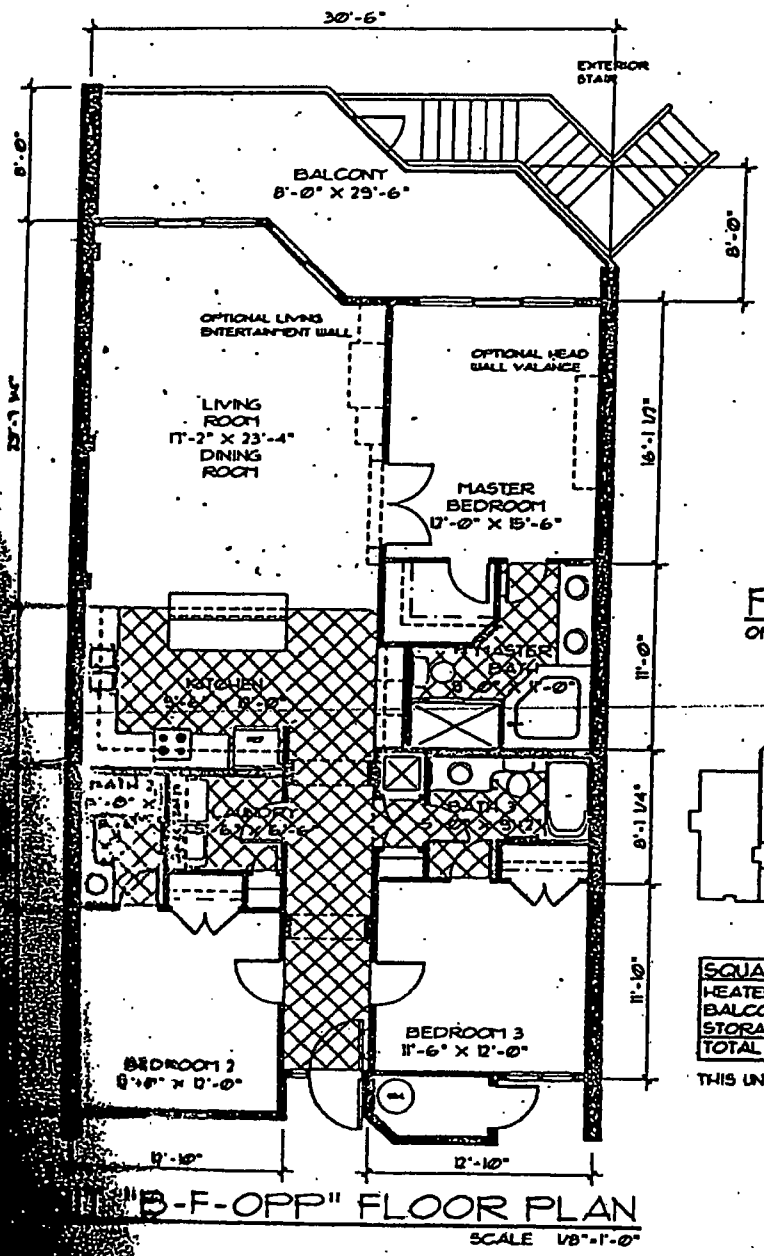


SHIPYARD KEYPLAN

SQUARE FOOTAGE	
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BALCONY	235
STORAGE	30
TOTAL	1802

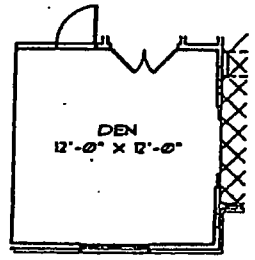
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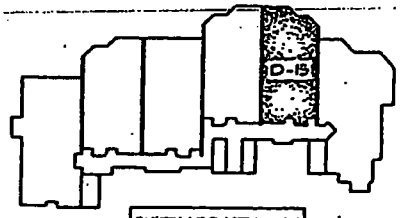
"B-F-OPP" FLOOR PLAN

SCALE 1/8"=1'-0"



POCKET DOORS

OPTIONAL SCALE 1/8"=1'-0"

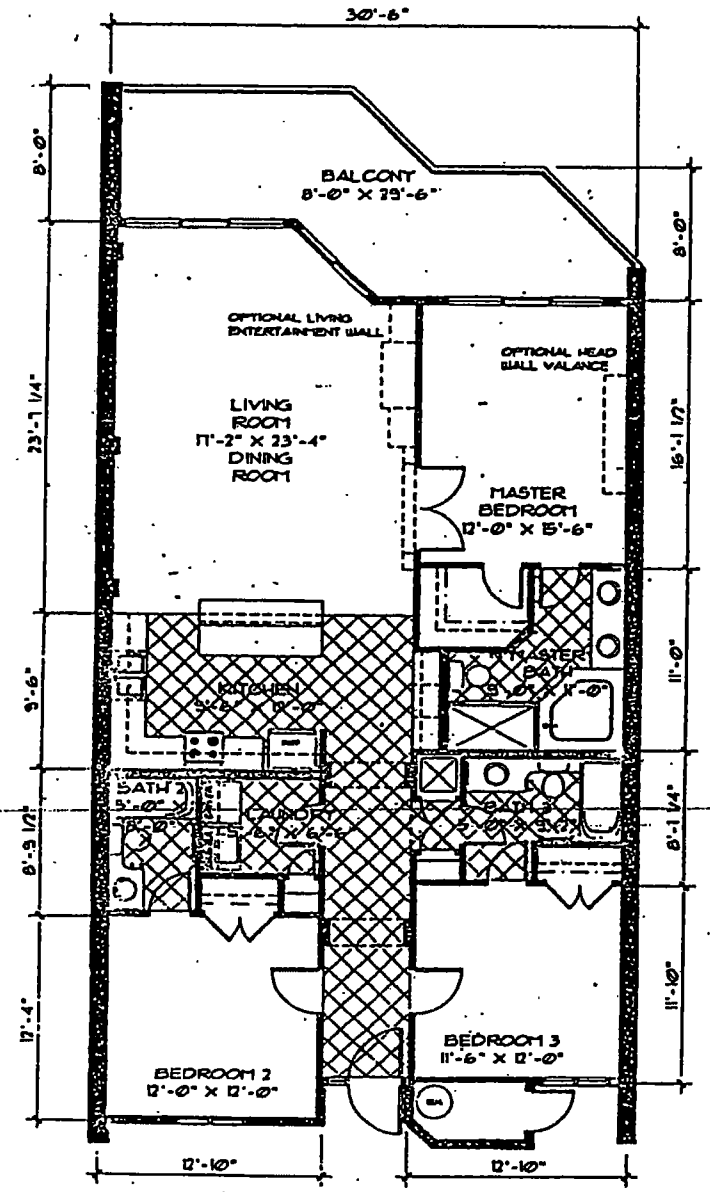


SHIPYARD KEYPLAN

SQUARE FOOTAGE	
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BALCONY	235
STORAGE	30
TOTAL	1802

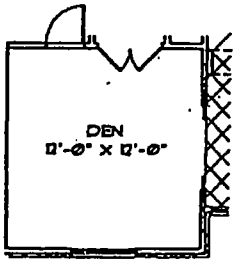
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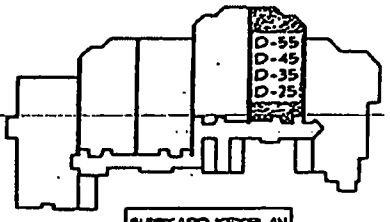
UNIT "B-OPP" FLOOR PLAN

SCALE 1/8"=1'-0"



POCKET DOORS

OPTIONAL SCALE 1/8"=1'-0"

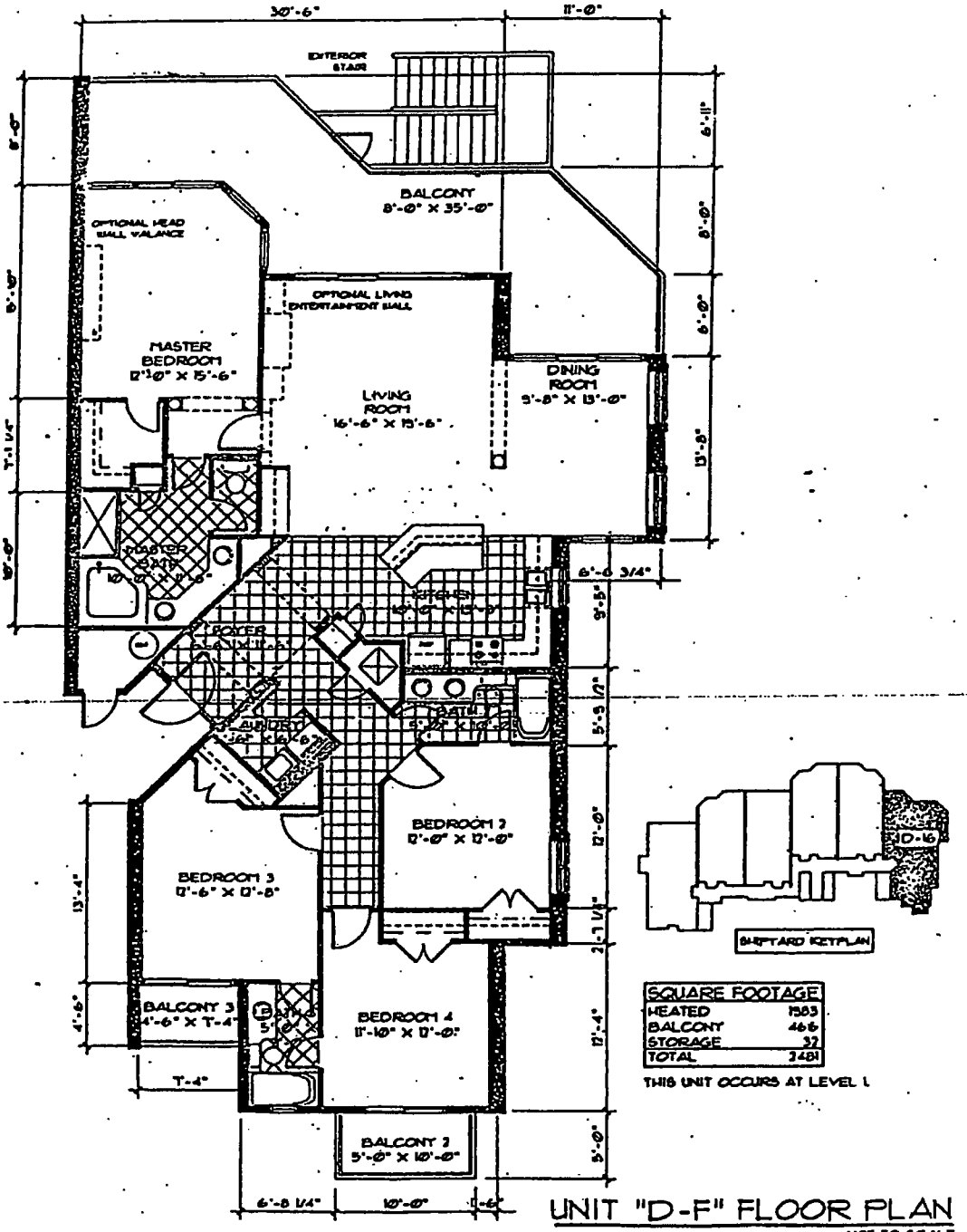


SHEPYARD KEYPLAN

SQUARE FOOTAGE	
HEATED	1531
BALCONY	235
STORAGE	30
TOTAL	1807

THIS UNIT OCCURS AT LEVELS 2,3,4, & 5.

00013908 10/16/1998 B910 P52
000000706 01/19/1999 BD0942 P00073



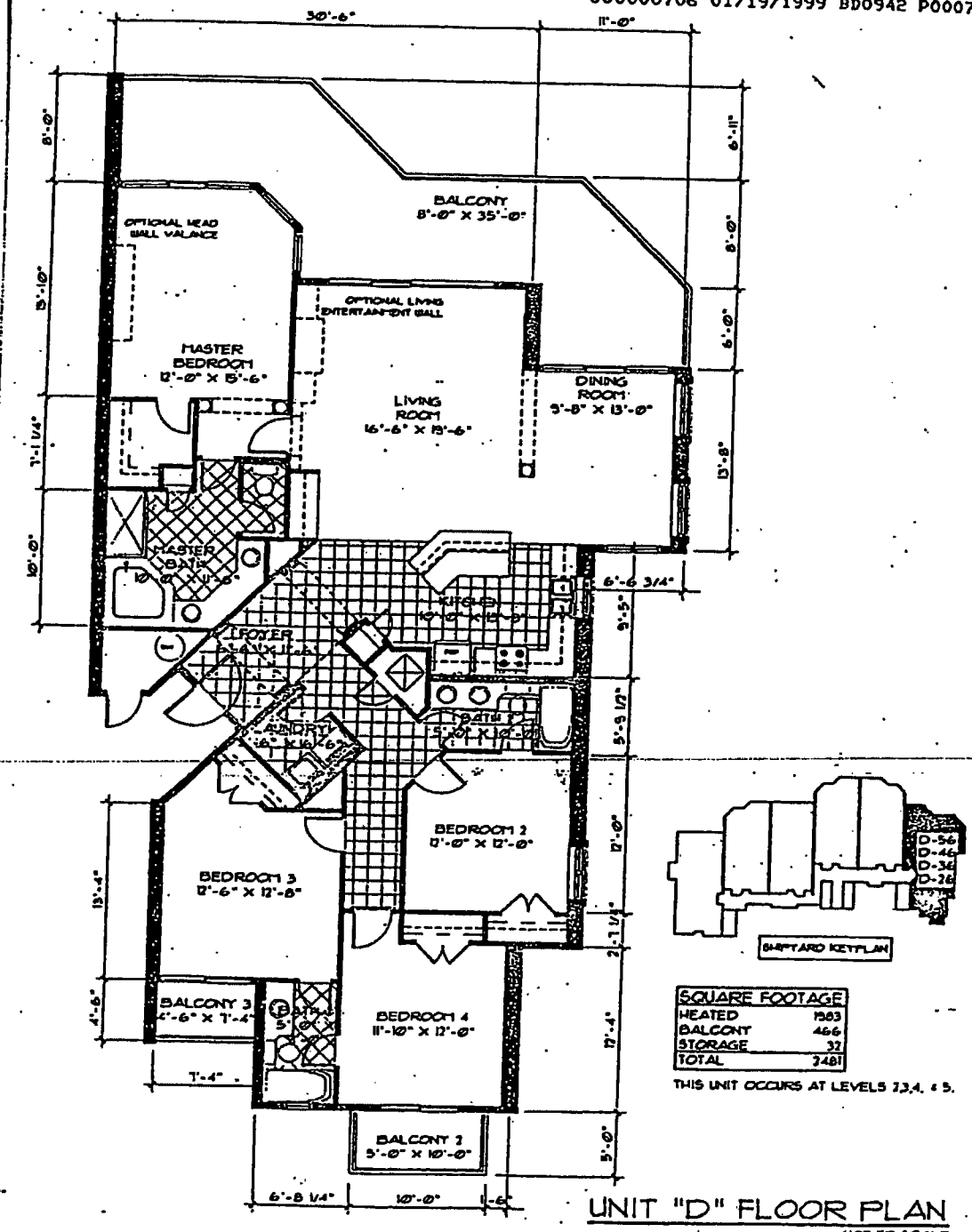
SQUARE FOOTAGE	
HEATED	1983
BALCONY	466
STORAGE	32
TOTAL	2481

THIS UNIT OCCURS AT LEVEL 1

UNIT "D-F" FLOOR PLAN

NOT TO SCALE

00013908 10/16/1998 B910 P53
000000706 01/19/1999 BD0942 P00074

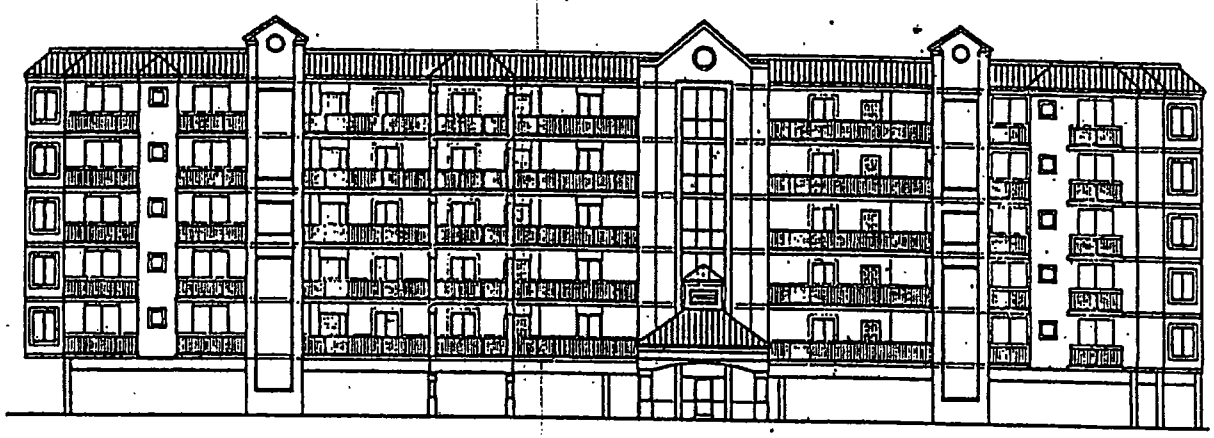


SQUARE FOOTAGE	
HEATED	1983
BALCONY	466
STORAGE	32
TOTAL	2481

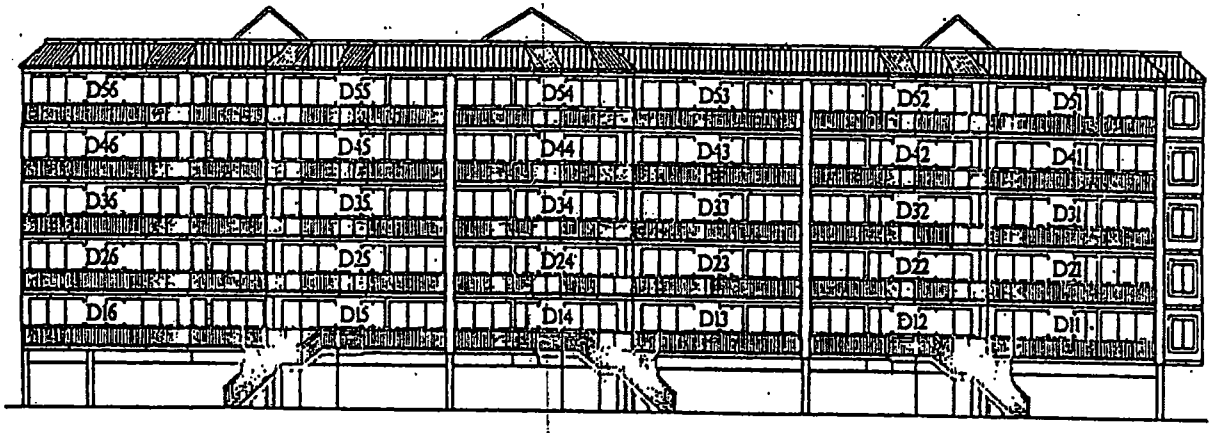
THIS UNIT OCCURS AT LEVELS 2,3,4, & 5.

UNIT "D" FLOOR PLAN

NOT TO SCALE



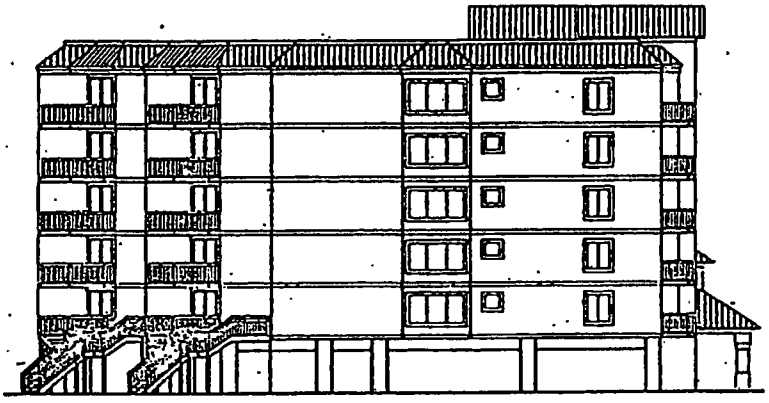
WEST ELEVATION - BUILDING "D"
NOT TO SCALE



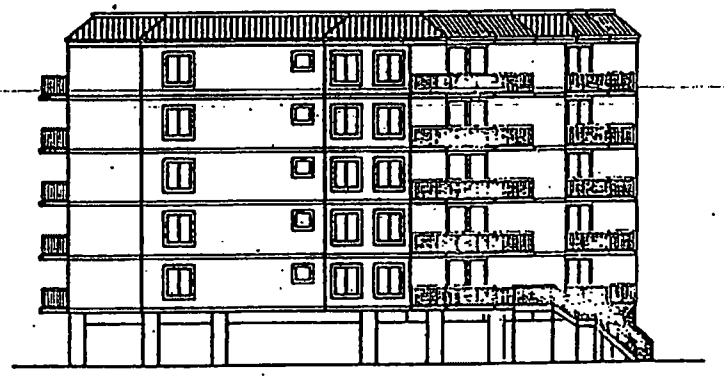
EAST ELEVATION - BUILDING "D"
NOT TO SCALE

000139908 10/16/1998 B910 P54
000000706 01/19/1999 BD0942 P00075

00013908 10/16/1998 B910 P55
000000706 01/19/1999 BD0942 P00076



SOUTH ELEVATION - BUILDING "D"
NOT TO SCALE



NORTH ELEVATION - BUILDING "D"
NOT TO SCALE

00013908 10/16/1998 B910 P56
000000706 01/19/1999 BD0942 P00077

EXHIBIT D
(Architect's Certification)

ARCHITECT'S CERTIFICATE

Pursuant to Section 27-31-110 of the Code of Laws of South Carolina, 1976, as amended, I hereby certify the Unit Plans described in Exhibit C of the Second Amendment to the Master Deed of the Shipyard Village Horizontal Property Regime, as being those plans consisting of 20 pages and that the Phase III Building with the Units located therein shown in the Unit Plans is the same as constructed on the Property.

JENKINS, HANCOCK & SIDES

By: J Clay Burdette

Its: Architect

Georgetown: 24965

EXHIBIT E
(Percentage Interests)

SCHEDULE OF STATED VALUES AND PERCENTAGE INTERESTS

Unit Number	Unit Type	Assigned Value for Purposes of Horizontal Property Act	Percentage Interest
A-11	G	80,000	.67510%
A-12	G	80,000	.67510%
A-13	G	80,000	.67510%
A-14	G	80,000	.67510%
A-15	G	80,000	.67510%
A-16	G	80,000	.67510%
A-17	G	80,000	.67510%
A-18	G	80,000	.67510%
A-21	G	80,000	.67510%
A-22	G	80,000	.67510%
A-23	G	80,000	.67510%
A-24	G	80,000	.67510%
A-25	G	80,000	.67510%
A-26	G	80,000	.67510%
A-27	G	80,000	.67510%
A-28	G	80,000	.67510%
A-31	G	80,000	.67510%
A-32	G	80,000	.67510%
A-33	G	80,000	.67510%
A-34	G	80,000	.67510%
A-35	G	80,000	.67510%
A-36	G	80,000	.67510%
A-37	G	80,000	.67510%
A-38	G	80,000	.67510%
A-41	G	80,000	.67510%
A-42	G	80,000	.67510%
A-43	G	80,000	.67510%
A-44	G	80,000	.67510%
A-45	G	80,000	.67510%
A-46	G	80,000	.67510%
A-47	G	80,000	.67510%
A-48	G	80,000	.67510%
A-51	G	80,000	.67510%
A-52	G	80,000	.67510%

Unit Number	Unit Type	Assigned Value for Purposes of Horizontal Property Act	Percentage Interest
A-53	G	80,000	.67510%
A-54	G	80,000	.67510%
A-55	G	80,000	.67510%
A-56	G	80,000	.67510%
A-57	G	80,000	.67510%
A-58	G	80,000	.67510%
B-11	G	80,000	.67510%
B-12	G	80,000	.67510%
B-13	G	80,000	.67510%
B-14	G	80,000	.67510%
B-15	G	80,000	.67510%
B-16	G	80,000	.67510%
B-17	G	80,000	.67510%
B-18	G	80,000	.67510%
B-21	G	80,000	.67510%
B-22	G	80,000	.67510%
B-23	G	80,000	.67510%
B-24	G	80,000	.67510%
B-25	G	80,000	.67510%
B-26	G	80,000	.67510%
B-27	G	80,000	.67510%
B-28	G	80,000	.67510%
B-31	G	80,000	.67510%
B-32	G	80,000	.67510%
B-33	G	80,000	.67510%
B-34	G	80,000	.67510%
B-35	G	80,000	.67510%
B-36	G	80,000	.67510%
B-37	G	80,000	.67510%
B-38	G	80,000	.67510%
B-41	G	80,000	.67510%
B-42	G	80,000	.67510%
B-43	G	80,000	.67510%
B-44	G	80,000	.67510%
B-45	G	80,000	.67510%
B-46	G	80,000	.67510%
B-47	G	80,000	.67510%
B-48	G	80,000	.67510%
B-51	G	80,000	.67510%
B-52	G	80,000	.67510%
B-53	G	80,000	.67510%

Georgetown: 24965

Unit Number	Unit Type	Assigned Value for Purposes of Horizontal Property Act	Percentage Interest
B-54	G	80,000	.67510%
B-55	G	80,000	.67510%
B-56	G	80,000	.67510%
B-57	G	80,000	.67510%
B-58	G	80,000	.67510%
C-11	J	95,000	.80168%
C-12	I	90,000	.75949%
C-13	I	90,000	.75949%
C-14	I	90,000	.75949%
C-15	I	90,000	.75949%
C-16	I	90,000	.75949%
C-21	J	95,000	.80168%
C-22	I	90,000	.75949%
C-23	I	90,000	.75949%
C-24	I	90,000	.75949%
C-25	I	90,000	.75949%
C-26	I	90,000	.75949%
C-31	J	95,000	.80168%
C-32	I	90,000	.75949%
C-33	I	90,000	.75949%
C-34	I	90,000	.75949%
C-35	I	90,000	.75949%
C-36	I	90,000	.75949%
C-41	J	95,000	.80168%
C-42	I	90,000	.75949%
C-43	I	90,000	.75949%
C-44	I	90,000	.75949%
C-45	I	90,000	.75949%
C-46	I	90,000	.75949%
C-51	J	95,000	.80168%
C-52	I	90,000	.75949%
C-53	I	90,000	.75949%
C-54	I	90,000	.75949%
C-55	I	90,000	.75949%
C-56	I	90,000	.75949%
D-11	I	90,000	.75949%
D-12	I	90,000	.75949%
D-13	I	90,000	.75949%
D-14	I	90,000	.75949%
D-15	I	90,000	.75949%
D-16	J	95,000	.80168%

Georgetown: 24965

Unit Number	Unit Type	Assigned Value for Purposes of Horizontal Property Act	Percentage Interest
D-21	I	90,000	.75949%
D-22	I	90,000	.75949%
D-23	I	90,000	.75949%
D-24	I	90,000	.75949%
D-25	I	90,000	.75949%
D-26	J	95,000	.80168%
D-31	I	90,000	.75949%
D-32	I	90,000	.75949%
D-33	I	90,000	.75949%
D-34	I	90,000	.75949%
D-35	I	90,000	.75949%
D-36	J	95,000	.80168%
D-41	I	90,000	.75949%
D-42	I	90,000	.75949%
D-43	I	90,000	.75949%
D-44	I	90,000	.75949%
D-45	I	90,000	.75949%
D-46	J	95,000	.80168%
D-51	I	90,000	.75949%
D-52	I	90,000	.75949%
D-53	I	90,000	.75949%
D-54	I	90,000	.75949%
D-55	I	90,000	.75949%
D-56	J	95,000	.80168%
		$11,850,000	100%

Georgetown: 24965

00000706 01/19/1999 BD0942 P00082

#556 #42.00 re-record
McNair

FILED
REGISTER OF MESNE
CONVEYANCES

99 JAN 19 AM 11:56

GEORGETOWN COUNTY, S.C.
BOOK 942 PAGE 46
Wanda J. Grevatte

re-record

Recorded this 27th day of
January A. D. 1999
Edna W. Greenwood
Auditor, Georgetown Co., S.C.

00013908 10/16/1998 B910 P61

#25167 McNair law firm
00013908
RECORDED 10/16/1998 02:53P
Bk:910 Pg:25 Pages:37
Fee:42.00 State:0.00
County:0.00 Trans:0.00
Georgetown County, SC
Register of Deeds
Wanda J. Grevatte

Shipyard Village Development Corp LLC

2nd amend - master deed
1.59 ac ph III
Shipyard Village HPR

Recorded this 20th day of
October A. D. 1998
Jessie A. Duncan, Deputy
Auditor, Georgetown Co., S.C.

STATE OF SOUTH CAROLINA)
) AMENDMENT TO THE MASTER DEED
) OF SHIPYARD VILLAGE
COUNTY OF GEORGETOWN) HORIZONTAL PROPERTY REGIME

WHEREAS, the Master Deed for Shipyard Village Horizontal Property Regime (hereinafter the "Master Deed") was filed with the Register of Deeds for Georgetown County, South Carolina, on July 9, 1982 in Deed Book 201 at page 880; and

WHEREAS, the Master Deed has been amended by the filing of a First Amendment in the Register of Deeds for Georgetown County in Deed Book 891 at Page 001 (said First Amendment was re-recorded in Deed Book 907 at Page 127 and re-recorded in Deed Book 942 at Page 001), and by the filing of a Second Amendment in the Register of Deeds for Georgetown County in Deed Book 910 at Page 25 (said Second Amendment was re-recorded in Deed Book 942 at Page 46); and

WHEREAS, the Shipyard Village Council of Co-Owners, Inc. is a nonprofit corporation organized and existing under the laws of the State of South Carolina; and

WHEREAS, after proper and timely notice to Association members, a Special Meeting was held on April 15, 2006 for the purpose of voting on this Amendment to the Master Deed; and

WHEREAS, at that Special Meeting this Amendment was adopted by the affirmative vote the Co-Owners of two-thirds of the total interest in the Common Elements, pursuant to pursuant to Article XIV, Section 14.1 of the Master Deed; and

WHEREAS, the Shipyard Village Council of Co-Owners now desires to place this Amendment upon the public record;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS that the Master Deed for Shipyard Village Horizontal Property Regime is amended as follows:

The following language is hereby **deleted** from Article III, Section 3.6(c):

> (ii) the window glasses, screens, frames and casings which are part of the window openings of the Unit;

The following language is hereby **deleted** from Article II, Section 5(c) of the First and Second Amendments to the Master Deed:

CERTIFIED A TRUE
AND CORRECT COPY
Wanda J. Prewatte
REGISTER OF DEEDS
GEORGETOWN COUNTY, S.C.

GEORGETOWN COUNTY PARCEL #

PLAINTIFF'S EXHIBIT 15

(iv) the window glasses, screens, frames, and casings which are part of the window openings of the Unit;

The following sentence is hereby added to the end of Article III, Section 3.7(b) of the Master Deed:

> The Limited Common Elements shall also include the window glasses, screens, frames, and casings which are part of the window openings.

The First and Second Amendments to the Master Deed are hereby amended so that the final two sentences of Article III, Section 2 of those Amendments read as follows:

> The Limited Common Elements shall also include the window glasses, screens, frames, and casings which are part of the window openings. Except as otherwise set forth herein, the use of the Limited Common Elements are restricted exclusively to the respective Unit Owner, members of his immediate family, guests and tenants.

Any other provisions of the Master Deed and Amendments thereto which are otherwise inconsistent with this Amendment are hereby amended so that such provisions are consistent with this Amendment. All other provisions of the Master Deed and Amendments thereto are unchanged and shall remain in full force and effect.

IN WITNESS WHEREOF, the President and Secretary of the Shipyard Village Council of Co-Owners, Inc., have caused this Amendment to be transcribed and hereby certify that this Amendment to the Master Deed and First and Second Amendments of the Shipyard Village Horizontal Property Regime was duly adopted in accordance with the provisions of the Master Deed.

SIGNED, SEALED, and DELIVERED IN THE PRESENCE OF:

WITNESSES:

1st Witness Signature

Vicki Gallagher, Witness/Notary

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

By:

Brian Nisbet
Its: President

STATE OF SOUTH CAROLINA)
COUNTY OF GEORGETOWN)

ACKNOWLEDGEMENT
(S.C. CODE ANN. §30-5-30(B)(C)

I, the undersigned Notary Public for South Carolina, do hereby certify that Shipyard Village Council of Co-Owners, Inc. by Brian Nisbet, its President, appeared before me this day and acknowledged the due execution of the foregoing instrument as its act and deed.

Witness my hand and official seal this 20th day of September, 2006.

Vicki Gallagher
Notary Public for South Carolina
My Commission Expires: August 16, 2012

(SEAL)

WITNESSES:

1st Witness Signature

Kellie A. Diehl

SHIPYARD VILLAGE COUNCIL
OF CO-OWNERS, INC.

By: James C. Poag, Jr.
James C. Poag, Jr.
Its: Secretary

STATE OF SOUTH CAROLINA)
COUNTY OF GEORGETOWN)

ACKNOWLEDGEMENT
(S.C. CODE ANN. §30-5-30(B)(C)

I, the undersigned Notary Public for South Carolina, do hereby certify that Shipyard Village Council of Co-Owners, Inc. by James C. Poag, Jr., its Secretary, appeared before me this day and acknowledged the due execution of the foregoing instrument as its act and deed.

Witness my hand and official seal this 26th day of September, 2006.

Vicki Gallagher
Notary Public for South Carolina
My Commission Expires: August 16, 2012

(SEAL)

Instrument	Book	Page
200600022615	235	9

48054 RTS

200600022615
Filed for Record in
GEORGETOWN SC
REGISTER OF DEEDS
10-16-2006 At 01:37 pm.
AMENDMENT 10.00
STATE TAX .00
COUNTY TAX .00
Book 235 Page 5 - 9
Wanda F. Prevatte

RECORD THIS DATE

AUDITOR GEORGETOWN CO.
LINDA S. MOCK

STATE OF SOUTH CAROLINA)
) CORRECTION AND CLARIFICATION OF
) AMENDMENT TO THE MASTER DEED OF
COUNTY OF GEORGETOWN) SHIPYARD VILLAGE HORIZONTAL
) PROPERTY REGIME
) (Amendment filed in Deed Book 235, page 5)

WHEREAS, the Master Deed for Shipyard Village Horizontal Property Regime (hereinafter the "Master Deed") was filed with the Register of Deeds for Georgetown County, South Carolina, on July 9, 1982 in Deed Book 201 at page 880; and

WHEREAS, the Master Deed has been amended by the filing of a First Amendment in the Register of Deeds for Georgetown County in Deed Book 891 at Page 001 (said First Amendment was re-recorded in Deed Book 907 at Page 127 and re-recorded in Deed Book 942 at Page 001), and by the filing of a Second Amendment in the Register of Deeds for Georgetown County in Deed Book 910 at Page 25 (said Second Amendment was re-recorded in Deed Book 942 at Page 46); and

WHEREAS, the Master Deed has also been amended by the filing of a third Amendment in the Register of Deeds for Georgetown County in Deed Book 235, page 5, which Amendment amended various portions of the Master Deed and the First and Second Amendments thereto; and

WHEREAS, the text of the Amendment recorded in Deed Book 235 at page 5 inadvertently omitted a portion of the Amendment that was approved by the Co-Owners; and

WHEREAS, the Shipyard Village Council of Co-Owners, Inc., by and through its Board of Directors, now desires to correct and clarify that Amendment filed in Deed Book 235 at page 5 in order to reflect the Amendment that was approved by Co-Owners, and to place this Correction and Clarification on the public record;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS that the purpose of the Amendment filed in Deed Book 235 at page 5 of the Georgetown County Register of Deeds amending the Master Deed for Shipyard Village Horizontal Property Regime is to define the windows and sliding glass doors and appurtenances thereto (excluding screens) as Limited Common Elements of the Regime. As a result of that Amendment filed in Deed Book 235, page 5 of the Georgetown County Register of

CERTIFIED A TRUE
AND CORRECT COPY
Wanda J. Prevatte
REGISTER OF DEEDS
GEORGETOWN COUNTY, S.C.

PLAINTIFF'S EXHIBIT

Deeds and of this Correction and Clarification, the following sections of the Master Deed for Shipyard Village Horizontal Property Regime now read as follows:

Article III, Section 3.6(c) of the Master Deed, as amended by that Amendment filed in Deed Book 235 at page 5, now reads as follows:

Section 3.6. Boundaries of Units in Phase I.

(c) Each Unit shall also encompass and include the following: (i) the doors (including screen doors but excluding sliding glass doors) opening into the Unit and onto any balcony reserved to the use of a Unit, including the frames, casings, hinges, handles and other fixtures which are part of the doors; (ii) window screens; (iii) the plumbing, wiring and mechanical vents which exclusively serve the Unit; (iv) the appliances, air conditioning and heating units (including the condenser and all piping, wiring and attachments), hot water heaters, lavatories, bath tubs, toilets, carpeting, floor covering, trim finished surface of ceilings and walls, insulation and other fixtures and furnishings which are within or serve the Unit when delivered to the initial Co-Owner; (v) all appurtenances which are integral and exclusive to the Unit, including but not limited to lamps attached to the exterior of the Unit, and water and sewer pipes within the Unit exclusively serving the Unit.

ARTICLE III, Section 3.7(b) of the Master Deed, as amended by that Amendment filed in Deed Book 235 at page 5, now reads as follows:

3.7 (b) Limited Common Elements. The Limited Common Elements shall include those special elements designated in each Phase as for the exclusive use of a specific Unit. The Limited Common Elements are more specifically designated in Exhibits A and B and include ground floor storage rooms, covered parking and decks. The Limited Common Elements shall also include the window glasses, frames and casings which are part of the window openings; and the sliding glass doors, including the glasses, frames and other fixtures which are part of the sliding glass doors, but shall not include the screens.

ARTICLE II, Section 5(c) of both the First and Second Amendments to the Master Deed, as amended by that Amendment filed in Deed Book 235 at page 5, now reads as follows:

c. Each Unit shall also encompass and include, and each Owner shall be responsible for maintenance and repair of the following whether located within or without the boundaries described in (a) and (b) above: (i) the doorways (excluding the sliding glass doors), vents and other non-structural elements in the walls, floor, and ceilings of the Unit which are regarded as enclosures of space; (ii) the doors (excluding the sliding glass doors but including screen doors) opening into the Unit and any storage area integral to the Unit, including the frames, casings, hinges, handles and other fixtures which are part of the doors; (iii) the window screens; (iv) the plumbing, wiring, and mechanical vents that exclusively serve the Unit; (v) the appliances, air conditioning, and

heating units (including the condenser and all piping, wiring and attachments), hot water heaters, lavatories, bath tubs, toilets, carpeting, floor covering, trim finished surface of ceilings and walls, wiring, insulation, and other fixtures, furnishings, and building materials which are part of the Unit when delivered to the initial Owner and which exclusively serve the Unit; and (vi) all appurtenances which are integral and exclusive to the Unit, including but not limited to lamps attached to the exterior of the Unit, and water and sewer pipes within the Unit exclusively serving the Unit.

ARTICLE III, Section 2 of both the First and Second Amendments to the Master Deed, as amended by that Amendment filed in Deed Book 235 at page 5, is amended so that the following sentence is inserted prior to the existing final sentence:

The Limited Common Elements shall also include the window glasses, frames, and casings which are part of the window openings; and the sliding glass doors, including glass, frames and other fixtures which are part of the sliding glass doors , but shall not include any screens.

The purpose and intent of the Council of Co-Owners in amending these provisions is to make the windows and sliding glass doors and appurtenances thereto (excluding screens) part of the Limited Common Elements of the Regime. Any other provisions of the Master Deed and Amendments thereto which are otherwise inconsistent with this purpose and intent are hereby amended so that such provisions are consistent with this purpose and intent. All other provisions of the Master Deed and Amendments thereto are unchanged and shall remain in full force and effect.

IN WITNESS WHEREOF, the President and Secretary of the Shipyard Village Council of Co-Owners, Inc., have caused this Correction and Clarification of Amendment to be transcribed.

SIGNED, SEALED, and DELIVERED IN THE PRESENCE OF:

WITNESSES:

SHIPYARD VILLAGE COUNCIL
OF CO-OWNERS, INC.

By: Jack C. Eblin
Jack C. Eblin
Its: President

STATE OF SOUTH CAROLINA) **ACKNOWLEDGEMENT**
COUNTY OF GEORGETOWN) **(S.C. CODE ANN. §30-5-30(B)(C)**

I, the undersigned Notary Public for South Carolina, do hereby certify that Shipyard Village Council of Co-Owners, Inc. by Jack C. Eblin, its President, appeared before me this day and acknowledged the due execution of the foregoing instrument as its act and deed.

Witness my hand and official seal this 7th day of November, 2007.

Notary Public for South Carolina
My Commission Expires: 2/21/2017

WITNESSES:

Ruth Ann Brooks
1st Witness Signature

Mary Jane Faulkman
2d Witness Signature

SHIPYARD VILLAGE COUNCIL
OF CO-OWNERS, INC.

By: James C. Poag, Jr.
James C. Poag, Jr.
Its: Secretary

STATE OF SOUTH CAROLINA)
COUNTY OF GEORGETOWN)

ACKNOWLEDGEMENT
(S.C. CODE ANN. §30-5-30(B)(C)

I, the undersigned Notary Public for South Carolina, do hereby certify that Shipyard Village Council of Co-Owners, Inc. by James C. Poag, Jr., its Secretary, appeared before me this day and acknowledged the due execution of the foregoing instrument as its act and deed.

Witness my hand and official seal this 12th day of November, 2007.

Mary Jane Faulkman
Notary Public for South Carolina
My Commission Expires: 7/12/12

Instrument	Book	Page
200700027185	754	178

64856 Patrick

200700027185
Filed for Record in
GEORGETOWN SC
WANDA PREVATTE
11-14-2007 At 02:09 pm.

AMENDMENT	11.00
STATE TAX	.00
COUNTY TAX	.00

Book 754 Page 173 - 178

Wanda F. Prevatte

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

ORGANIZATIONAL MEETING OF THE BOARD OF DIRECTORS

June 15, 1999

Pursuant to call, an Organizational Meeting of the Board of Directors of Shipyard Village Council of Co-Owners, Inc. held on Tuesday, June 15, 1999, commencing at 10:00 a.m. in the Board Room of Waccamaw Management Company located in Pawleys Island, South Carolina.

The following Directors of the Association were present:

Charles Oakey
Joe Bond
Marie Aker
Dr. Leon Jennings
Libba Stone
S. Grady Hubbard
Ed Peterson

Also present were Frank E. Cody, Susan Pendergrass, Traci Ousley and Bobby Warner of Waccamaw Management Company, Managing Agent for the Association.

Mr. Cody opened the Meeting, stating that he would act as Temporary Chairman of the Meeting to conduct the election.

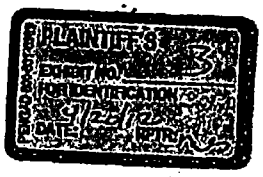
Mr. Cody stated that the purpose of the Organizational Meeting is to elect officers for 2000/2001 or to serve until the 18th Annual Members' Meeting or until their successor is elected. Mr. Cody then opened the floor to nominations. The following nominations were submitted:

Charles Oakey, President
Joseph Bond, Vice President
Marie Aker, Secretary/Treasurer

Mr. Cody asked if there were any additional nominations. With no additional nominations being made, upon a motion by Ms. Stone, seconded by Dr. Jennings, and unanimously approved, it was,

MOVED: To accept the slate of nominees of the Board of Directors.

The first item discussed was painting and waterproofing project. Mr. Cody informed the Board of the original quote from Bruce Henderson that the Board had accepted $300,000.00 for both buildings. Since the time of the defeat of the special assessment, Waccamaw Management has done $24,000 worth



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of repairs that the Board had felt was necessary to do so at that time. This leaves an additional $25,000 stuccowork to be done on the two buildings. Another item in the quote was the balcony and the corridor rails and the step rails will be sanded to remove the existing enamel and rust proof and apply two coats of enamel to be applied to both rails which cost $36,000. The Board agreed to omit the thresholds and window frames from the bid, and if the individual owner wants done, it would be their expense; therefore, optional to the owners. Mr. Bond asked where in the by-laws does it state that the owners are responsible for their thresholds and window frames. Mr. Cody reviewed Article III, Section 3.6 – the boundaries of unit in paragraph C. The notice is to state that the owners are responsible for any leaks caused by leaking windows. Upon a motion by , seconded by and unanimously approved, it was:

MOVED; To notify all the owners and inform them that they are responsible of their threshold and window frame on their unit.

The Board decided that the special assessment would be $850.00 and add the remainder to the budget. The special assessment for A & B owners would be $775, - $1,500 if option for thresholds and windows, Type I - $896.00 per unit and Type J - $936.00 per unit. The Board suggested that the special assessment be collected by September, 1999 and the work could begin immediately after Labor Day. The Board requested that Mr. Cody confirm with the Association attorney to make sure 1 percent for this special assessment is correct. Upon a motion by Ms. Stone, seconded by Dr. Jennings, and unanimously approved, it was:

MOVED; A special assessment that would be based Buildings A & B - $775 and Type I - $896 and Type J - $936 for the painting and waterproofing project.

Advise the C & D owners that thresholds and windows are an option to owners of A & B units and is not included in the special assessment.

The second item discussed were the maintenance items from the notice.

- All roof hatches have been rekeyed.
- Hot tub left open all year.
- Pool signs have been changed to reflect correct closing time.
- Garage sign already there.
- Laminated rules and regulations are available at Waccamaw Management Company.
- Of lights are almost complete.

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SPECIAL MEETING OF THE BOARD OF DIRECTORS
February 21, 2002

MINUTES

Pursuant to call, a Special Meeting of the Board of Directors of Shipyard Village Council of Co-Owners was held on Thursday, February 21, 2002, commencing at 10AM at The Carolinian Inn, Georgetown, South Carolina.

The following Directors were presnt:
Joseph Bond
Samuel Hubbard
G. Henry Jobe
Robert Shaffner
C. Leon Jennings

Also in attendance were George McGhee and Frank Henry, from McGhee Consultants; Ralph McCullough and Richard Gleissner of Finkel & Altman; Kellie Diehl of K.A.Diehl & Associates; and Bobby Warner, Property Supervisor.

Leon Jennings, President of the Association, served as Chairman of the Meeting, and Henry Jobe served as Secretary.

A detailed power point presentation of the forensic engineers' findings at Captain's Quarters "C" and "D" was made by McGhee and Henry They reported that the additional time and expense to complete the investigation had been in part due to the lack of cooperation by The Litchfield Co., R.J.Griffin, Waccamaw Mgt. and the architect. These entities have failed to turn over needed documents and reports regarding plans, changes during construction, problems encountered during and after construction, and results of previous moisture testing of the buildings. Some of the findings reported by the engineers included:

(1) absence of mechanical anchors which had been specified by the architect
(2) elevated moisture readings at probe sites indicating water penetration into walls
(3) improper caulking of windows
(4) improper roof flashing
(5) improper Dryvit installation techniques
(6) corrosion of windows and sliding doors indicating water entry
(7) isolated areas of rust found on steel rods supporting concrete floors
(8) lack of expansion joints

It was stressed that problems from water intrusion are time related and tend to compound. Photos of findings at tha Hamilton in Somerset demonstrated the extensive damage in 6 years as compared to the damage after 3 years in Captain's Quarters.

The engineers and attorneys are not prepared at this time to make definite recommendations as to the course to follow -- repair or replace the cladding. Repair (remediation) would still leave a barrier EIFS which is a high maintenance system and which has been declared a defective product by a federal judge in Virginia. Property values and future sales could be threatened.

Following the engineers' report, Rick Gleissner assured the BOD

that the tolling agreements with R.J.Griffin and The Litchfield Co. would be extended.

The lawyers and engineers were excused and the BOD continued in session.

Kellie Diehl reported on the status of her new management company and the activities leading up to assuming management responsibility of SYV on March 1, 2002. She announced that Vicki Gallagher would be her office assistant.

Because of landscaping concerns, it was agreed that landscape employees must report daily to Bobby Warner indicating work done and to receive a list of to-do items.

Kellie and Bobby were excused and the BOD discussed Bobby's salary and voted to pay him $1500 for his work in February. His salary will be paid 60% by Somerset and 40% by SYV and will be $48,000 annualized. An initial salary of $50,000 had been approved and the Board now plans to give him a $2000 bonus at year-end to honor that agreement.

Joe Bond, Audit Chairman, will review financial statements with special emphasis on the January to March 2002 period.

Discussion was held regarding a local lawyer for SYV matters and the President was asked to interview Charles Smith and to ask Doris Bray for suggestions.

The President reported that Somerset was willing to assume 60% of the cost of creating an office in SYV "A" for the Property Supervisor. Keystone Construction will do the work at cost plus labor. The Board approved this plan.

There being no further business, the meeting was adjourned.

C. Leon Jennings, Jr.
President

G. Henry Jobe
Acting Secretary

EXHIBIT "A"

SHIPYARD VILLAGE MANAGEMENT REPORT
BOARD MEETING AUGUST 23, 2002

NOTE: July financial statement to follow under separate cover

A. Roof Repair B Building: I will have bids at the meeting, pictures and a diagram of the roof so everyone can see where the current leak is, what sections of the roof have already been repaired/replaced – this way we can make an educated decision on what course of action to take on this new leak.

B. AC installation policy: I will have a proposed policy at the meeting for your review. As it is now, when an owner needs the AC unit replaced, their contractor goes up on the roof and installs it however the contractor sees fit. Some have been done fine but many have been installed sloppily and are contributing to damage to the roof. Sometimes in the past, the old unit has just been left on the roof. Our recommendation is to adopt an AC installation policy that all must follow and AC contractors need to notify us when done so Bobby can inspect and make sure in compliance. You will see in the pictures of the B building roof leak how the AC units are a mess and accelerating roof damage.....

C. Hot water heater & AC inspection: hot water heaters were inspected in C & D and all looked good. Letters sent to two owners with small rust signs to watch. AC inspection yielded many ACs in need of repair – pictures at the meeting. Will send letter to all owners who need to repair with copy of new AC installation policy after Board adopts.

D. Letter sent to C&D owners on window and tile problems – copy enclosed. Attorneys suggested we do this at Somerset and for C & D. Window problems would be part of dryvit situation; tile problems – because this seems to be such a common thing, the attorneys suggested we gather this information – the attorneys will get copy of responses and probably discuss a separate class action type suit for the tile since it is not a common element issue for the association. Will have responses received to date at the meeting for review.

E. A & B building window project: as some of you know, I sent out a mailing in response to the many calls we were getting about windows leaking in A & B. This is the owners responsibility and very difficult for some to try to deal with getting the work done. We have had 24 owners respond thus far with problems from one window to every window in the unit; from fogged glass to major deterioration. We are in the process of inspecting the windows and formulating a plan/price. We did work on B15 windows recently which gave great indications of what we will discover as we open up others. We will discuss and have pictures of what was done on B15 and some building issues that were discovered which contribute to window problems. I have written back to the owners who sent in forms telling them we received their form and

are now inspecting and will get back to them shortly with plan/price. That is all that has been communicated to the owners at this point.

F. Correspondence: enclosed FYI.

G. Note for new business preliminary budget discussion: tentative board budget meeting scheduled for Oct. 25, 2002. Just want to get idea at Aug. meeting of any projects, special things, etc. for next year so we can get pricing incorporated into 2003 budget correctly.

H. Note for old business LBTS cross over: sub meter has been installed and first bill for water usage sent to Waccamaw. Nothing has been done on drainage situation – this is disappointing. Frank Cody called me over a month or so ago stating he had guys out there looking at it and would be in touch. I suggested an elevated shower area (like at Somerset crossovers) but no further communication or action.....

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

SPECIAL MEETING OF THE BOARD OF DIRECTORS

MINUTES

SEPTEMBER 27, 2002

A Special Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Friday, September 27, 2002 1:00 p.m. in the Offices of Puckett, Scheetz & Hogan, 90 Wall Street, Pawleys Island, South Carolina.

I. **ATTENDANCE:**

Board members C. Leon Jennings, Jr., S. Grady Hubbard, G. Henry Jobe, Joseph Bond and Maxie McCoy were present in person. Board members Robert Shaffner and Marie Aker were not present. Also in attendance were Kellie Diehl, Vicki Gallagher and Bobby Warner of K. A. Diehl & Associates, Inc. Also in attendance were Ralph McCullough, III, Rick Gleissner and Samuel Phillips of Finkel & Altman, LLC.

Dr. Jennings, President of the Association, served as Chairman of the Meeting and Henry Jobe, Director, served as Acting Secretary.

II. **APPROVAL OF MINUTES:**

Upon a motion made by Dr. McCoy, seconded by Mr. Hubbard, that the reading of the minutes of the Regular Meeting of the Board of Directors held on August 23, 2002, be waived and approved as submitted. The motion carried unanimously.

III. **FINANCIAL REPORTS**

A. **Current Financial Statement**

It was noted that the financial report as of August 31, 2002 was distributed to the Board prior to this meeting.

Management reviewed the financial reports in detail, with questions posed and answered to the satisfaction of the Board members.

A discussion was entered into relative to the amount allocated under general reserves totaling $37,117 for 2002. It was noted this allocation was not "earmarked" for any specific reserve line item(s). It was the remembrance of the Board that this allocation was a "catch all" fund for un-expected/un-budgeted expenses, i.e., insurance deductibles, storm damage, etc., and should have been under the operating budget and not a reserve line item. Following discussion, **a motion was made by Mr. Jobe, seconded by Dr. McCoy, authorizing management to re-allocate the $37,117 from the reserve account to the operating account, with the expense line item being Operating Contingency. The motion carried unanimously.**

Management is to code the unexpected/unbudgeted expenses throughout the 2002 year to the Operating Contingency line item.

Management reported that a schedule of reserve items and their allocations will be presented as part of the 2003 Operating Budget proposal.

B. **Accounts Receivable**

Management reported that as of September 26, 2002 there was $10.00 30-days in arrears, $30.00 60-days in arrears, and $3,573.67 over 90-days in arrears.

Management reported that the owner of B33 was sent a letter stating that should another monthly assessment payment be missed, foreclosure proceedings will begin as well as the cable services disconnected.

IV. MANAGEMENT REPORT

The management report was distributed to the Board prior to this meeting, and attached to these minutes and identified as Exhibit "A". A summary of the discussion is as follows:

- Air-conditioner Installation Policy – The Board expressed their satisfaction with the letter generated to the unit owners in need of a new air-conditioner.
- Repairs to the Small Pool – The small pool was pressure tested so that the area or areas causing water leakage could be determined. The cost to perform this test was $800. The pressure testing showed that there are several areas that are causing water leakage, with the main area being around the pool steps. T. & A. Construction Group, Inc. performed the testing and submitted a proposal for its repairs, as attached to these minutes and identified as Exhibit "B". The Board requested management to solicit another proposal. The Board agreed on the necessity of repairing the pool, and authorized the Chairman to make the decision on which contractor to retain after the additional proposal is received. Pictures were taken of the pool, with the same being provided to the Association attorney for the lawsuit.
- D Building Elevator Alarm Situation – Building D's alarm system had eight (8) false alarms due to the alarm panel malfunctioning. Correspondence is forthcoming from the Fire Marshall stating that the Association will be fined $300 per false alarm. In addition, it will state that the Association will be required to have a Fire Watch until the panel is repaired.

  The malfunctioning is due to an installation defect and will be included in the lawsuit.

  A copy of the letter received by the manufacturer of the alarm panel was distributed to the Board, which stated in summary that there are parts that are no longer available and others that may take more than ten (10) days for receipt.

  Management will investigate alternatives to purchasing a new panel, and present their findings to the Board. The alternative is to also be blessed by the Fire Marshall.

this investigation is necessary, as due to the bankruptcy it may not be viable to file suit as the Developer may be protected through the bankruptcy.

The Board then discussed the procedures for the levying of a special assessment and the filing of a class action suit. It was noted that per the Association's By-Laws the membership must vote on such issues. Further discussion was tabled until the result of the bankruptcy investigation is received.

The Board discussed the maintenance responsibilities of the windows. The Association's Master Deed holds the individual unit owner responsible for the maintenance and repair of the window glass and frames.

The Association's attorney is to draft a letter to the owners of buildings A and B with respect to the potential window safety issues. Once the letter is approved by the Board, the letter is to be sent to the owners of buildings A and B via certified mail.

B. **Class Action Suit**
There were no further discussion necessary.

V. **NEW BUSINESS:**

A. **Maintenance and Repair Response:**
A letter was received from Ms. Davis on behalf of unit B51, relative to her concerns on repair procedures to the interior of units. The Board agreed that Bobby Warner, property supervisor, is to inspect a unit should damage occur from a common area and arrange for the repairs. Should an owner or owner's agent want to contract the repairs themselves, three (3) proposals for the repairs are to be solicited by the owner and presented to the Board for their review and consideration prior to any work commencing.

B. **Other Items Presented by Directors:**
There was no other items discussed.

VI. **SCHEDULE OF NEXT MEETING**
The Budget meeting is scheduled for October 25, 2002 at 9:00 a.m. in the office of Puckett, Scheetz & Hogan

VII. **ADJOURNMENT**
With no further business to discuss, **a motion was made by Mr. Jobe, seconded by Dr. McCoy, and unanimously carried to adjourn the meeting at 3:35 p.m.**

Submitted By: _____
Henry Jobe, Acting Secretary

Approved By: _____ Date: _____

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS

EXECUTIVE SESSION OF BOARD OF DIRECTORS
SEPTEMBER 27, 2002

MINUTES

An executive session of the Board of Directors was called to order at 1:00 p.m., September 27, 2002 prior to a called meeting of the Board.

Those present were: Leon Jennings, President
Samuel Hubbard, Vice-President
Henry Jobe, Acting Secretary
Joe Bond, Audit Committee Chairman
Maxie McCoy, Director

Three items were discussed:

(I) Regarding Bobby Warner's duties as on-site property maintenance supervisor working for Shipyard Village and reporting to Kellie Diehl, Property Manager, we have these suggestions:

(A) Any matter regarding maintenance or repair should be reported to Bobby's attention as quickly as possible for several reasons:

(1) To provide a focused, one-person-responsible chain of command.

(2) To take advantage of Bobby's long time experience on our property that gives him the best understanding of the root causes of current problems.

(3) To provide owners with one point of contact, hence improving communication.

(II) On repair/construction projects for SYV Co-Owners Association, we desire three sealed bids from available and appropriate contractors. Bids shall be submitted to Bobby Warner. We understand that some projects will not interest three bidders but in all cases we wish to entertain more than one bid.

(III) Regarding repairs done for homeowners inside their units, the Property Manager and Property Supervisor should develop and maintain a current list of suggested contractors that can be given to any homeowner. Keystone Construction, being associated with Kellie Diehl, could possibly give rise to questions regarding their selection as a contractor for association or individual homeowner's work. By giving each homeowner a list of available and approved contractors, we avoid any questions regarding selection. Additionally, the requirement for multiple (preferably three) sealed bids for association work submitted to Bobby Warner removes Kellie from potential questions and criticism regarding contract selection.

Following the above discussion, the called meeting of the Board commenced at 1:20 p.m. with members of management present.

Approved by:

C. Leon Jennings, Jr.

C. Leon Jennings, Jr.

G. Henry Jobe, Acting Secretary

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

OCTOBER 25, 2002

NOTICE

By order of the President, Notice is herby given for the holding of a Regular Meeting of the Board of Directors, to be held on Friday, October 25, 2002 commencing at 9:00 A.M. in the offices of Puckett, Scheetz & Hogan, 90 Wall Street, Pawleys Island, South Carolina.

Please contact Vicki Gallagher at (843) 357-9888 on your attendance so a quorum can be determined.

Kellie Diehl

Kellie Diehl, PCAM
K. A. Diehl & Associates, Inc.
Managing Agent

Murrells Inlet, South Carolina

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

October 25, 2002

A Regular Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Friday, October 25, 2002 at 9:00 a.m. in the Offices of Puckett, Scheetz & Hogan, 90 Wall Street, Pawleys Island, South Carolina.

I. ATTENDANCE:

Board members C. Leon Jennings, Jr., S. Grady Hubbard, G. Henry Jobe, Joseph Bond, Robert Shaffner, Marie Aker and Maxie McCoy were present in person. Also in attendance were Kellie Diehl, Vicki Gallagher and Bobby Warner of K. A. Diehl & Associates, Inc.

Dr. Jennings, President of the Association, served as Chairman of the Meeting and Marie Aker, Secretary of the Association, served as Secretary of the Meeting.

The Chairman opened the meeting by stating that this meeting is probably the most important meeting the Board has had in many years.

He then stated that the majority of the homeowners are pleased with the management transition, most of all praising Bobby Warner and Michael Cuttino.

The Chairman stated that following this meeting, the Board will enter into Executive Session to discuss the staff's salaries/Christmas bonuses, management agreement and discussion relative to the A and B building windows.

II. APPROVAL OF MINUTES:

"Appropriate" is misspelled in the September 27, 2002 Executive Session Meeting minutes. Upon a motion made by Mrs. Aker, seconded by Mr. Hubbard, that the reading of the minutes of the Regular Meeting of the Board of Directors held on September 27, 2002 and the Executive Meeting held on September 27, 2002, be waived and approved as amended. The motion carried unanimously.

III. MANAGEMENT REPORT:

Management reported that twelve (12) owners are participating with the WC Mechanics air-conditioner replacement plan. The other owners in need of replacing their air-conditioners are having their rental agents or other entities take care of this needed task. Each installation will be inspected, and a status report will be generated to the Board after the 60 day time period has ended.

The pool repair work commenced on October 22, 2002, and should be completed within a three (3) week period.

IV. FINANCIAL REPORTS

A. Current Financial Statement

It was noted that the financial report as of September 30, 2002 was distributed to the Board prior to this meeting.

Management reviewed the financial reports in detail, with questions posed and answered to the satisfaction of the Board members.

Dr. McCoy stated that the "Operating Contingency" line item reflects a year end budget figure of $37,617, however, the Board approved to move $37,117 from the general reserves. Therefore, there is a $500 difference. Management will correct.

The Board directed management to re-allocate the expenditure for the purchase of a new fire alarm system for the C Building to the reserve account. A discussion then ensued around the Association's financial reporting and reserve allocations at great length.

B. Accounts Receivable

Management reported that as of October 25, 2002 there was $933.96 30-days in arrears and $10.00 60-days. It was noted that the owner of B33 sold the unit, and paid the delinquent amount in full prior to closing.

V. 2003 BUDGET:

It was noted that the proposed 2003 operating budget was distributed to the Board prior to this meeting.

The Chairman reported that the Litchfield by the Sea Board of Directors is considering limiting the security patrol to only the Litchfield by the Sea common property and not the individual regimes, i.e., parking area, garages, etc. He then noted that there are plans to install an automatic gate with a bar code reader for the use of owners only; therefore, there will be two (2) lanes- one for the owners and the other for renters and guests. The Chairman reminded the Board that there is an "All Boards Meeting" following this meeting. He will express the Board's concerns relative the possibly of discontinuing the patrolling of individual regimes.

Management reviewed the proposed budget in detail, with the Board requesting the following changes:

- ✓ Landscape Maintenance & Supplies – reduced from $10,000 to $7,000
- ✓ Audit Services – reduced from $4,000 to $2,300

Management provided the Board with the breakdown of the maintenance staff's salary. The proposed landscape maintenance contract for the 2003 year reflects the expense for the purchasing of seasonal flowers twice a year as an additional expense to the Association. Mr. Warner stated the exclusion of said expense

was in error, and will have Sea Coast Landscaping correct the error prior to the Board signing the contract.

Further discussion was deferred to the Executive Session Meeting. Management will be informed of additional changes to the proposed 2003 budget for implementation.

VI. OLD BUSINESS:

A. A & B Building Windows:
The Chairman distributed a copy of the Association attorney's email relative to the windows. The Chairman reported that the Association's attorney is informing the Board that there is a viable entity to file suit against. Further discussion was deferred to the Executive Session Meeting.

VII. NEW BUSINESS:

A. 2002 Audit Bids:
The Board received proposals from three (3) auditing firms, with the same being filed with the official records of the Association. Mrs. Diehl disclosed that Moore, Kirkland & Beauston LLP, one of the bidders, has prepared her personal tax returns. Following review, a motion was made by Mr. Jobe, seconded by Mr. Hubbard, to retain the services of Moore Kirkland & Beauston LLP as the Association auditor for the period ending December 31, 2002, at the proposed expense of $2,300. The motion carried unanimously.

B. 2002 Bonuses for Staff:
The Board agreed on the concept of rewarding the employees for superior performance with a Christmas bonus/gift. Further discussion was deferred to the Executive Session meeting.

C. Other:

1. All Boards Meeting: Mr. Jobe stated that he would like to bring up landscape maintenance needs at the All Boards Meeting. He commented that Heron Marsh is in need of landscape maintenance improvements, as well as several common areas in Litchfield by the Sea. Following discussion on "curb appeal", Mr. Warner was requested to have the street side of Shipyard Village's landscape area edged.

2. Social Request: The owner of A41 has requested that the Association sponsor a "Cocktail" social for the homeowners at Thanksgiving. The Board gave this request great consideration, and determined that the timeframe did not allow sufficient time to notify the homeowners. The Board did agree on having a "Social" either around the Annual Members' Meeting or Memorial Day weekend. Further discussion was tabled until the February 2003 Board meeting.

3. Unit A41 – The Board was apprised on a leak originating from the balcony sliding glass door area in A51 into A41. The leak has been ongoing, and the owner of A51 has made repairs to correct this problem, however, A41 continues to have water intrusion. Mr.

Warner generated two (2) letters in September to the owner of A51 requesting they find a solution to this continued problem. Mr. Warner received a telephone call from the owner of A51, who committed to repairing this area. The owner of A41 would like a letter from the Board stating that they are not aware of any structural defects that would cause water intrusion from A51. Following further discussion, the Board directed Mr. Warner to contact the owner of A51 to confirm the necessary repairs have been made, and if so what type of repairs. The Chairman will contact the owner of A41 and relay that the Board discussed the situation at the meeting, and that the Association is waiting for a response from the owner of A51.

4. Pet Housing Request: The owners of C26 are requesting permission for their children to bring their dogs during the Thanksgiving holiday. The Board approved the request.

5. Annual Members' Meeting: The Board was reminded that the Annual Members' Meeting is scheduled for April 19, 2003 at 9:00 a.m. at the Litchfield by the Sea beach house.

VIII. **SCHEDULE OF NEXT MEETING**
The schedule of the next meeting will be determined at a later date.

IX. **ADJOURNMENT**
The meeting was adjourned at 11:10 a.m., and will reconvene under Executive Session.

Submitted By: Marie Aker
Marie Aker, Secretary

Approved By: C. Leon Jennings, Jr.
Dr. C. Leon Jennings, Jr., President

Date: 2/7/2003

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

October 12, 2004

A Regular Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Tuesday, October 12, 2004 at 2:00 pm. at the offices of Puckett, Scheetz & Hogan, Pawleys Island, South Carolina.

I. **ATTENDANCE:**
Board members C. Leon Jennings, Jr., G. Henry Jobe, Marie Aker, Bob Shaffner, Maxie McCoy and Joe Bond were present in person. Also in attendance were Kellie Diehl and Bobby Warner of K. A. Diehl & Associates, Inc.

Dr. Jennings, President of the Association, served as Chairman of the Meeting and Marie Aker, Secretary of the Association, served as Secretary of the Meeting.

II. **APPROVAL OF MINUTES:**
A motion was made by Dr. McCoy, seconded by Mr. Shaffner, that the reading of the minutes of the Regular Meeting of the Board of Directors held on August 27, 2004, be waived and approved as submitted. The motion carried unanimously.

III. **FINANCIAL REPORT:**

A. **Financial Statement:** Ms. Diehl reviewed the August 2004 financial statement for Shipyard Village and reported that the bottom line is that the association is operating $14,860.01 under budget year to date. Ms. Diehl also stated that since funds have been received from one litigation settlement, monies that had been spent out of the reserve and operating funds for litigation expenses should be transferred back to the appropriate accounts. The Board agreed and directed Ms. Diehl to do so. The Board questioned the high expense in the water and sewer line item. Management reported that this is due to high occupancy and a leak in the big pool. After discussion on the pool leak, **a motion was made by Mr. Shaffner, seconded by Mr. Jobe, and unanimously approved, to close the big pool now to prevent further leakage and obtain bids for necessary repairs as soon as possible.**

B. **Accounts Receivable:** Ms. Diehl reviewed the delinquency list and reported that most owners are paying after notification. Those that do not respond will be sent to the association's attorney for legal collection procedures. These legal letters will be sent certified.

IV. **MANAGEMENT REPORT:**

A. **Doris Bray AC issue follow up:** Ms. Diehl sent Ms. Bray a letter explaining that the AC wiring on the roof is confusing and explained that there was no

danger or problem with this. Mr. Jobe also spoke to Ms. Bray and the issue is closed.

B. **B28 leak status:** Mr. Warner reported that during a recent severe rain, he inspected B28 and found that the owner had put duct tape on the weep holes and gaps between the windows. There was no evidence of water penetration. Thus, Mr. Warner again stated that he believes the leak problem is from the windows. Ms. Diehl will write to the owner stating that the windows appear to be the source of the problem and any further investigation would be at the owner's expense.

C. **Hurricane Charley damage report:** Mr. Warner reported that the roof work is progressing well – slightly behind schedule due to weather but no other problems. The final scope of the insurance claim has not been totally finalized –The adjuster will not finalize our claim for a couple months as he is tied up dealing with insurance claims in Florida. Mr. Warner will keep the Board posted. It was also discussed that the carpet on the 5th floor of the B building is taking a beating with the roof work. The carpet was not in the best shape to begin with. Also, the roofing crew is using the luggage carts to move equipment around and thus, the luggage carts are being damaged **Dr. Jennings reported that per a conversation he and Bobby had with FSA, Toni Brumfield said they would replace the carpet on the 5th floor of the B building and would repair or replace the luggage carts – to be included in the scope of the insurance claim.**

D. **B17 Unit Condition:** Ms. Diehl reported that the mortgage company is foreclosing on this unit and the association's attorney has put the mortgage company on notice as to the condition of the unit. The attorney will monitor.

E. **Miscellaneous Issues:**

1. Ms. Diehl reported that she sent a letter to Russ Campbell, President of Litchfield by the Sea regarding the landscaping in the island on S. Dunes Dr. in front of Shipyard. No response has been received. Mr. Warner reported that there have been surveyors out to mark property boundaries for LTBS.
2. A mailing was sent to all owners requesting they return a "designated party" form stating who would check their unit in the event of a hurricane – only a few have been received back. Ms. Diehl will monitor and send out reminders.
3. Window frame painting in A & B buildings: The Board has received correspondence from an owner questioning the painting of the window frames as they are aluminum and made to last without painting. The Board checked with the painter who agreed that the aluminum should last for several years, but that nothing lasts forever. The frames look bad and the painter has given an 8 year warranty. The Board determined that the painting project will continue forward. The hurricane/storms have delayed the schedule. Ms. Diehl will advise the owners of the start date, once determined, and will re-notify those that "opted out" as to a time frame for completing the painting on their own.

V. **COMMITTEE REPORTS:**

A. **Landscape:** Mr. Jobe reported that there were several plants that sustained damage due to the storms. Briggs has not worked up a price for this yet. A

motion was made by Mr. Shaffner, seconded by Mr. Jobe and unanimously approved, to give Mr. Warner up to $500 to address storm damaged plants.

VI. **OLD BUSINESS:**

A. **Attorney update:** Dr. Jennings reported that mediation will proceed as scheduled.

VII. **NEW BUSINESS:**

A. **2005 Proposed Budget:** The Board reviewed the budget proposed by management and had the following discussions/changes:

- Staff budget: **a motion was made by Mr. Shaffner, seconded by Ms. Aker and unanimously approved to give Mr. Warner a 3% increase on the salary that Shipyard pays along with a bonus of $1352 effective January 1, 2005.**
- Ms. Diehl will get bids for a full audit for 2004 for Shipyard. The budget number was adjusted accordingly.
- The water & sewer line item was decreased as the pool leak will be fixed.
- The operating contingency line item was increased.
- The Board reviewed the landscape proposal submitted by Briggs Landscaping. Although the Board is pleased with Briggs service and the condition of the property, the proposal represents approximately a 36% increase. After much discussion, the Board instructed Mr. Warner to request that Briggs hold $68,000 price for 2 years or take a one year contract at $65,000. Mr. Warner will report back.
- The reserve figure was reviewed. Prior to finalizing the reserve number for the budget, Mr. Warner reported that the B building north elevator is dying. He has negotiated a price with Thyssen for a new elevator at approximately $41,600, however, they will only hold that price until 10/15/04. After that, a replacement elevator could cost $45,000 to $50,000. **A motion was made by Mr. Jobe, seconded by Dr. McCoy and unanimously approved, to replace the B building north elevator as soon as possible.** Considering this expense, along with the several other capital expenses for 2004, the reserve figure will be increased in the 2005 budget.

Ms. Diehl will re-run the budget with the above noted changes and send a new copy to the Board.

VIII. **ADJOURNMENT:** The meeting was adjourned at 5:05 P.M.

Submitted by: Marie Aker
Marie Aker, Secretary

Approved by: C. Leon Jennings, Jr. Date
Dr. C. Leon Jennings, Jr., President

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

March 4, 2005

A Regular Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Friday, March 4, 2005 at 3:00 pm. at the offices of Puckett, Scheetz & Hogan, Pawleys Island, South Carolina.

I. **ATTENDANCE:**
Board members C. Leon Jennings, Marie Aker, Maxie McCoy and Paul Wiley were present in person. Also in attendance were Kellie Diehl and Bobby Warner of K. A. Diehl & Associates, Inc.

Dr. Jennings, President of the Association, served as Chairman of the Meeting and Marie Aker, Secretary of the Association, served as Secretary of the Meeting.

II. **APPROVAL OF MINUTES:**
A motion was made by Dr. McCoy, seconded by Mr. Wiley, that the reading of the minutes of the Regular Meeting of the Board of Directors held on October 12, 2004, be waived and approved as submitted. The motion carried unanimously.

III. **FINANCIAL REPORT:**
A. **Financial Statement:** Ms. Diehl reviewed the January 2005 financial statement for Shipyard Village and reported that the bottom line is that the association is operating $6867.32 under budget for the year to date.
B. **Accounts Receivable:** Ms. Diehl reviewed the delinquency list and reported that most owners are paying after notification. Those that do not respond will be sent to the association's attorney for legal collection procedures.

IV. **MANAGEMENT REPORT:**
A. **Painting of window frames:** Ms. Diehl reported that this project should be completed within the next week or so. Once completed, she will send out the bills to the owners.
B. **B28 leak status:** The owners have replaced the windows which should correct the problem with water penetration.
C. **Pool bracelets:** Pool bracelets will be required for admittance to the pool area again this year. A K.A. Diehl & Associates, Inc. employee will be hired to be the pool attendant for this year. Management will conduct a search and report back to the board on the hours this person will be at the pool. The Board also authorized Mr. Warner to have unauthorized cars towed that are parked on Shipyard property.
D. **Responsible Party Forms:** Ms. Diehl reported that very few owners returned the responsible party forms, noting who is responsible for checking

the unit for damage after a hurricane. A note on this will be put in the next general mailing as these need to be on file before the 2005 hurricane season begins.

V. **COMMITTEE REPORTS:**

A. **Buildings:** cleaning of the buildings to be discussed under new business.

B. **Landscape:** no report.

VI. **OLD BUSINESS:**

A. **Elevator Replacement:** the elevator should arrive on the property sometime next week. Installation to take approximately 6 weeks.

B. **Storm Insurance claim status:** Total claim: $277,274.32. Have paid FSA initial deposit of $50,000 plus additional $126,000. FSA still needs to take care of roof tar on the side of the building and a few other issues before final payment will be made. The adjuster has not made a final decision on whether the hall carpet will be replaced as part of the claim. Mr. Warner expects a decision within the week and will continue to press for full replacement cost.

VII. **NEW BUSINESS:**

A. **Cleaning buildings:** Bids were received previously for cleaning of the building exteriors on C & D and were tabled. Absolute Painting & Waterproofing has submitted a revised price of $7250 per building; $14,500 total. **A motion was made by Mr. Wiley, seconded by Marie Aker and unanimously approved to accept the new bid from Absolute for $14,500.** The work will begin as soon as possible. Mr. Warner also stated that there is tar from years ago on the B building west side wall which Absolute would remove and then re-paint the wall for $900. **A motion was made by Dr. McCoy, seconded by Mr. Wiley and unanimously approved to have Absolute do this work.**

B. **Fire suppression system:** Dr. Jennings reported that the Shipyard attorneys have submitted a damage claim letter to the plumbing installer for defective fire suppression system piping. The attorneys believe that testing should be done in the C and D buildings to determine the extent of this problem. Dr. Jennings will contact the attorneys to see if this can be re-tracked and that this issue remains "open" until such time as another failure occurs. Meanwhile, Mr. Warner will get a price for the work (cutting the drywall in 5-6 locations within a unit and then putting the area back together after inspected) and report back to the board.

C. **Luggage cart condition:** The Board commented on the poor condition of the luggage carts. Part of the problem is that maids, contractors, etc. use the carts to carry their equipment to units. The maintenance staff will do what is possible to improve the appearance of the carts and this topic will be included in the next mailing to the owners.

D. **Survey of Property:** As part of the transition process for LTBS, a full property survey is being conducted to determine LTBS property vs. property owned by the condominium regimes within LTBS. Several boundary lines between Shipyard and LTBS have been in question and the survey will hopefully determine who owns what.

E. **Nominations for BOD:** The terms of Marie Aker, Paul Wiley and Bob Shaffner expire at this year's annual meeting. In addition, Maxie McCoy will be selling his unit at some point in the near future and will resign from the Board. A resume for consideration for a board seat has been submitted by Brian Nesbit, D21. Marie Aker volunteered to be appointed to fill the unexpired term of Maxie McCoy and thus will not run for re-election. The Board, acting as the Nominating Committee, will propose a slate for the election: Paul Wiley, Bob Shaffner and Brian Nesbit.

VIII. **NEXT MEETING DATE:** The next regular board meeting will be held on Friday, April 15, 2005 at 9:00 AM at the Puckett office.

IX. **ADJOURNMENT:** The meeting was adjourned at 4:10 PM.

Submitted by:_____
Marie Aker, Secretary

Approved by:_____ Date_____
Dr. C. Leon Jennings, Jr., President

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

April 15, 2005

A Regular Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Friday, April 15, 2005 at 9:00 am. at the offices of Puckett, Scheetz & Hogan, Pawleys Island, South Carolina.

I. **ATTENDANCE:**

Board members C. Leon Jennings, Marie Aker, Bob Shaffner, Henry Jobe and Paul Wiley were present in person. Also in attendance was Kellie Diehl of K. A. Diehl & Associates, Inc.

Dr. Jennings, President of the Association, served as Chairman of the Meeting and Marie Aker, Secretary of the Association, served as Secretary of the Meeting.

Dr. Jennings read the letter of resignation from Dr. McCoy effective April 16. 2005. He was not in attendance at the Board meeting. Dr. Jennings also reported that Joe Bond was having complications from surgery and would not attend the Board meeting.

II. **APPROVAL OF MINUTES:**

A motion was made by Mr. Wiley, seconded by Mr. Jobe, that the reading of the minutes of the Regular Meeting of the Board of Directors held on March 4, 2005, be waived and approved as submitted. The motion carried unanimously.

III. **INTRODUCTION OF RICHARD BENNETT, NEW MAINTENANCE SUPERVISOR:**

Ms. Diehl introduced Richard Bennett who will be the new maintenance supervisor for Shipyard Village. Mr. Bennett gave a brief description of his background which included working in new construction, parts departments for large auto dealers and most recently, working in maintenance for Fairfield Resorts. Mr. Bennett stated he is definitely a people person and has the skills necessary to do the job successfully. The Board thanked Mr. Bennett for his time and welcomed him to the Shipyard team.

IV. **FINANCIAL REPORT:**

A. **Financial Statement:** Ms. Diehl reviewed the March 2005 financial statement for Shipyard Village and reported that the bottom line is the association is operating $22,070.09 under budget for the year to date.

B. **Accounts Receivable:** Ms. Diehl reviewed the delinquency list and reported that most owners are paying after notification. Those that do not respond will be sent to the association's attorney for legal collection procedures.

C. **2004 Audit:** Ms. Diehl reported that the auditor has given Shipyard a clean opinion and the bottom line for 2004 did not change – the association ended the year approximately $17,500 under budget. This surplus is added to the previous years' deficits thus putting the association in the black. The auditor condensed the operating fund and insurance fund into one fund which makes the audit somewhat difficult to understand. Ms. Diehl will report on this at the annual meeting in general terms.

V. **MANAGEMENT REPORT:**

A. **Insurance Claim Status:** Ms. Diehl reported that the association has not received the final check from the insurance company and therefore has not paid the contractor (FSA) in full. There are a few minor items to be cleaned up plus the carpet on the 5th floor of the B building needs to be installed.

B. **Elevator Replacement Status:** Ms. Diehl reported that installation of the B building elevator will start on Wednesday, April 20, 2005. Dr. Jennings reported that the B building new elevator has not been working smoothly. Ms. Diehl will get the elevator company out asap.

C. **Window frame painting status:** Ms. Diehl reported that the window frame painting is complete and the contractor did a good job. Ms. Diehl also reported that the contractor had been overpaid. The contractor stated that he provided a revised quote in December which increased the price. Ms. Diehl does not remember receiving this quote and had previously informed the owners of the approved price. The Board did not approve the new price and therefore will not pay the difference. Part of the overpayment was an error on the contractor's part and he has agreed to pay this portion back to the association by the end of April. Ms. Diehl will work out a plan for getting back the balance of the overpayment related to the unapproved price increase.

D. **Roof Leak over A58:** there is a minor roof leak over A 58 in the area below the AC units. Span roofing has been contacted and should be out next week to investigate and repair. The Board requested that the staff check to see that all AC units on the roof are bolted down correctly.

E. **B building side wall:** B28 has had an on-going window leak problem. After replacing the windows, water is still penetrating the unit. The owner has had an architect/engineering person inspect the unit and he reports that there is a crack in the exterior stucco of the building which needs to be repaired. The owner is sending this documentation to the management office. The Board agreed that the exterior wall would be cut and investigated. Ms. Diehl will contact Absolute to do this work.

F. **Luggage Carts:** Ms. Diehl will see if she can get FSA to replace a luggage cart or two. Meanwhile, the staff will try to spruce up the existing carts for a better appearance.

G. **On site staffing:** Ms. Diehl reported that along with the new maintenance supervisor, the site staff consists of Tim Whitley and Sammy Wilson.

H. **Spa Condition:** Ms. Diehl reported that the spa is unsafe due to tile and surface problems. It is also leaking a lot of water. The spa has been shut down and Ms. Diehl expects to have a contractor look at it next week and give a proposal for repairs.

I. **Letter from Thomas Phillips:** Ms. Diehl read a letter from Thomas Phillips in which he requested that the Board consider improving handicapped accessibility to the pool area. The Board agreed to review this request.

J. **Water in Parking Lot:** We are still having problems with water accumulating in certain areas of the parking lot. Marie Aker reminded the Board that discussion had previously been made to cut holes in these areas and fill them with rocks for drainage. This was not done . It was suggested that Ms. Diehl look into this.

VI. COMMITTEE REPORTS:

A. **Buildings:** no report.

B. **Landscape:** a spring landscape walk will take place in the next few weeks and information will be sent out to the board with recommendations for work needed.

VII OLD BUSINESS:

A. **Legal Update:** Dr. Jennings reported that the attorneys do not have another date for a formal mediation session; although they are trying to work out a date or at least a date for the attorneys to talk. There is still conversation going on in an attempt to reach settlements. Dr. Jennings read a letter from Ralph McCullough in which he stated that he is going to accept the position as Provost for the Law School in Charleston, SC. He will continue to work in a diminished capacity with the law firm.

B. **Fire Suppression system:** The attorneys have had three responses to the request for volunteers to have an investigation done in their unit to determine if there is a systemic problem with the fire sprinkler piping. The attorneys will discuss this as part of the report at the annual meeting. The Board is pursuing methods to accomplish this investigation without as much intrusion for the unit owner.

C. **Pool attendant & security:** Ms. Diehl reported that the staff will police the pool regularly during the weekdays and more frequently on the weekends. They will be wearing "staff" tee shirts to be easily identifiable. The Board is hopeful that this will work better than last season.

D. **Beach tent rule:** Dr. Jennings reminded the Board that last year it had been decided that Shipyard would prohibit tents on the beach from sundown to sun up. The Board re-affirmed this decision and it will be part of the report to the owners at the annual meeting.

E. **Bidding Process:** Dr. Jennings reminded the Board that Ms. Diehl's husband owns Keystone Construction, Inc., a construction company with a class 5 SC license. The Board re-affirmed that Keystone is welcome to bid on any projects that they are qualified for provided the bids are sealed and go to the maintenance supervisor and the Board President. Ms. Diehl would not be involved in the bidding process.

VIII NEW BUSINESS:

A. LTBS transition: Mr. Jobe reported that he has been appointed to the LTBS transition team along with eight other qualified owners. The team will investigate all issues related to the transition, ensuring that the Litchfield Company completes all commitments prior to departing.

B. Appointment of Marie Aker: Dr. Jennings, with BOD approval, officially appointed Marie Aker to fulfill the one year unexpired term of Dr. McCoy.

C. Prepare for annual meeting: Dr. Jennings handed out his notes for his report at the annual meeting for review. Board members agreed with his report.

IX. **ADJOURNMENT:** With no further business to be discussed, the meeting was adjourned at 11:40 am.

Submitted by:_____
Marie Aker, Secretary

Approved by:_____ Date_____
Dr. C. Leon Jennings, Jr., President

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

June 17, 2005

A Regular Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Friday, June 17, 2005 at 9:00 am. at the offices of Puckett, Scheetz & Hogan, Pawleys Island, South Carolina.

I. **ATTENDANCE:**

Board members C. Leon Jennings, Marie Aker, Brian Nisbet, Henry Jobe and Paul Wiley were present in person. Bob Shaffner was conferenced in by phone. Also in attendance were Kellie Diehl and Richard Bennett of K. A. Diehl & Associates, Inc.

Dr. Jennings, President of the Association, served as Chairman of the Meeting and Marie Aker, Secretary of the Association, served as Secretary of the Meeting.

II. **APPROVAL OF MINUTES:**

A motion was made by Mr. Jobe, seconded by Mr. Wiley, that the reading of the minutes of the Regular Meeting of the Board of Directors held on April 15, 2005, be waived and the minutes approved as submitted. The motion carried unanimously.

III. **FINANCIAL REPORT:**

A. **Financial Statement:** Ms. Diehl reviewed the May 2005 financial statement for Shipyard Village and reported that the bottom line is the association is operating $21,284.29 under budget for the year to date.

B. **Accounts Receivable:** Ms. Diehl reviewed the delinquency list and reported that most owners are paying after notification. Those that do not respond will be sent to the association's attorney for legal collection procedures.

C. **Window painting financial status:** As was discussed at the last board meeting, Absolute Painting & Powerwashing was overpaid $22.488.62 for the window painting project. Bobby Warner, previous property supervisor, approved the bills. Absolute said he had provided a revised proposal for increased cost which was never approved. Based on this proposal, Absolute believes the overpayment was $13,641.12. Absolute originally agreed to pay back the $13,641.12 and half of the remaining amount. Subsequently, he changed his mind and stated he would only pay back the $13,641.12. There are also some windows that need screens replaced due to damage and some windows that were stuck shut, etc. Absolute has only paid back $3000 as of this meeting. **A motion was made by Mr. Wiley, seconded by Mr. Nisbet and unanimously approved to pursue legal action to collect the balance still due from Absolute Painting and Bobby Warner. Ms. Diehl is authorized to hire an attorney on Shipyard's behalf to handle this issue.**

IV. MANAGEMENT REPORT:

A. **Insurance Claim Status:** All the work related to the B building hurricane Charley claim has been completed; all insurance funds received and FSA paid in full.

B. **Elevator Replacement Status:** Ms. Diehl reported that installation of the B building elevator is completed.

C. **Pool attendant:** Ms. Diehl reported that a pool attendant has been hired to work 8 hours per day Fridays, Saturdays and Sundays through Labor Day. The pool attendant will be responsible for checking for pool bracelets Friday-Sunday and the staff will be checking the pool hourly the rest of the week.

D. **B building side wall:** B28 has had an on-going window leak problem as was discussed at the last meeting. Under Mr. Bennett's direction, the caulk joint between the cinderblock and Dryvit was removed and re-done. There were areas in the caulk joint that were bad so this could have been part of the leak problem. Mr. Bennett has met with Katie Morrow, owner of B28 on two occasions. Mr. Bennett and Ms. Morrow agree that there is definitely still a problem with the widows and Ms. Morrow needs to address that. There also could be a problem with the cinderblock wall in the corner near the window where the cinderblock has been "patched". Mr. Bennett to further investigate this issue and report back.

E. **Unit identification plaques:** Ms. Diehl reported that many of the unit address plaques on the garage exterior are in bad shape. Those that were missing have been replaced with a temporary plaque for now. Two bids have been received for new plaques – this issue will be addressed with the 2006 budget process in the fall.

F. **Maintenance Update:** Mr. Bennett gave the board an overview of some of the items he is working on. A report had previously been sent to the Board with many accomplishments. In addition, Mr. Bennett reported:

- The fire system testing was completed and there were some minor maintenance items that needed attention, including water in the pump pits. Anything noted in the report will be taken care of immediately. The company also provided a thorough report on the system which Mr. Bennett is currently reading through. One item to note from the report is that the sprinkler heads in the C & D buildings are part of a national recall.
- The dryer vents had been cleaned from the outside and it was suggested that each owner have their ducts blown out from the inside. Kellie will include this suggestion to the homeowners in the next mailing.
- The staff is working on cleaning mildew on hallway carpets
- He has a set of blueprints/plans for the C & D buildings in his office now.
- Mr. Bennett reported that an owner was looking into adding an additional bathroom in one of the bedrooms. Mr. Bennett recommends against this as it involves drilling into the concrete floor where tension wires are located which could compromise the integrity of the support system. Dr. Jennings added that this is prohibited per the Shipyard master deed without Board approval.

- He also stated that in reviewing the AC units, he realized that the units do not have an overflow drain that would be a second overflow "bucket" to further prevent problems with drain lines leaking into units below. This will be communicated in a future mailing to the owners.
- After discussion, it was agreed that the homeowners in the A and B buildings would be responsible for replacing the light bulbs in the fixture above their front door since the switch to this light is inside the unit. The bulbs in the C and D buildings would be the responsibility of the maintenance staff since they are on a central switch.

V. **COMMITTEE REPORTS:**

A. **Buildings:** no report.

B. **Landscape:** the sod approved at the last Board meeting has been installed and looks good.

VI. **OLD BUSINESS:**

A. **Landscape proposal:** **A motion was made by Mr. Jobe, seconded by Mr. Wiley, and unanimously approved to go ahead with the balance of the work in the landscape proposal provided by Briggs, with the exception of the drainage system. Other options are being investigated for this problem.**

B. **A building roof leak:** The roof leak in A58 still exists. While the water does not pour in, the ceiling area remains damp. One proposal has been secured from Span Roofing. Mr. Bennett will secure another proposal and will make sure both proposals include the "riser" section of the roof as his analysis of the situation leads him to believe this may be the source of the leak. Once received, the second proposal will be sent to the Board for a decision via email.

C. **Fire Suppression System:** Mr. Bennett reported that Earthworks had been back to the property to again begin the investigation into whether the C and D buildings have "burnt" piping in the fire system. Earthworks has not communicated their plan in full to Ms. Diehl or Mr. Bennett as far as what units they want to go into. The Board requested Mr. Aker (who was involved in securing Earthworks to help with this project) to ask Earthworks for a scope of work to inspect every unit and to ask how many units they need to inspect before they could make a general determination as to whether the problem exists or not.

VII. **NEW BUSINESS:**

A. **Sandpiper Security Proposal:** Chuck Clinton, the President of the Sandpiper Board has approached Dr. Jennings regarding sharing a security patrol person from 9:00 PM to 1:00 AM. The Board felt that the distance between Sandpiper and Shipyard is too great for this situation to be effective and not worth the money spent. Dr. Jennings will get back to Mr. Clinton.

B. **Owner's Requests:**

1. Solar panels: Dr. Jennings reported that an owner asked if the Board ever considered using solar panels to heat the spa. While the Board had not considered this in the past, it was decided to look into this possibility in conjunction with re-roofing the pool cabana in the off-season.

2. **Extend crossovers:** Dr. Jennings reported that an owner requested the Board to consider extending the crossovers due to beach erosion. The Board felt that erosion will continue and that work on the dunes had to be approved by the Coastal Council and this was not a project that the Board wanted to pursue.

3. **Wireless internet:** Ms. Diehl reported that an owner asked if the Board had ever looked into wireless internet for Shipyard. Ms. Diehl also stated that one of the other high-rise properties that K. A. Diehl & Associates, Inc. manages is currently pursuing this and she can let Shipyard know how it goes. Mr. Jobe commented that this might be an issue for Litchfield by the Sea to look into on behalf of all of the regimes.

4. **Food & drink vendor:** Dr. Jennings reported that an owner had asked the Board to look into finding a vendor to provide food & drink somewhere along the Shipyard beach/pool area. Dr. Jennings stated that the LTBS master deed clearly prohibits such action.

5. **Spa:** The Board decided to keep the spa open during the winter months this year now that the leak has been fixed. The fuel costs will be monitored and reviewed for future decisions on this subject.

VIII. **ADJOURNMENT:** With no further business to be discussed, the meeting was adjourned at 11:15 am.

Submitted by:_____
Marie Aker, Secretary

Approved by:_____ Date_____
Dr. C. Leon Jennings, Jr., President

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

February 17, 2006

A Regular Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Friday, February 17, 2006 at 2:00 pm. at the offices of Puckett, Scheetz & Hogan, Pawleys Island, South Carolina.

I. **ATTENDANCE:**
Board members C. Leon Jennings, Marie Aker, Henry Jobe, Paul Wiley and Brian Nisbet were present in person. Also in attendance were Kellie Diehl and Richard Bennett of K. A. Diehl & Associates, Inc.

Dr. Jennings, President of the Association, served as Chairman of the Meeting and Marie Aker, Secretary of the Association, served as Secretary of the Meeting.

II. **APPROVAL OF MINUTES:**
A motion was made by Mr. Jobe, seconded by Mr. Wiley, that the reading of the minutes of the Regular Meeting of the Board of Directors held on January 20, 2006, be waived and the minutes approved as submitted. The motion carried unanimously.

III. **FINANCIAL REPORT:** Dr. Jennings reported that the settlement check from the lawsuit is in the mail. The net amount of the check will be @$2,292,437.16. Later we are to receive an additional $6,375 for pool repairs.

A. **Financial Statement:** Ms. Diehl reviewed the January 2006 financial statement for Shipyard Village and reported that the association is operating $5266.51 under budget thus far for 2006.

B. **Accounts Receivable:** Ms. Diehl reviewed the delinquency list and reported that most owners are paying after notification. Those who do not respond will be sent to the association's attorney for legal collection procedures.

C. **Best place for funds/rates:** Ms. Diehl reviewed various CD and money market interest rates from local banks. Dr. Jennings brought forth a new bank in Virginia with an interest bearing checking account. The Board discussed the need to limit the amount in one bank to somewhere around $500,000 provided the bank was a long-standing and/or well backed institution. Ms. Diehl will work with Dr. Jennings, Henry Jobe and Bob Shaffner, to develop a plan to distribute the funds among 3-4 banks when the check is received. The Board will request a payment schedule from ProTec so as to ensure enough funds are easily accessible for contract payments.

IV. **MANAGEMENT REPORT:**

A. **Status of Projects:** Mr. Bennett reported that the roof on the pool cabana was completed as of today; the staff will add fluorescent lights under the cabana and do some painting; roof repairs have been made by Spann per our inspection contract with them on B, C & D; the emergency lighting work is completed in the A building; painting of the rails has started in the B building; carpet replacement has been completed on walkways – a few balconies left to do for owners. It was agreed that the conduit for the ER lighting wire should be painted.

V. **COMMITTEE REPORTS:**

A. **Buildings:** no report.

B. **Landscape:** no report.

VI. **OLD BUSINESS:**

A. **Flood Insurance Premium:** Ms. Diehl informed the Board that Carolyn Perry, insurance agent, has reported that FEMA has determined that the Association will receive a refund of $4,673.00 per building (A & B) on the flood premium now that the storage units have proper venting..

B. **A18 Request:** Dr. Jennings inquired as to whether the Board should re-review the request from A18 for the bath remodel now that A16 has been approved and A13 started to do the same. The Board had originally told A18 that they would re-visit this request after some time passed and they could see how A16 worked out. After discussion, the Board decided to re-visit this if A18 brings the request back to the Board.

C. **A13 Request:** The owner of A13 sent the indemnification and a letter from an engineer describing what would be done to correct the hole in the concrete floor as a result of moving a drain. The work was halted by the Board as the owners did not submit a request and receive approval. The Board requested Ms. Diehl to inform the owners that the indemnification needs to include the owner's acceptance of financial and structural responsibility should any problems arise. Once the revised indemnification is received, the contractor can complete the work.

D. **Window installation issues(B28):** Ben & Katie Morrow attended the meeting along with Don Manning, an engineer working with them.. Mr. Manning presented a summary of his work with the Morrows. The bottom line is that he and the Morrows are recommending that windows in an entire stack in the A and B building be replaced at the same time. This will allow proper installation and correction of any previous problems, (flashing, stucco, etc.) allowing an upper unit to leak into the one below. The recommendation states that the window installation process will require stucco work to be done around the window as part of the process. The Board thanked the Morrows and Mr. Manning for their presentation. The Board then discussed the problems with owners trying to get replacement windows installed and the fact that windows in the same stack should be replaced at the same time. After much discussion, **a motion was made by Henry Jobe, seconded by Paul Wiley and unanimously approved, that the Board will present an amendment to the Shipyard Master Deed which will state that the association will be responsible for the entire window, panes, etc.**

replacement, provided the replacement is due to normal wear and tear. This will be presented on the ballot as part of the 2006 annual meeting.

E. **Pro Tec Contract:** Pro Tec had previously submitted pricing for repairing the peeling ceilings and prep and application of the exterior sealant. Mr. Roger Koehler of Pro Tech attended the meeting to discuss the windows that will need work. Mr. Koehler stated that the windows on the ends of the buildings (90 in total) will need to be removed, the area around the window opening repaired and then the windows put back in. The price for this will not exceed $750 per window. Dr. Jennings and Mr. Wiley reviewed the contract that Pro Tec provided and recommended that the contract be signed. The Board discussed the bid from Pro Tec for painting the rear first floor steps and lattice storage lockers in the garages. The Pro Tec Contract includes the following for C and D buildings: Coating and Ceilings ($684,610), Windows ($67,500) and Painting ($28,698) for a total of $780,808. **A motion was made by Paul Wiley, seconded by Brian Nisbet and unanimously approved to accept the Pro Tec contract, including the window work and the paint bid for the steps and storage lockers.**

F. **Refund of assessment:** The Board had earlier discussed the thought of returning funds to the owners to cover the initial assessment levied for legal fees. Further discussion of this issue was tabled until all repair work is completed.

VIII. **NEW BUSINESS:**

A. A58 roof repair: One of the multiple owners from A58 sent an email to Dr. Jennings requesting that the Association consider reimbursing him for the time he will not be able to use the unit due to repairs from a roof leak. The Board did not feel this was the Association's responsibility. Owners can obtain coverage for this on some HO6 policies.

B. Handicap access to pool: The Board had a request after the 2005 annual meeting, from an owner whose wife is in a wheel chair, that the Association consider building a handicap ramp to the pool. Mr. Bennett requested bids from three or four contractors. He obtained a bid to re-grade the area and pour a concrete ramp at a cost of $7800. **A motion was made by Mr. Nisbet, seconded by Mr. Jobe and unanimously approved, to accept the bid from Keystone Construction, Inc. to build the handicap ramp.**

C. Candidate slate for annual meeting: The Board, acting as the nominating committee, reviewed the applications received from owners interested in running for the Board. The Board approved the following slate: Jack Eblin, D32; Jim Poage, A58; Henry Jobe, A 15; Leon Jennings, B54. This maintains the fair representation of A&B owners to C&D owners as has been the case in the past. The other candidates who expressed an interest (Clinton Carter, D51 and Katie Morrow, B28) will be included in the mailing.

D. Protocol for Informational Meeting: Dr. Jennings reviewed the agenda for the meeting with the owners on Sat. Feb. 18. The Board agreed with the items to be presented and Dr. Jennings encouraged the other directors to add to his comments whenever appropriate.

At this time, Richard Bennett was asked to leave in order for the Board to discuss a management request.

E. Management Request (Section E of mgmt. contract): Ms. Diehl stated that the management contract Section E states that to oversee a capital project would be a special charge as approved by the Board. Ms. Diehl recommended that Richard Bennett oversee the project, working with the contractor and owners, and that he be paid a bonus of $30 per hour for the time spent on this project. The Board agreed.

IX. **ADJOURNMENT:** With no further business to discuss, the meeting was adjourned at 5:35PM.

Submitted by: Marie Aker
Marie Aker, Secretary

Approved by: C. Leon Jennings, Jr.
Dr. C. Leon Jennings, Jr., President

Date 3/14/2006

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.
INFORMATIONAL MEETING
FEBRUARY 18, 2006

MINUTES

The informational meeting was called to order at 9:35 am on Saturday, February 18, 2006 at the Frances Marion Room in Litchfield by the Sea.

Dr. Jennings, President of the Board of Directors, opened the meeting by thanking everyone for attending. This is the highest turn out for a Shipyard meeting in many years. Dr. Jennings also reviewed the protocol for the meeting: first on the agenda is a review of the plan for repairs to the C & D building and a presentation by Roger Koehler of Pro Tec, the contractor hired to make the repairs – questions can be raised after Mr. Koehler reviews the scope of work. Once Mr. Koehler has left the room, the financial aspect will be discussed. Stucco and window issues related to the A & B building would then be discussed followed by questions and reminders.

Plan for repairs Captain's Quarters C & D:

Dr. Jennings reported that after 5 years of litigation, 9 days of intense mediation and numerous emails and correspondence with Board members and the attorneys, the lawsuit has been settled. The funds received will be discussed later in the meeting. The point to be made is that the lawsuit was based on ***anticipated*** damage, as there is not significant damage to the buildings today. The forensic investigation that was done initially when the lawsuit was filed, did not uncover major problems. This is good but made the settling the case more difficult. The defendants also pointed to lack of proper maintenance on the building exterior as the cause of the problems. There was some truth to this; however, when the Litchfield Company turned the building over to the Association, there were no instructions given for maintenance of the EIFS exterior nor had there been any maintenance done by the developer controlled board.

The Board has investigated possible solutions such as stripping the Dryvit and putting back cement based panel system that looks somewhat like stucco. The Board visited the Renaissance Tower at the Myrtle Beach Resort as they were in the process of applying this panel system to their 22 story high rise. While the panels looked good from a distance, up close you could see the seams and screw holes and the Board felt that this would not be the appropriate "look" for Shipyard. The Board also looked at stripping the Dryvit and putting hard coat stucco back – this was very costly and we still end up with a stucco building and possible water penetration problems.

During the mediation process, the attorneys for one of the major defendants, Dryvit, came to the Board and asked if they would listen to a presentation for a possible solution for the buildings. The Board was leery of a presentation that came from the defendant but

felt they had nothing to lose by listening. Roger Koehler, of Pro Tec Finishes Inc. reviewed with the Board a new coating, Dow AllGuard, that was developed by Dow Corning to apply over hard stucco and EIFS buildings. Dow Corning provides a 10 year warranty against water penetration with this product. Pro Tec is the only licensed contractor in the Carolinas who has applied the product and gotten the VIP warranty.

Dr. Jennings personally contacted 9 of the managers listed as references in the Pro Tec material. All of them managed high rise buildings and had glowing reports on the application process, the quality of the workmanship and the visual outcome. Most of the buildings were hard coat stucco. It became apparent to Dr. Jennings and the Board after these conversations that stucco is stucco – regardless of whether it is hard coat or an EIFS system. Stucco and EIFS can crack, caulk around windows & doors can deteriorate – all allowing water penetration behind the stucco or EIFS system. Thus, the Board decided that the AllGuard application would be the best and most cost effective solution for the C & D buildings.

Dr. Jennings then introduced Roger Koehler, who began by giving some references – the product was applied successfully at the Brighton, a high-rise building within Kingston Plantation. It has also been applied on various Embassy Suites in S.C. Mr. Koehler explained that Allguard seals all cracks and allows the building to breath but does not allow water in. It is a silicone based inorganic material that is not subject to deterioration from ultra violet rays. Preventative maintenance, such as checking caulking around windows and doors each year, is required and a schedule of what to check when will be provided to the Association.

Pro Tec will use a product made by Sika – a large, commercial, high-end paint manufacturer- on the peeling ceilings (corridors and balconies). The ceilings will be scraped and power-washed with a high pressure tip to get the majority of the existing product off. This part will be messy and the crew will do their best to keep the site as clean as possible. The Sika product will then be applied to the ceilings; the product has a 5 year warranty. Mr. Koehler is confident that with proper surface preparation, the product will last for longer than five years. Pro Tec has used this product on many, many buildings and has had excellent results.

Mr. Koehler explained that they have done some testing on Shipyard D to make sure the product is appropriate for our buildings. They will do a "mock up" of one unit as a test this week, weather permitting. They plan to start on the ceilings first and will hopefully have a crew here in two weeks; hoping to finish the entire scope of work by Memorial Day, again, weather permitting. Owners asked if tile on the balcony would be a problem for the application and Mr. Koehler replied that if the balcony has tile, the application will include a silicone caulk bead run at the top of the tile to seal where the tile meets the wall of the building. Owners who were thinking about putting down tile would be best advised to do it before the building sealant is applied so the proper caulking can be done. Mr. Koehler then answered various other questions from owners and left the meeting.

Dr. Jennings reported that the windows on the two ends of each building (north & south – 90 windows total) will require some work. Pro Tec will remove the entire window, do the necessary caulking and repairs, and re install the existing window. This work will take about a day per unit. The schedule of work and all communication related to the project will be coordinated through Richard Bennett, on-site maintenance supervisor (385-1643). We will do our best to keep the owners apprised of the work schedule throughout the project.

Finally, Dr. Jennings informed the owners that the Board has hired the consulting firm of R. J. Kenney Associates, Inc. who will review the buildings and windows to make sure the product application is appropriate for our buildings and will provide the "spec" for the window work. R. J. Kenney Associates, Inc. is an independent consultant with engineers and architects on staff. They have worked with Dow Corning and Pro Tec on these product applications in the past. Representatives from Dow Corning and R.J. Kenney will be on our property during the repair process.

Financing:

Dr. Jennings reviewed the settlement funds. The Association was awarded a final settlement amount of $2,800,000 which will net the Association $2,292,437.16. Deductions were made for the attorneys' percentage (15%) of the settlement (less a $25,000 credit the Board negotiated prior to settlement), expenses related to the mediation, and $100,000 which was distributed to the homeowners to settle the class action suit. Another check in the amount of $6,375 will be forthcoming for settlement on pool repairs. Several months ago the Association received a net settlement of $180,000 from Apache Products (one of the defendants who declared bankruptcy). These funds were deposited into the litigation account when received and were used to off-set legal expenses, expert witnesses and engineering fees. There is approximately $33,000 left in the litigation account.

Dr. Jennings explained that the attorneys filed the class action suit to help settle the main lawsuit. There were no opt outs in the class action suit, so the suit was settled along with the main suit. The settlement set aside$100,000 to be distributed to the owners. A and B owners each will receive (checks mailed at time of meeting) $500; C & D 3 bedroom unit owners will receive $990 and C & D 4 bedroom unit owners will receive $1,050

Dr. Jennings then reviewed the Pro Tec contract. The contract is for both buildings: repairing the peeling ceilings, repairing the necessary windows, applying the exterior coating and painting the first floor steps and storage units in the garage. The total contract price is $780,808. The balance of the funds will be deposited into the Association's reserve account.

The current reserve account has a balance of approximately $360,000. This is more than many associations along the Grand Strand have in reserves. Dr. Jennings explained that in the past, a Board member and the previous property manager had developed a reserve study. The Board did not want to hire an independent engineering firm to do a reserve

study until the lawsuit was settled and a decision was made concerning the exterior of the C & D buildings. In the near future, the Board will obtain bids for a reserve study to earmark the appropriate funds for each of the common elements for which the Association is responsible. This is an important step in preserving the integrity and value of our community.

Window & stucco issues:

Dr. Jennings reminded those in attendance that per the Shipyard Master Deed, windows, glass, panes and frames are the responsibility of the owner to maintain and replace. He then referenced a letter that was sent to the owners in the A & B buildings by Ben and Katie Morrow, B28, regarding problems with windows and stucco. The Morrows' letter states the difficulty that an individual owner has in trying to line up a contractor to install one or only a few windows. The contractors don't want such small jobs and are often not equipped to do all the work that is necessary in a window installation. Dr. Jennings stated that if there are current stucco problems around a window, that is the Association's responsibility to repair. However, if stucco is damaged during the installation of a window, the owner is responsible to see that the stucco is repaired. This adds to the burden for an owner who is trying to find the qualified contractor to install the window and be able to do stucco repairs. Several owners in the A and B buildings are dealing with this frustration currently. Also, several owners were notified by management that their window or sliding door was causing water penetration into the unit below and thus, they were mandated to replace their leaky window, as is stated in the Master Deed. These owners are desperately trying to find reliable contractors to accomplish this but have had frustrating experiences.

Dr. Jennings acknowledged the fact that it is difficult and impractical for owners to try to replace windows in a high rise building. He stated that it takes a 2/3 affirmative vote of the Association members to change the Master Deed. He relayed that the Board, at their meeting the day before, had voted to bring an amendment on the windows to the owners for a vote. He asked for a show of hands as to how many in attendance would approve a change to the Master Deed making the windows the responsibility of the Association, instead of the owners. A majority of those in attendance agreed. Dr. Jennings reported that this issue would be on the proxy card and part of the annual meeting. The Board has asked Mr. Koehler to assess the windows in the A and B building and give some pricing on replacement. Owners requested that this cost information be part of the material that is sent out with the proxy card as they wanted to understand the financial impact of this issue before casting their vote. Owners in the A and B building asked if there would be any reimbursement for those who have already replaced windows, especially those who have been mandated to replace windows. The Board agreed that they would have to review this issue and give it appropriate consideration if the amendment passes but could not make any commitment at this time.

Reminders:

Dr. Jennings reminded owners of the following:

Alterations to condo units: per Article IV Section 4.3 of the Shipyard Master Deed, any alterations to a unit must first be approved by the Board. Things like adding crown molding, replacing a counter top and painting do not need approval; however any structural changes such as moving walls or changing plumbing within the floor do require approval.

Carpet protection: When a hurricane warning is issued, the site staff, as well as staff from companies who provide interior maintenance services, bring furniture into units from the balconies – for everyone's protection. Some owners have complained about the carpet in their units getting dirty or stained from the balcony furniture. Please note that it is the owner's responsibility to provide a tarp or something for the staff to place the furniture on.

Annual Meeting: Dr. Jennings reminded everyone that the Shipyard Village annual meeting is scheduled for Saturday, April 15 at 9 am at the Litchfield by the Sea beach house. There will be additional information regarding projects completed and other pertinent information for owners so attendance is encouraged.

The Board was applauded for their work during the litigation process.

With there being no further discussion needed, the informational meeting was adjourned at 11:45 am.

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

March 14, 2006

A Regular Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Tuesday, March 14, 2006 at 9:00 am. at the offices of Puckett, Scheetz & Hogan, Pawleys Island, South Carolina.

I. **ATTENDANCE:**
Board members C. Leon Jennings, Marie Aker, Henry Jobe, Paul Wiley, Brian Nisbet and Bob Shaffner were present in person. Also in attendance were Kellie Diehl and Richard Bennett of K. A. Diehl & Associates, Inc.

Dr. Jennings, President of the Association, served as Chairman of the Meeting and Marie Aker, Secretary of the Association, served as Secretary of the Meeting.

II. **APPROVAL OF MINUTES:**
A motion was made by Mr. Jobe, seconded by Mr. Nisbet, that the reading of the minutes of the Regular Meeting of the Board of Directors held on February 17, 2006, be waived and the minutes approved as submitted. The motion carried unanimously.

III. **FINANCIAL REPORT:**

A. **Financial Statement:** Ms. Diehl reviewed the February 2006 financial statement for Shipyard Village and reported that the association is operating $7616.82 under budget thus far for 2006. Ms. Diehl suggested that the litigation account be closed and the funds transferred to the reserve account. **A motion was made by Mr. Jobe, seconded by Mr. Nisbet, and unanimously approved to close the litigation account and transfer the funds to the reserve account.**

B. **Deposit of settlement funds:** Ms. Diehl reported that the settlement funds were deposited into the reserve account at BB&T. This account has a rate of fed funds rate minus ¼ so it will go up if the rate goes up. $500,000 has been moved to a 6 month CD at Merrill Lynch with a rate of 5.06%, $300,000 has been sent to Community Association Bank for a 12 month CD at 4.06% which will adjust with prime; and, $300,000 will be put in a 15 month CD at Plantation Federal at 5.25%. Ms. Diehl will check rates again and recommend additional investments.

C. **2005 Audit:** Ms. Diehl reported that the CPA who did the 2004 audit (whom the Board has authorized to do the 2005 audit) has decided he cannot do the audit in a timely fashion and has asked the Board to select another CPA firm. Ms. Diehl recommended C. Nicholas Diez, CPA of King & Godbold in Myrtle Beach, who is doing audits for several of her clients. The fee would be the

same. A motion was made by Mr. Shaffner, seconded by Mr. Jobe, and unanimously approved, to hire C. Nicholas Diez to do a full audit of the Shipyard books for 2005.

IV. MANAGEMENT REPORT:

A. Status of Projects: A written summary of the status of various projects is attached to these minutes.

B. ProTec update: Pro Tec will be painting the storage lockers under the garages as part of the scope of their work. The Board agreed that the site staff should replace the hardware on the lockers after the painting is complete. Pro Tec is working on the process for repairing the peeling ceilings. The existing product is not coming off as easily as anticipated. Pro Tec has stated that they will remove as much of the product as possible; in some areas, it is bonded very well and will be left as is. They will then put a "leveling" product on to cover any air pockets, gaps, etc. and then they will apply the Sika finish. They will provide a 5 year warranty on the material and the labor. The Board agreed this was the best course of action.

C. Insurance Appraisal: Ms. Diehl recommended that the Board update the insurance replacement cost appraisal. The cost of building materials has probably risen since the last appraisal due to time and hurricanes in 2005. Ms. Diehl estimated that the company who did the appraisal in 2002 would probably do an update for $1500 - $2000. A motion was made by Mr. Wiley, seconded by Mr. Nisbet, and unanimously approved, to move forward with an insurance replacement cost appraisal.

V. COMMITTEE REPORTS:

A. Landscape: Mr. Jobe suggested that he write a letter to the LTBS Board regarding the poor appearance of the Heron Marsh landscaping along S. Dunes Dr. He will also request that something be done to improve the appearance of the center islands in the road and the area around the pool. The Board agreed.

B. Request for tree removal and modification of fountains: Mr. Nisbet requested that the Board consider removing the fountains at the C & D building and making this area into plant beds. The Board discussed this and decided the best solution would be to try to make the fountains a more aesthetically pleasing water feature. Mr. Bennett will address this. Mr. Nisbet also requested the Board consider removing pine trees around the back of the pool and the pool cabana area. The Board decided to view this area after the meeting and make a decision.

VI. OLD BUSINESS:

A. A13 Indemnification: Ms. Diehl reported that she received the indemnification from A13 which included the acceptance of financial responsibility as had been requested by the Board. She informed A13 they could proceed with the work.

B. Painting of the storage lockers and wooden staircases C & D: At the last meeting, the Board requested that Mr. Bennett ask Pro Tec if they would apply two coats of paint to the storage lockers and wooden staircases for the same price as originally quoted. Mr. Bennett reported that Pro Tec agreed.

C. R.J. Kenney proposal: R.J. Kenney submitted a proposal for the annual inspections of the buildings at $5,000 per building. The Board agreed this was a good idea and authorized the President to sign the contract. A previous contract was signed for $5,000 per building to have 4 on site inspections done during the work process in order to obtain the VIP warranty.

D. Window & Stucco Issues-allocation of funds: The Board received a proposal from Pro Tec for replacing the windows in the A & B buildings. The proposal took longer than expected as the windows are not standard size and replacement is not an easy task. The price is $1,241,185 per building to replace all of the windows. The Board discussed the fact that not all of the windows would be replaced at once—there would be a plan over a few years, starting with replacing the worst stack. This needs to be part of the information sent to the owners regarding the amendment to the master deed. Dr. Jennings suggested that the Board consider putting a sum of money aside to cover the cost of re-applying the building sealant in 10 years. The Board discussed the fact that all of the common elements that the association is required to reserve for should have a separate line item and fund allocation in the reserve account. This can be accomplished by having a reserve study done. This will be pursued. Meanwhile, a motion was made by Ms. Aker, seconded by Mr. Nisbet, and unanimously approved, that the Board set aside $600,000 for re-applying the building sealant in 10 years after the warranty expires, pending the completion of a professional reserve study for all of the common elements.

E. Amendment to master deed: The Board will put an amendment to the master deed on the ballot for the annual meeting. The amendment will make the windows and sliding glass doors including the glass, frames, casings, hinges, and handles the responsibility of the association under normal wear and tear. The corridor doors and all screen doors and window screens including frames, casings, hinges, and handles which are part of the doors and screens will be the responsibility of the owner. Ms. Diehl will work with the association attorney on the specific wording to be sent out.

VIII. NEW BUSINESS:

A. Pool deck furniture: Mr. Bennett brought brochures on various types of pool furniture as more lounge chairs are needed at the pool. The Board authorized the purchase of 18 chairs at $70 per chair using the current design.

B. Bids for painting entry doors: Pro Tec provided a bid for painting the entry doors in C & D as part of the work they are doing. The Board believes the doors will need to be painted after the work is complete. The doors are the responsibility of the homeowner. The Board decided that the association will mandate that front doors be painted and coordinate the painting and bill each owner. The cost is $280 per door.

D. Schedule Next Meeting: The next meeting is scheduled for Friday, April 14, 2006 at 9 a.m.

IX. ADJOURNMENT: With no further business to discuss, the meeting was adjourned at 5:35PM.

Shipyard Village Council of Co-Owners, Inc.
Board of Directors Meeting
March 14, 2006

Submitted by:_____
Marie Aker, Secretary

Approved by:_____ Date_____
Dr. C. Leon Jennings, Jr., President

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

TWENTY FOURTH ANNUAL MEMBERS' MEETING

APRIL 15, 2006

MINUTES

The Twenty Fourth Annual Members' Meeting of the Shipyard Village Council of Co-Owners, Inc., was called to order at 9:00 A.M., Saturday, April 15, 2006 at the Litchfield by the Sea Beach House, Pawleys Island, South Carolina.

I. **Opening Comments and Introductions:**
Dr. C. Leon Jennings, President of the Shipyard Village Board of Directors, opened the meeting by welcoming those in attendance. He then introduced the Board members in attendance: G. Henry Jobe, Paul Wiley, Brian Nisbet, Bob Shaffner and Marie Aker. Dr. Jennings introduced the K. A. Diehl & Associates, Inc. management representatives: Kellie Diehl, Kelly Lawson, Tara Woodson and Richard Bennett, on-site maintenance supervisor.

II. **Formal Opening of the Meeting:**
Dr. Jennings formally called the meeting to order and stated that in accordance with Article I, Section 6, of the Association Bylaws, as amended, that the Annual Members' Meeting shall be held on the third Saturday of April of each year or at such other time as may be determined by the Board of Directors. Dr. Jennings stated that he would serve as Chairman of the meeting and that Ms. Aker, Secretary/Treasurer will serve as Secretary of the meeting.

Chairman Jennings stated that Kelly Lawson has been appointed Agent and Proxy for those members of the Association not present at the meeting for the purpose of voting. Ms. Lawson will also serve as Clerk of the meeting.

III. **Roll Call/Quorum Certification:**
The Chairman requested Ms. Lawson to report on the roll call check in process and certification of the quorum. Ms. Lawson announced that 44.22% of the membership was represented by proxy and 28.44% was represented in person, for a total representation of 72.66%. She then noted that the quorum requirements had been met to successfully conduct the meeting in accordance with the By-Laws of the Association.

IV. **Examination of Proof of Mailing :**
The Chairman examined the Proof of Mailing of the Notice of the Twenty Fourth Annual Members' Meeting and noted that the Proof of Mailing along with a sample of the notice would be filed with the official records of this meeting.

V. **Approval of Minutes:**
The Chairman requested that the Secretary read the minutes of the Twenty Third Annual Members' Meeting, unless there was a motion and a second to waive the reading of the minutes and approve them

as written. Upon a motion by Mr. Cassidy (A55), seconded by Mr. Fuller (C41) and duly carried by voice vote, the reading of the minutes was waived; and further, the minutes were approved as written.

VI. **Annual Reports:**
The Chairman noted the formal order of business of the Annual Meeting allows for certain reports to be made.

A. **Board of Directors Report:**
Chairman Jennings reported on the following Association issues/activities:

1. Richard Bennett: Dr. Jennings stated that Richard Bennett has been the on-site supervisor for Shipyard Village for just about a year. The Board has been very pleased with Richard's performance. He has safety as a priority for his staff and the owners. He also is focused on saving the Association money by implementing more effective procedures and researching to find the best price available for whatever the issue. Two examples cited by Dr. Jennings were 1)more than $14,000 savings in water expenses realized by repair of a major spa leak not reported by previous maintenance personnel and 2) $4,500 saved by changing contractors to perform the fire system certification.
2. Projects completed:

- A new roof, with a 2 year warranty, was installed on the A building. The Board has also signed a contract to have Spann Roofing check all roofs on an annual basis and make any necessary repairs to extend the life of the roofs.
- New corridor carpet was installed in the A and B buildings.
- The corridor railings in the A and B buildings were painted.
- The carpets in C and D building were cleaned (job was awarded prior to the Board's knowledge of the repair work schedule). The carpets will be cleaned again at the end of the repair work.
- Sidewalks were power-washed.
- Emergency lights in the A and B building were brought up to code.
- Pull covers were installed on the fire alarms to reduce the number of false alarms – the fire company will charge after 3 false alarms.
- Vents were installed in the storage room doors of the A and B buildings. – This year when FEMA did its annual inspection, it was noted for the first time that the storage closets needed to be vented to comply with FEMA codes. Our flood insurance premium was increased due to the lack of ventilation. Once the staff completed the vents, FEMA did a follow-up inspection and Shipyard received a $4673 per building refund on the flood premium.
- Several long standing drainage problems in the A and B parking lots were corrected.
- The pool cabana and pump house roofs were replaced.
- The pool cabana was repaired, painted, new lighting installed and bathrooms updated.
- The C & D building fire suppression system was inspected in 20% of the units. There was no evidence found of a systemic problem; however, the Board still reserved the right to file an action at a later date if this surfaces.
- A thermal camera investigation and subsequent report was performed on the building exteriors to determine water penetration points.
- Window standards were developed for A and B window replacement.

3. Projects Planned:

- New signs for under building unit parking identification.
- Handicap ramp on the B building side of the pool will be installed shortly.
- New fountain heads will be purchased to provide a better water spray for the fountains at the C and D buildings.
- Additional stucco evaluations will be done on the A and B building.
- Additional window evaluations will be done on the A and B building.

4. Lawsuit settled:

- Chairman Jennings reported that the lawsuit was settled for $3,019,300 gross. After attorneys' fees, court expenses and $100,000 payout of the class action suit, the Association netted slightly more than $2,200,000.
- Chairman Jennings pointed out that the lawsuit was based more on *anticipated* damages than actual damages. There was not a lot of damage behind the Dryvit; thus making the case more difficult to settle. The original estimate by the forensic engineer and the attorneys for the lawsuit certainly had some "fluff" in it.

5. Current Projects:

- Dr. Jennings reviewed the selection of Pro-Tec for repairs to the C & D buildings. The Board investigated possible solutions for repair of the C and D buildings which included hard coat stucco, a cement based panel system and an elastomeric coating produced by Dow Corning. The coating with Dow Corning called Dow AllGuard provided a 10 year warranty against water penetration and was the most cost effective solution for the repair of our buildings

  Cost of the project:
  $680,610 – ceilings, elastomeric coating, engineer's fee
  $ 67,500 – estimated window repairs
  $ 28,698 – painting of steps leading to first floor units and storage lockers in garages.
  TOTAL: $780,808

  The Board has committed to putting aside $600,000 in the reserve account to fund maintenance of the C & D buildings and re-coating in 10 years. The balance of the settlement funds (approx. $912,000) has been placed in general reserves. The Board will have a professional reserve study of the remaining life and replacement costs for all of the common elements.

6. General Information

- Chairman Jennings asked that owners make appointments with Richard Bennett. He has many issues to deal with each day and will be more efficient if owners would schedule a time to see him instead of just popping in the office. As an example, Richard got a blackberry recently which allows him to email and track his phone calls. He has received 1800 phone calls in the last two months.
- Chairman Jennings reminded owners that no structural alteration of units can be

done without Board approval. Putting up crown molding or changing a counter top is fine – changing a wall or a door opening is a structural change and would need approval.

- Pool ID bracelets will be used again this year. If you have misplaced your bracelets and need new ones, they can be obtained for $1.00 each at the site office.
- The beach tent rule will be enforced again this year also – no tents on the beach from sundown to sun up.
- Only owners are allowed to have pets. Owners must clean up after their pets as dog deposits not only ruin the grass but also create a health hazard – many children play in the grass, etc.
- If it becomes necessary to remove furniture from balconies in a hurricane warning, your maintenance contractor or rental agent should do this for you: however, the Shipyard site staff will help in this effort if necessary. If you do not want your furniture put directly on the carpet, it is your responsibility to provide a tarp or cover for the carpet.
- Please note that only household trash can be placed in the dumpsters. Old bicycles, microwaves, etc. cannot be placed in the dumpsters. There are two recycling centers for this type of trash – one just north of Brookgreen Gardens and one in Pawleys Island.
- Finally, Chairman Jennings reported that the Shipyard Board has drafted a letter to the Litchfield by the Sea Board concerning the appearance of Heron Marsh. The landscaping is not up to LTBS standards and looks very shabby. Henry Jobe commented that he is on the LTBS Board and this issue was raised at a general meeting last fall yet no action has been taken. Mr. Jobe encouraged owners to look at Heron Marsh and write individual letters to the LTBS Board.

B. **Financial Report:**

- Ms. Diehl reported that the 2005 Audit was completed by C. Nicholas Diez, CPA. She then noted that the report was distributed to the membership at this meeting. The owners not in attendance will also receive a copy of the report when the minutes of the meeting are mailed. Ms. Diehl then briefly reviewed the report for the benefit of the membership, stating that the Association had ended 2005 with an approximate $21,767 surplus. This surplus was transferred to the reserve account to avoid paying a high tax rate. Ms. Diehl stated that thus far for 2006 the Association is operating under budget. Ms. Diehl commended the Board for their prudent financial management.
- Ms. Diehl also reported that the Board has commissioned an insurance replacement cost appraisal – to make sure there is enough coverage to re-build the buildings if destroyed by a storm, fire, etc. The last appraisal was done in December 2002 – it is recommended to get an appraisal every 3-5 years. Construction costs have increased and availability of construction materials has decreased which may cause the appraisal to value the buildings at a higher amount. The master insurance policy renews in June. Increasing the amount of property coverage would increase the premium. Also, due to the severe hurricane season last year, the number of insurance carriers willing to provide insurance to coastal properties has decreased. The Board and management will do everything possible to find the best coverage at the best price; however, owners should be prepared for a substantial increase in the insurance assessment, which comes out mid-May.

VII. **Election of Directors, Tax Resolution and Master Deed Amendment:**

Chairman Jennings announced that the primary purpose of the meeting is to elect Directors. There are four seats open on the Board.

Chairman Jennings asked Ms. Aker to give the report from the nominating committee. She then stated that the Nominating Committee's slate is:

Jack C. Eblin (D32)
C. Leon Jennings, Jr. (B54)
G. Henry Jobe (A15)
Jim Poag (A58/B51)

Write in nominations have been received for:

W. Clinton Carter (D51)
Katie Morrow (B28)

The Chairman opened the floor to additional nominations. With no further nominations, Mr. Shearer (B16) moved that the nominations be closed, seconded by Mr. Kelly (D15).

A motion was made by Ms. Morrow (B28), seconded by Mr. Eblin (D32), that any excess Association income over Association expenses as defined in IRS Reg. I-277-I for the year ending December 31, 2006 shall be applied against the subsequent tax year member assessments as provided by IRS Revenue Ruling 70-604.

Chairman Jennings reviewed the proposed amendment to the Master Deed. The proposal was made by the Board after hearing of problems that many owners in the A and B building were experiencing trying to replace windows individually. Plus, window contractors cannot necessarily take care of exterior stucco repairs around the windows. If the window is not installed properly and stucco repaired properly, water can penetrate to the unit below. The amendment would make all windows and sliding doors the responsibility of the Association. The window and door screens would remain the responsibility of the owner The Board would then have an engineer/architect assist with determining which stack of windows is in the worst shape to be replaced first. A schedule would be developed to do x number of stacks each year. Chairman Jennings stated that the Board was not going to use funds from the settlement to replace all windows in the A and B buildings. Questions were posed and answered and several owners from the A and B building shared problems and experiences related to trying to replace a window or two in their unit.

At this point, ballots were handed out to those owners who had not sent in a proxy card.

VIII. **Unfinished Business:**
There was no old business to be discussed.

IX. **New Business and Member Comment:**

Some of the items discussed were:

1. If the amendment passes, payment options for window repairs or replacement could include funds from reserves, assessments or loans.
2. If the amendment passes, the Association would be responsible for replacing faulty windows due to normal wear and tear.
3. Homeowners were reminded not to set off firecrackers from their balconies.
4. Permission to tile balconies is not required, but it is recommended that Richard Bennett be consulted for specifications as to installation.

5. High speed internet can be obtained through Time Warner on an individual basis at the owner's expense.
6. It was suggested that the Association levy fines for infractions of the Shipyard Village rules as authorized in the handbook.

X. Announcement of voting results:

Chairman Jennings reported that the following owners have been elected to the Board:
Jack Eblin
C. Leon Jennings
G. Henry Jobe
Jim Poag

The tax resolution has passed by acclamation.

Chairman Jennings reported that the amendment did not pass – 71.94% participated in the amendment vote. 63.59% voted in favor (we needed 66.66% affirmative vote) and 8.35.% voted against. A discussion ensued where Board members related that there were actually 90 units that voted in favor and 11 against – it appeared that the reason the amendment did not pass was due to the fact that 39 owners did not vote at all. The Board felt that clearly the majority of the owners wanted the amendment to pass. **A motion was made by Mr. Kelly (D15), seconded by Mr. Shear (B16) to leave the vote on the amendment open for 30 days to allow those owners who did not vote, to vote. The motion carried unanimously.**

XI Adjournment:

With no further business brought forth from the floor, **a motion was made by Mr. Shaffner (B26), seconded by Mr. Kelly (D15) and duly carried that the meeting be adjourned.** The meeting was adjourned at 11:30 am.

SUBMITTED BY:

_____
Marie Aker, Secretary/Treasurer

APPROVED BY:

DATE:

_____
Leon Jennings, President

_____

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

July 28, 2006

A Regular Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Friday, July 28, 2006 at 9:30 am. at the offices of Puckett, Scheetz & Hogan, Pawleys Island, South Carolina.

I. **ATTENDANCE:**

Board members Brian Nisbet, C. Leon Jennings, Jack Eblin, Jim Poag, Henry Jobe, and Bob Shaffner were present in person. Also in attendance were Kellie Diehl and Richard Bennett of K. A. Diehl & Associates, Inc.

Brian Nisbet, President of the Association, served as Chairman of the Meeting and Jim Poag, Secretary of the Association, served as Secretary of the Meeting.

II. **DISCUSSION WITH LARRY J. GARLAND, VP PRO-TEC:**

Larry Garland, VP of Pro-Tec participated via telephone. Mr. Garland explained that the coating on the balcony ceilings ended up being a 5 step process instead of the two step process initially anticipated. In some spots, the coating was very difficult to remove and in some areas, the underlying concrete was uneven. This required ProTec to use a grinding machine. According to Mr. Garland, these things could not have been determined prior to starting the work. He explained the steps and additional time required to successfully complete the ceiling work. He is asking that Shipyard pay him for his costs only, which come to $44,000. Ms. Diehl then discussed outstanding "punch list items", specifically, the list of things that need attention on the balcony of D46. Mr. Garland committed to taking care of all outstanding punch list items promptly. The Board thanked Mr. Garland for the information and stated they would get back to him with a decision. After Mr. Garland left the meeting, the Board discussed the fact that although there was an all inclusive set price contract, Mr. Garland had some valid points. **A motion was made by Mr. Shaffner, seconded by Dr. Jennings, to pay Pro Tec an additional $34,000 towards these costs once the 10 year warranty information was received and all punch list items completed. The motion passed unanimously.**

III. **APPROVAL OF MINUTES:**

A motion was made by Mr. Eblin, seconded by Mr. Poag, that the reading of the minutes of the Regular Meeting of the Board of Directors held on April 15, and June 2 2006, be waived and the minutes approved as submitted. The motion carried unanimously.

IV. **FINANCIAL REPORT:**

A. **Financial Statement:** Ms. Diehl reviewed the June 2006 financial statement for Shipyard Village and reported that the association is operating $10,341.10 under budget thus far for 2006.

B. **Delinquency report:** Ms. Diehl reported that there are no owners that are more than 30 days behind. Several owners have not sent in the first installment of the insurance assessment. Reminder letters will be sent out.

IV. MANAGEMENT REPORT:

A. Maintenance Report:

1. **Electrical Status:** Ms. Diehl reported that several owners have had their electrical boxes inspected and sent proof of same to the management office. She is keeping a list and for those who do not do anything by Sept. 1 – the association will call in the electrician and bill the owner.
2. **General report:** Mr. Bennett reported that there were also several common area electrical problems in the A & B buildings which have been attended to. In addition, he has been dealing with staffing problems (Ms. Diehl interjected that it has been difficult to find quality employees this season at several of her communities) but hopes to have a consistent staff shortly. Fountain heads were replaced, new carport signs installed, the emergency lighting was inspected by the fire marshal and got great marks, and landscape work previously approved by the Board has been completed – sod by pool ramp and pine trees removed.

B. A&B Window/Stucco Plan:

1. **Status current stucco work:** Mr. Bennett reported that the stucco work previously approved by the Board is in process. Perkins Waterproofing is doing a good job and very good to work with.
2. **Engineering oversight bids:** Ms. Diehl presented proposals from two engineering firms: McGee & Associates, Inc. and Schneider & Associates. Both gave hourly rates for developing a priority plan for the window and stucco work needed at the A & B buildings. Mr. Bennett stated that Schneider is very interested in this job and spent a lot of time with him. They also presented a detailed outline and pictures with their proposal. Mr. Bennett recommended the Board hire Schneider as they should provide the most detailed report. Schneider was recommended by Kinney & Associates, Inc. – the firm that oversaw the work at the C & D buildings and were not interested in the A & B work as concrete & stucco is not their forte. **A motion was made by Mr. Poag, seconded by Mr. Eblin, to hire Schneider and Associates for the A & B building work. The motion was approved unanimously.**
3. **Additional stucco work needed/window problems:** Mr. Bennett presented a list of balconies that need stucco work, mainly due to water problems and rebar showing through. He also reviewed a list of current owners in the A & B buildings who have window problems. Schneider & Associates, Inc. should review these lists and incorporate them as part of the overall building report and priorities they present. We will try to get Schneider started as soon as possible so a report can be presented within 30-60 days. From that point, bids for the

actual window and stucco work would be solicited. We would hope to have this work done immediately after hurricane season. For any owner who is experiencing window or balcony problems that cannot wait, a temporary repair will be made.

4. **Frequently asked questions:** several owners have recently replaced windows in the A and/or B buildings and are asking if they will be reimbursed now that the amendment making windows the responsibility of the association has passed. Ms. Diehl suggested that these owners be instructed to send the board a letter, requesting reimbursement, including the bill for the windows along with a description/spec of what their contractor did. These will be reviewed on a case by case basis as not everyone followed the installation spec that was sent out, and some may have used windows that don't meet the standard. Other owners have asked about stains and water damage on the inside of the unit. The Board stated that owners should be responsible for any damage to the interior from water penetration. Any damage to the interior due to the replacement of a window by the association's contractor, will be repaired by the contractor as part of the installation process.

C. **Approve Fire System Work:**
Work was needed on the fire system due to the annual inspection. Harvey & Associates submitted a proposal to make the necessary repairs at a cost of $$12,140.00 This was approved by the Board previously via email. **A motion was made by Mr. Shaffner, seconded by Dr. Jennings, to ratify this action. The motion passed unanimously.**

V. **COMMITTEE REPORTS:**

A. **Landscape:** Sod work by the new ramp/pool area has been completed. Mr. Jobe had requested that Briggs provide a price for adding two beds to the ends of the A building – cost: $1890. **A motion was made by Mr. Shaffner, seconded by Dr. Jennings to approve this as well as add the same beds to the ends of the B building. The motion passed unanimously.**

VI. **OLD BUSINESS:**

A. **Legal – settlement on fire system:** The Board had received an email from Rick Gleissner, Finkel & Altman, regarding the settlement of the lawsuit specifically with Gasque Plumbing, who installed the fire sprinkler system. Rick had stated that the association should receive $3500 from Gasque and a 3 year time frame to bring suit if there is another sprinkler break. Gasque rejected this. The Board discussed the fact that if they cannot reach an agreement with Gasque, the worst case scenario would be that if another break occurred, the association could bring suit against RJ Griffith, who in turn would go after Gasque. **A motion was made by Mr. Shaffner, seconded by Mr. Eblin to authorize Dr. Jennings as the Board's representative in this matter, to tell Rick Gleissner to ask for no money and a 3 year time frame. The motion passed unanimously.**

B. **Carpet for the C & D building corridors:** Ms. Diehl reminded the Board that the carpet in the hallways of the C & D building was to be replaced after the building repairs were completed. Since competitive bids were just obtained for

the re-carpeting of the A & B hallways, we will use the same contractor who did the A & B work. Unit owners will be offered a discounted price if they want to have their balcony re-carpeted at the same time.

VIII. NEW BUSINESS:

A. LTBS landscaping: Mr. Jobe reported that he is now President of LTBS and that LTBS has taken over the landscape responsibility for the center island on Dunes Dr. by Heron Marsh. Mr. Jobe also stated that Heron Marsh has improved the appearance of the landscaping within the community and is working to complete all areas.

B. Resignation: Henry Jobe submitted a resignation letter – he is resigning due to the fact he sold his unit and closing is in August. The Board discussed possible replacement candidates. **A motion was made by Mr. Eblin, seconded by Mr. Poag to allow Mr. Shaffner to contact Jerry Shearer-B16 to ask if he would replace Mr. Jobe. The motion carried unanimously.**

IX. ADJOURNMENT: With no further business to discuss, the meeting was adjourned at 12:00PM.

Submitted by: Jim Poag
Jim Poag, Secretary

Approved by: _____ Date _____
Brian Nisbet, President

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

January 26, 2007

A Regular Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Friday, January 26, 2007 at 9:30 am. at the offices of Puckett, Scheetz & Hogan, Pawleys Island, South Carolina.

I. **ATTENDANCE:**
Board members Jack Eblin, C. Leon Jennings, Jim Poag, and Doris Bray were present in person. Also in attendance were Kellie Diehl and Richard Bennett of K. A. Diehl & Associates, Inc.

Jack Eblin, Vice President of the Association, served as Chairman of the Meeting and Jim Poag, Secretary of the Association, served as Secretary of the Meeting.

II. **SCHNEIDER ENGINEERING:**
Ken Schneider and Mike Ross attended the meeting and gave the following report:

- Replacement of balcony slider in A14: has been delayed due to material delays. Work should start on Monday, January 29. Schneider presented a diagram of how the new slider will be installed. The current slider is sitting on top of the joint between the interior concrete floor slab and the balcony slab. Once the old door is removed, the joint will be filled with a sealant and then a board of special composition will be placed on top of the joint. The new aluminum door will sit on top of this raised base so it will not be resting directly on the concrete slab. The frame and support posts will be made of steel instead of wood. Special "pans" or flashing will be installed around the walls to channel any water flow to the outside. The new door will sit inside a frame when all the strut and wall work is completed. The sliding door, including the base, will have about a 3" curb and will only have one moving slider. The new doors and associated work will meet the new wind codes and be impact resistant. The board agreed with the information presented.
- After the work is done in A14, the balcony sliding door in A55 will be replaced. Balcony doors on the fifth floor are a different configuration than those in the other floors and will require additional reinforcement. Thus, a door on the fifth floor needs to be done as a "mock up."
- The last "mock up" will be the 8 stack of windows court yard side in the B building. Schneider is recommending that the lower panes of glass in these windows (whether courtyard or ocean front) be removed and a wall put back instead of glass. This will help with heat/cool loss in the unit as well as increase the stability of this wall of windows. The new windows will also have only one side that opens. A motion was made by Mr. Poag, seconded by Dr. Jennings, and unanimously approved that

pending a "legal blessing" on this change, replacing the bottom row of glass with a wall be accepted.

- The Board then discussed the need to inform the owners in the A and B building of the progress to date and the changes noted above. Ms. Diehl will draft a letter and send it to the board for review.

III. APPROVAL OF MINUTES:

A motion was made by Mr. Poag, seconded by Dr. Eblin, that the reading of the minutes of the Regular Meeting of the Board of Directors held on November 3, 2006, be waived and the minutes approved as submitted. The motion carried unanimously.

IV. FINANCIAL REPORT:

A. Financial Statement: Ms. Diehl reviewed the December 2006 financial statement for Shipyard Village and reported that the association ended 2006 with a surplus of $24,159.76. The 2006 audit may change this number slightly. The audit will be started shortly.

B. Delinquency report: Ms. Diehl reported that there are two owners with one month balances and one owner is two months behind. If payment is not received in response to the letter sent to the two month delinquent, the account will be turned over to the association's attorney for legal collection action.

IV. MANAGEMENT REPORT:

A. Maintenance:

1. Status A building elevator work: work started January 8, 2007 which was slightly later than anticipated due to parts being back ordered, etc. Thus far, the work is progressing very well and the contractor is doing a good job.
2. Dryer venting/cleaning A and B: the vents have been installed as discussed at the last meeting. The contractor has used a camera to investigate the main pipe in a couple of the stacks thus far. If it is determined that the stack needs to be cleaned, Mr. Bennett will see that the contractor does so. All vents will be cleaned in October and then checked again in March for cleaning needs. In some stacks, the pipe has a bend or elbow and the camera can only go so far. A random sample will be used in this case.
3. General: a general maintenance update is attached to these minutes. Mr. Bennett also discussed the idea of having specific rules for contractors hired by owners to do work inside units and suggested having these contractors post some kind of bond. Mr. Bennett will provide a draft of same for the board for review and discussion at the next board meeting.
4. Luggage Carts: The new luggage carts are in place and very well received.
5. Bike Racks: The new bike racks have been assembled and installed in A and B.

B. Reserve Study: Ms. Diehl reported that the engineering firm of Miller-Dodson will begin the study in February. Ms. Diehl wanted to gather as much

of the information regarding replacement windows and sliding door in the A/B building as possible to assist Miller-Dodson in providing an accurate study.

C. **Correspondence:** Ms. Diehl had previously notified the Board of a letter received from Neal Prater, B14, requesting reimbursement for the windows he replaced prior to the amendment. At this time, the Board does not have enough cost information from the work that Schneider is doing to make a final determination. Ms. Diehl will keep Mr. Prater informed.

VI. OLD BUSINESS:

A. **FEMA: A and B building elevator vents and refund:** Ms Diehl reported that the required vents have been installed for the elevators per FEMA and a refund check of $6000 has been received.

VII. NEW BUSINESS:

A. **Board vacancy:** Brian Nisbet, Board President, submitted his resignation due to work and personal commitments. Per the Shipyard Village ByLaws, the Vice President presides until the next annual meeting. Dr. Eblin will assume the role of President from now until the annual meeting on April 28, 2007. The Board decided that since Mr. Nisbet's term is up this year, a replacement will not be appointed at this time. The membership will vote to fill this seat as part of the 2007 annual meeting. Board officers serve one year terms and are elected by the Board after each annual meeting.

B. **Beach cross over:** Dr. Eblin brought up the fact that the boardwalk crossover by the pool ends in the middle of the dunes. He suggested that we get bids for extending the walkway over the last dune. This should also help re-build and stabilize the dune in this area. Mr. Bennett will research and get bids for review at the next meeting.

VIII. ADJOURNMENT:

With no further business to discuss, the meeting was adjourned at 11:55 AM.

Submitted by:_____
Jim Poag, Secretary

Approved by:_____ Date:_____
Dr. Jack Eblin, President

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

March 16, 2007

A Regular Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Friday, March 16, 2007 at 9:30 am. at the offices of Puckett, Scheetz & Hogan, Pawleys Island, South Carolina.

I. **ATTENDANCE:**

Board members Jack Eblin, C. Leon Jennings, Jim Poag, Paul Wiley, Bob Shaffner and Doris Bray were present in person. Also in attendance were Kellie Diehl and Richard Bennett of K. A. Diehl & Associates, Inc.

Jack Eblin, Acting President of the Association, served as Chairman of the Meeting and Jim Poag, Secretary of the Association, served as Secretary of the Meeting.

II. **SCHNEIDER ENGINEERING:**

Ken Schneider and Mike Ross of Schneider & Associates, Inc. attended the meeting and brought Eddie Porcher, Structural Engineer and Doug Hunt of Frisch & Associates.

Mr. Schneider informed the Board that he brought Mr. Porcher with him to review the status of the balcony ceiling at A14. The ceiling is deteriorating and Mr. Porcher will investigate but believes there is a repair that can be made without having to discuss replacing the entire slab. Mr. Hunt has been brought into the project by Mr. Schneider after Perkins Waterproofing was fired for performance issues. Mr. Hunt will be responsible to make the repair under the direction of Mr. Porcher and Mr. Schneider.

Mr. Hunt introduced himself and his company and gave the Board a budget estimate for the work to be done at A55 – not to exceed $47,483.00. The project at A55 (replace balcony doors and repair balcony wall) is scheduled to start on Monday, 3/19 and should take two – three weeks to complete. Mr. Schneider and Mr. Hunt assured the Board and management that everything is ready for this work to start on Monday.

Ms. Diehl then addressed Mr. Schneider regarding management and the Board's dissatisfaction with the progress to date.

- Shipyard has paid Schneider $66,867.80 to date. In the initial meeting with Schneider back in July 2006, the Board requested Schneider to provide building plans for A and B as part of the project work. There have been times charged on past bills for CAD drawing work, but no plans have been received to date.

- A14 is completed except for a punch list which Schneider is to do and should be done by now. There is not an acceptable "spec package" and product list for the work done at A14 for management to use in obtaining bids from other contractors.
- A14 was not organized and the "ball was dropped" by both Schneider and Perkins Waterproofing several times. Management was very frustrated with the poor communication and problems encountered during the A14 work.
- A55 has been scheduled and re-scheduled due to poor communication and poor or no ordering of supplies.
- The information provided to the Board at the last meeting regarding a "knee wall" was not detailed enough and no spec has been received for this so bids from contractors can be obtained.

Board members made additional comments and Mr. Schneider did not specifically answer all questions.

The Board thanked Mr. Schneider and Mr. Hunt for attending the meeting and stated they hoped the work at A55 will start and go accordingly to schedule. Mr. Schneider and Mr. Hunt left the meeting.

The Board expressed disappointment over Mr. Schneider's comments at the meeting and the process thus far. Ms. Diehl stated management will investigate other engineers who would be able to take over the window replacement. The Board agreed that Mr. Schneider should continue to be involved to finish the punch list at A14 and oversee the A55 work.

Ms. Diehl will write a letter to Schneider stressing the information the Board expects to receive. The January bill from Schneider, $29,990.18 will be held until plans/proper information is received.

Ms. Diehl reported that the window change (adding a kneewall) passed with 57% in favor and 11.56% against. The Board decided to re-visit the knee wall idea and height with a new engineer to be hired for the window project. It appears that some owners who were opposed to the wall had a problem with the height of the wall – 24" is acceptable; 30" and higher is not. The Board discussed how the exterior appearance will be affected if all the windows are not done at the same time and the knee wall is installed. The Board requested that Mr. Bennett request a bid from Frisch & Associates for replacing windows with and without the kneewall. The Board also discussed the possibility of sealing the exterior of the A and B building to stop/prevent water penetration which may allow the window replacement project to be spread out over a longer period. Mr. Bennett will meet with the VP of Charlotte Paints (company who did sealant application to C and D) to get a quote and full understanding of the warranty. Additional discussion on the window replacement/knee wall was tabled for now.

III. **APPROVAL OF MINUTES:**

A motion was made by Dr. Jennings, seconded by Ms. Bray, that the reading of the minutes of the Regular Meeting of the Board of Directors held on January 26, 2007, be waived and the minutes approved as

submitted. The motion carried unanimously.

IV. FINANCIAL REPORT:

A. **Financial Statement:** Ms. Diehl reviewed the February 2007 financial statement for Shipyard Village and reported that the association is operating under budget by $6501.22 as of the end of February.

B. **Delinquency report:** Ms. Diehl reported that there are a few owners with one month balances and reminder letters have been sent.

C. **CD Review:** Ms. Diehl reported that there are three CDs maturing soon. **A motion was made by Ms. Bray, seconded by Dr. Jennings and unanimously approved,** to authorized Ms. Diehl and Mr. Poag, Treasurer, to review rates and re-invest these amounts.

IV. MANAGEMENT REPORT:

A. **Maintenance:**

1. **Status A building elevator work:** the first elevator in the A building is complete; the second one should be finished by Memorial Day.
2. **Pond Culvert bid:** the pond in front of the D building has a culvert/drain on one side that is collapsing. Mr. Bennett called five concrete companies for bids and only received one bid. Absolute Concrete submitted a bid of $2800.00 for the culvert repair and $1500 per large concrete walk pad – there are several areas of concrete walkway that need repairs..
3. **Dryer venting/cleaning A and B:** the vents have been inspected with the camera and no major problems were discovered. Cleaning of the vents will be scheduled in October.
4. **Fire System Leak:** Mr. Bennett reported that the fire suppression system underground piping has a leak. The leak was discovered due to the strobe alarm (recently installed) going off. The leak will be traced and repaired this coming week – cost will depend upon how much pipe has to be dug up.
5. **Board Walk extension:** Per discussion at the last meeting, Mr. Bennett presented a bid from Gallup Bulkhead (recently did a beach access ramp for Breakers Reef – had the best price by far and did great job) for $5160.00 to extend the beach access walk coming from the pool over the dunes. Additional riser work needed to complete the project could cost an additional $1000.00. **A motion was made by Dr. Eblin, seconded by Mr. Wiley and unanimously approved, to accept the Gallup bid.**
6. **General:** Mr. Bennett informed the Board that a few windows in a few units are fogged. The windows are the association's responsibility and in these cases, the glass just needs to be replaced. Mr. Bennett will obtain glass bids from three contractors and use the cheapest one.

B. **Reserve Study:** Ms. Diehl reported that the engineering firm of Miller-Dodson will begin the study in April. Ms. Diehl wanted to gather as much of the information regarding replacement windows and sliding door in the A/B building as possible to assist Miller-Dodson in providing an accurate study.

C. **Correspondence:**

1. A37: sent a letter requesting that the bedroom window glass be replaced as it is fogged. Mr. Bennett will include in the glass work he is getting pricing for.
2. A55: listed reasons he is against the kneewall change to the windows. Discussion at the beginning of this meeting – the board acknowledges there are issues with the knee wall height and has tabled a final decision.
3. B13 email: replaced his windows prior to the window amendment to the master deed and is requesting reimbursement. Also listed reasons why he is against the kneewall window change – reimbursement will be considered after the Board gets a handle on the cost of replacing windows.
4. B56: sent a letter explaining reasons why they are against the kneewall. Issue is tabled for now.

VI. OLD BUSINESS:

A. **Contractor requirements:** this item is tabled.

VII. NEW BUSINESS:

A. **Candidate Slate:** The annual meeting is scheduled for April 28, 2007. A notice was sent out to solicit candidates. Responses have been received from Marie Aker, D46; Joseph Julian, C55; Clinton Carter, D51, Bo Davis, B55; and Tim Cassidy, A55. The Board, acting as the nominating committee will propose the following slate: Tim Cassidy, A55; Clinton Carter, D51 and Marie Aker, D46. The other candidates who submitted their names will appear on the ballot also.

VIII. ADJOURNMENT:

With no further business to discuss, the meeting was adjourned at 1:35 PM.

Submitted by:_____
Jim Poag, Secretary

Approved by:_____ Date_____
Dr. Jack Eblin, President

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

April 27, 2007

A Regular Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Friday, April 27, 2007 at 9:30 am. at the offices of Puckett, Scheetz & Hogan, Pawleys Island, South Carolina.

I. **ATTENDANCE:**

Board members Jack Eblin, C. Leon Jennings, Bob Shaffner, and Doris Bray attended in person Also in attendance were Kellie Diehl and Richard Bennett of K. A. Diehl & Associates, Inc.

Jack Eblin, Acting President of the Association, served as Chairman of the Meeting and Jim Poag, Secretary of the Association was not present so Kellie Diehl served as Secretary of the Meeting.

II. **APPROVAL OF MINUTES:**

A motion was made by Dr. Eblin, seconded by Mr. Shaffner, that the reading of the minutes of the Regular Meeting of the Board of Directors held on April 17, 2007, be waived and the minutes approved as submitted. The motion carried unanimously.

III. **FINANCIAL REPORT:**

A. **2006 Audit:** Ms. Diehl reviewed the 2006 audit which was completed by Nick Diez, CPA. The bottom line is that the association ended 2006 with a $20,280 operating surplus. This surplus will be transferred to the reserve account.

B. **CD Review:** Ms. Diehl reported that there are three CDs matured in March. The CD at Beach First was renewed for 6 months at 5.5%; the CD at Community Association Banc was renewed for 6 months at 5.5%. Funds in Merrill Lynch: $600,000 in a 28 day commercial paper (must buy this in blocks of $50,000)paying 5.3%, $25,000 in a 28 day commercial paper paying 5.25%, and $4862 in a money market account paying 5.13%.

IV. **A & B Building Issues:**

Ms. Diehl, Drs. Eblin and Jennings met with Ken Schneider and Mike Ross of Schneider Engineering and reported the following:

A. **A14 balcony door status:** Work is completed. The "bid specification packet" was received and reviewed. A final bill from the contractor, Perkins Waterproofing, has not yet been received. The warranty from Perkins was received.

B. **A55 balcony door status:** Work has been completed. The bid specification package has been received and needs to be reviewed. The glass above the

sliding door was installed as one piece. It used to be four pieces. Due to the difficulty of manufacturing and installing one large piece of glass, Schneider recommends using two pieces in future work. The final bill from Frish and Associates has not been received.

C. **Balcony ceilings:** The balconies were investigated by a structural engineer and it was determined that some work is needed but not extensive. Richard had previously done an inspection of balcony conditions and developed a list ranking them on a scale of 1 to 5, 5 being the worst. Schneider will inspect the balconies listed as a "5" and determine which ones need a new coating on the underside. A fiberglass product is put down on the "floor" of the balcony and a cement based product is sprayed on the underside. The underside of A14 needs to be done and will be scheduled shortly. This work should be done before the sliding door work on those units that need it.

D. **Windows:** Schneider recommends a knee wall on the court-yard side only. The windows in the B building 8 stack will be scheduled for replacement after Labor Day. Schneider will secure a bid from Frish & Associates for this work and begin getting things lined up for this.

E. **Pending Schneider Engineering bills:** Three bills for Schneider have not been paid: an invoice covering 1/26-1/30 for $8037.61, an invoice for February for $27,970.16 and an invoice for March for $43,085.31. Ms. Diehl pointed out some discrepancies in the bills such as hourly rates changing, invoices being charged twice, travel time, cost to fire Perkins and cost to meet with KAD and Richard for a status report. Mr. Schneider stated he would review the invoices and issue some amount of credit. **A motion was made by Mr. Shaffner, seconded by Dr. Eblin and unanimously approved to pay the January and February bills and to continue to work with Schneider & Associates, Inc. through the process of replacing windows in the B building 8 stack.** The March bill will be re-discussed after it is reviewed and Schneider issues a credit. Ms. Diehl will write a letter to Schneider informing him of the board's decision.

F. **ProTec review of buildings for coating:** Mr. Bennett received word from ProTec that Dow will not issue a warranty for coating the A and B buildings unless all of the windows are first replaced. This is not financially practical at this point and all of the windows are not in need of immediate replacement. The Board decided to move forward with replacing windows in the B building 8 stack and then look to seal the corners and window areas with the Dow product after that. Mr. Bennett will secure a formal proposal from ProTec for this work.

V. MANAGEMENT REPORT:

.A. **Maintenance Issues:** the second elevator in the A building was to be inspected today; all elevator work complete; very satisfied with contractor. The staff has completed the rail painting.

B. **Insurance Renewal:** Ms. Diehl reported that she has been working on understanding the insurance bidding process over the past several months and has had several agents working on renewal quotes for many of her client communities. Finding multiple quotes for ocean front buildings is still somewhat of a challenge. The Shipyard master insurance policy renews June 3 and Ms. Diehl hopes to have information for the Board to review by mid-May.

Shipyard Village Council of Co-Owners, Inc.
Board of Directors Meeting
April 27 2007

VII. NEW BUSINESS:

A. **Board Reports:** Dr. Eblin reviewed the report he will give at the annual meeting. All members thought it was very inclusive.

B. **Litchfield by the Sea meeting:** The LTBS Board has requested assistance in getting proxies returned so they will have a quorum at their annual meeting. Dr. Eblin will mention this in his report at the annual meeting.

VIII. ADJOURNMENT:

With no further business to discuss, the meeting was adjourned at 11:30 AM.

Submitted by:_____
Kellie A. Diehl, Acting Secretary

Approved by:_____ Date_____
Dr. Jack Eblin, President

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

TWENTY FIFTH ANNUAL MEMBERS' MEETING

APRIL 28, 2007

MINUTES

The Twenty Fifth Annual Members' Meeting of the Shipyard Village Council of Co-Owners, Inc., was called to order at 9:00 A.M., Saturday, April 28, 2007 at the Frances Marion Room, Pawleys Island, South Carolina.

I. **Opening Comments and Introductions:**
Dr. Jack Eblin, President of the Shipyard Village Board of Directors, opened the meeting by welcoming those in attendance. He then introduced the Board members in attendance: Bob Shaffner, Paul Wiley, Doris Bray and Leon Jennings. He then introduced the K. A. Diehl & Associates, Inc. management representatives; Kellie Diehl, Tara Woodson, Maria Rankey and Kim Dorsey. Richard Bennett, on-site maintenance supervisor is sick and was not present.

II. **Formal Opening of the Meeting:**
Dr. Eblin formally called the meeting to order and stated that in accordance with Article I, Section 6, of the Association Bylaws, as amended, that the Annual Members' Meeting shall be held on the third Saturday of April of each year or at such other time as may be determined by the Board of Directors. Dr. Eblin stated that he would serve as Chairman of the meeting and that in the absence of Jim Poag, Secretary/Treasurer, Leon Jennings will serve as Secretary of the meeting.

Chairman Eblin stated that Tara Woodson has been appointed Agent and Proxy for those members of the Association not present at the meeting for the purpose of voting. Ms. Woodson will also serve as Clerk of the meeting.

III. **Roll Call/Quorum Certification:**
The Chairman requested Ms. Woodson to report on the roll call check-in process and certification of the quorum. Ms. Woodson announced that 49.95 % of the membership was represented by proxy and 24.30% was represented in person, for a total representation of 70.25%. She then noted that the quorum requirements had been met to successfully conduct the meeting in accordance with the By-Laws of the Association.

IV. **Examination of Proof of Mailing :**
The Chairman examined the Proof of Mailing of the Notice of the Twenty Fifth Annual Members' Meeting and noted that the Proof of Mailing along with a sample of the notice would be filed with the official records of this meeting.

V. **Approval of Minutes:**
The Chairman requested that the Secretary read the minutes of the Twenty Fourth Annual Members' Meeting, unless there was a motion and a second to waive the reading of the minutes and approve them as written. Upon a motion by Mr. Covington (D35); seconded by Mr. Cassidy (A65) and duly carried by voice vote, the reading of the minutes was waived; and further, the minutes were approved as written.

VI. **Annual Reports:**
The Chairman noted the formal order of business of the Annual Meeting allows for certain reports to be made.

A. **Board of Directors Report:**
Chairman Eblin reported on association activities throughout the year. The Board report is attached to these minutes.

B. **Financial Report:**

- Ms. Diehl reported that the 2006 Audit was completed by C. Nicholas Diez, CPA. She then noted that the report was distributed to the membership at this meeting. The owners not in attendance will also receive a copy of the report when the minutes of the meeting are mailed. Ms. Diehl then briefly reviewed the report for the benefit of the membership, stating that the Association had ended 2006 with an approximate $20,280 surplus. This surplus was transferred to the reserve account to avoid paying a high tax rate. Ms. Diehl stated that thus far for 2007 the Association is operating under budget. As of December 31, 2006, the association had $1,391,216 in the reserve account. The Board had decided last year to put $600,000, which is the cost of re-coating the C and D building with the Dow Allguard product, into a separate account at Merrill Lynch. As of 3/31/07, this account has $629,862.19 in it. The Dow product has a ten year warranty and after the re-coating in ten years, another ten year warranty will be issued. The balance of the reserve funds are in CDs and money market accounts, earning the highest interest rate available – three CDs are at a rate of 5.5%.
- Ms. Diehl also reported that she has been working on the Shipyard master insurance policy renewal. She noted that for the past several months she has been learning more about the insurance bid process so she can make certain that the insurance agents are doing everything possible to find the best insurance coverage quote for her client communities. Recent renewals have indicated that pricing is improving; however, Shipyard is an ocean-front community and the market is still limited for finding carriers to provide coverage for ocean-front buildings. She is hopeful her efforts will allow Shipyard to not see as drastic of an increase in premium as last year. The insurance expires June 3, 2007; the Board will be reviewing proposals as soon as they are available. The insurance assessment will be determined by the end of May and sent out to the owners.
- Ms. Diehl also stated that in the past, the association had provided a laminated page of important Shipyard rules for posting inside the units. If anyone needs another copy of this, please contact her and one will be provided.
- Ms. Diehl also elaborated on the work done/to be done at the A and B building. Many sliding doors have water penetration problems. A sliding door on the fifth floor was replaced and a sliding door on the first floor was replaced. (The fifth floor door is a different configuration). This gives the Board an idea of the cost of replacing doors and the installation process. A spec for each of these replacements was developed by the engineer to be used in bidding out future sliding door work. The next thing will be to replace a stack of windows – the B building, 8 stack. This work will be done after Labor Day. This will then give the Board a cost estimate for replacing windows. The Board will then take the pricing information and work on a plan for replacing sliding doors and windows over the next several years.

VII. **Election of Directors, Tax Resolution and Master Deed Amendment:**
Chairman Eblin announced that the primary purpose of the meeting is to elect Directors. There are

three seats open on the Board.

Chairman Eblin stated that the Nominating Committee's slate is:
Marie Aker (D46)
Clinton Carter (D51)
Tim Cassidy (A55)

Additional owners who are interested in serving:
M.E. Davis (B55)
Joseph Jullian (C55)

The Chairman opened the floor to additional nominations. With no further nominations, Ms. Lacksee (B46) moved that the nominations be closed, seconded by Mr. Riley (D13).

Ms. Diehl reported that the tax motion has passed via the proxy vote as there is a quorum and no one voted against the motion: that any excess Association income over Association expenses as defined in IRS Reg. 1-277-1 for the year ending 12/31/07 shall be applied against the subsequent tax year member assessments as provided by IRS Revenue Ruling 70-604.

VIII. **Unfinished Business:**
There was no old business to be discussed.

IX. **New Business and Member Comment:**

Some of the items discussed were:

- There are some spots of "bubbling" on the C building corridor ceilings. Chairman Eblin reported that Richard Bennett is constantly inspecting the ceilings and calling the contractor back (at no charge) to repair bubbles. This is due to the fact that the cement ceiling had moisture in it and in our ocean front environment, the cement will never be totally dry; thus the bubbling may occur. The contractor will continue to come back and address any areas needed.
- Windows are now the responsibility of the association. Glass and/or window problems should be reported to Richard Bennett for investigation.
- Why did the C and D buildings not have to be stripped down like the buildings in Somerset? The engineer's who were involved with the lawsuit for the association, reported that the damage behind the EIFS in the C and D building was not bad at all. Thus, the EIFS could be coated with the special Dow Corning product to prevent future water penetration and still allow the building to breath. The engineer's reported that the damage behind the EIFS in the Somerset buildings was too great and thus the EIFS had to be stripped off the building and further repairs made.
- The schedule for replacing windows in the B building & stack and all the particulars that the owners will need to know will be communicated to those owners in the coming months.
- The sliding door replacement at A14 and A55 went well. One change is that above the door on the fifth floor units, there are four pieces of glass. This will be changed to two pieces when doors are replaced on the fifth floor.
- The "knee wall" will only be done on the courtyard side windows. The ocean front windows will be as they currently are.
- Owners inquired about high speed internet – can be obtained through the phone company (Verizon) or through the cable company (Time Warner). Ms. Diehl stated that one of the other large communities K. A. Diehl & Associates, Inc. manages has added wireless internet capacity.

Ms. Diehl passed this information on to the Litchfield by the Sea master board as something they may want to consider for all of LTBS.

- Owners asked if the Board had ever considered "self-insuring". Ms. Diehl stated that many mortgage companies require certificates of insurance before a mortgage is approved. Self insuring would hurt sales and is a risky option; something that the Board does not believe is in the best interest of the community.

X. **Announcement of voting results:**
Ms. Diehl reported that the following owners have been elected to the Board:
Marie Aker
Clinton Carter
Tim Cassidy

XI **Adjournment:**
With no further business brought forth from the floor, **a motion was made by Mr. Schubert (D41), seconded by Ms. Aker (D46) and duly carried that the meeting be adjourned.** The meeting was adjourned at 10:05 am.

SUBMITTED BY:

Dr. C. Leon Jennings, Acting Secretary

DATE:

APPROVED BY:

Dr. Jack Eblin, President

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

AUGUST 31, 2007

A regular meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Friday, August 31, 2007, at 9:00 a.m. at the offices of Puckett, Sheetz & Hogan, Pawleys Island, South Carolina.

I. **ATTENDANCE:**
Board members Jack Eblin, Leon Jennings, Tim Cassidy, Doris Bray and Marie Aker attended in person. Also in attendance was Richard Bennett of K. A. Diehl & Associates, Inc.

Dr. Jack Eblin, President of the Association, served as Chairman of the meeting and Marie Aker served as Secretary of the meeting in the absence of Jim Poage.

II. **APPROVAL OF MINUTES:**
A motion was made by Tim Cassidy and seconded by Dr. Leon Jennings that the reading of the minutes of the Regular Meeting of the Board of Directors held on July 17, 2007, be waived and the minutes approved as submitted. The motion carried unanimously.

III. **FINANCIAL REPORT:**

A. **JULY 2007 FINANCIAL:** Richard Bennett reported that the association was operating well under budget.

B. **Accounts Receivable:** Richard Bennett reported that as of July 31, 2007, there were only one or two delinquent accounts.

IV. **MANAGEMENT REPORT:**

A. **POOL REPAIR STATUS:**
The large pool will have repairs made to the mablerlite before the end of September. The association will only be responsible for the cost of materials.
Richard Bennett has received bids of $14,912 to recoat the small pool and $4,150 for the spa. The Board agreed to wait on these repairs due to other expenses at this time.

B. **SPRINKLER HEADS:**
Grand Strand Fire Sprinkler Company of South Carolina has given us a quote of $27,600 to replace the defective sprinkler heads in the C and D buildings. Once this work has been done, we should receive a portion of this amount back from the manufacturer. This work will be done during the winter.

C. **BOARDWALK AT B BUILDING:**
The slant of the ramp on the boardwalk at the B building does not meet the code for handicap accessibility. Richard Bennett has received a quote of $6,500 to make this repair. He also received a quote of $2,200 to make steps in conjunction with the ramp. The Board agreed to make the ramp repair without the steps.

D. **ELEVATOR INSPECTION:**
Richard Bennett reported that Michelle Taylor of Taylor Technology, a licensed elevator inspector by the State of South Carolina, has recently disappeared with $1,280 of our money without performing our elevator inspection. The Board agreed to file a police report on this matter.

Wagnor Consulting Group, Inc. out of Hillsboro, North Carolina was then hired to perform the necessary inspection.

E. **PAINTING OF OWNERS' STORAGE DOORS:**
Richard Bennett reported that his staff will be painting the owners' storage doors in the A and B buildings during the winter. The handles will be replaced at that time by the association, and the owners will be notified where to pick up their new keys.

V. **INTERVIEW WITH ONWERS' REP FIRMS**

A. **MEC - EDDIE STOKES**
B. **JONES LANG LaSALLE**

After interviewing both candidates, Dr. Jack Eblin made a motion, seconded by Doris Bray, to hire Eddie Stokes with MEC to represent owners during the renovation process for the A and B buildings. Mr. Stokes later returned for further discussion with the Board. After his firm has had a chance to review the specifications, the Board will meet again with Eddie Stokes to finalize the contract.

During the discussion regarding the financial aspects of this project, Bray suggested that we try to amend the By-Laws allowing the Boar levy assessments without the vote of the homeowners. Dr. Eblin, President, appointed Doris Bray and Dr. Leon Jennings as an Ad H

Committee to work up the suggested change.

VI. OLD BUSINESS:

A. B-58 Holly Fletcher, owner of B-58, recently sent another letter requesting that her sliding glass door be replaced where one side of the glass had broken. The Board agreed to go ahead and replace this glass for the sake of safety even though it will be replaced again during the renovation of the B building.

VII. NEW BUSINESS:

A. ELEVATOR IN A BUILDING:

Tim Cassidy reported that several homeowners have complained about the new elevator in the A building being slow. Richard Bennett stated that he would ask to have the hydraulics speeded up.

VIII. NEXT MEETING DATE AND ADJOURNMENT:

The Board will meet again in a couple weeks to talk with Eddie Stokes. Another Board meeting will be scheduled for October for budget review. There being no further business, the meeting was adjourned at 1:15 pm.

Submitted by: _____
Marie Aker, Acting Secretary

Approved by: _____ Date _____
Dr. Jack Eblin, President

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

JANUARY 19, 2008

A regular meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Saturday, January 19, 2008, at 9:00 a.m. at the offices of Puckett, Sheetz & Hogan, 150 Wall Street, Pawleys Island, South Carolina.

I. **ATTENDANCE:**

Board Members Present In Person: Dr. Jack Eblin, Timothy Cassidy, Dr. Leon Jennings, Clinton Carter and Marie Aker

Board Members Present Via Conference Call: Doris Bray and Jim Poag

K. A. Diehl & Associates Representatives In Person: Vicki Gallagher, Richard Bennett and Maria Renkey

Other Present In Person: Eddie Stokes of MEC Engineering Services
Brodie Brigman Partner of Unit C55

Timothy Cassidy, Vice President of the Association, served as Acting President of the meeting at the request of Dr. Eblin, Board President.
Jim Poag, Secretary of the Association, served as Secretary of the Meeting.
Maria Renkey, K. A. Diehl & Associates, Inc., served as Recording Secretary of the Meeting.

The Chairman confirmed that the Association's quorum requirement for Board meetings has been met to officially conduct the meeting.

II. **APPROVAL OF MINUTES:**

A motion was made by Dr. Eblin and seconded by Ms. Aker that the reading of the minutes of the Regular Meeting of the Board of Directors held on October 31, 2007, be waived and the minutes approved as submitted. The motion carried unanimously.

III. **OWNERS REP FIRMS/ A & B BUILDING ISSUES:**

A. Eddie Stokes – MEC Engineering Services Inc.

Mr. Stokes reported that his firm commenced with the investigation of the building defects on August 31, 2007.

He reported that MEC Engineering Services has completed all the investigative work and the final design and pricing portion of the project begins. Mr. Stokes then distributed his interim report of the work to the Board members, as attached to these minutes and identified as Exhibit "A". Mr. Stokes reviewed the report in detail, with questions posed and answered to the satisfaction of the Board members.

Mr. Stokes then distributed a "Corrosion Condition Assessment" report, which will be filed within the Association's records as opposed to an exhibit to these minutes due to its size.

Following the review of the provided reports, the following was determined:

- Mr. Stokes recommended, with the Board concurring, that a construction management general contractor be acquired by the Association to oversee and coordinate the project. Mr. Stokes committed to providing the Board with 3 quotes from 3 different general contractors.
- Mr. Stokes committed to having 3 proposals solicited and presented for all work to be done for the project.
- Mr. Stokes committed to have the construction bid packages to be ready and generated mid-February.
- Mr. Stokes reported that the Board will need to establish a financial plan for the project, as the contractors will want to be assured of payment.
- Mr. Stokes committed to working closely with management to assure that the scheduling of repairs is communicated well in advance to allow for the Association to properly inform the membership of the repairs.
- Mr. Stokes reported that the project will take 2 years for completion.

Mr. Stokes reported to the Board that one of the biggest complaints he has received from the homeowners is that the windows are fogged, obscuring their view. He noted that it may be 1 to 2 years before the windows are replaced. At this time, a discussion was entered into relative to replacing the glass panels in the units in which the windows are fogged. Mr. Bennett reported that there are 1,080 windows within the A and B buildings and approximately 10% of the windows are fogged.

Following discussion the Board agreed to change out the window glass panels that are fogged, at a cost of a reported $180.00 to $189.00 per window. The Board stressed that the owners are to be informed that their view will change by replacing the glass panels; however, not the leaks. The leaks will remain until the repairs are accomplished at the buildings.

The Board then expressed the importance of timing of the construction, especially during the summer months

Mr. Stokes presented the contract for TCG Tourney Consulting Group who will be providing the Association with a cathodic protection design for

buildings at an expense of $19,500.00, as attached to these minutes and identified as exhibit "B". At this time, questions were posed to Mr. Stokes and answered to the satisfaction of the Board members. Following discussion, **a motion was made by Mr. Eblin, seconded by Mr. Carter, to authorize the retaining of Tourney Consulting Group to provide the association with the cathodic protection design for the Buildings at an expense of $19,500.00. The motion carried unanimously.**

Mr. Stokes then requested an executed contract between Shipyard Village and MEC Engineering Services.

With no further business to discuss or questions posed, Mr. Stokes thanked the Board for their time and departed the meeting.

A discussion then ensured around the Board's dissatisfaction with respect to the prior engineering firm's Schneider & Associates lack of performance. Following discussion, the Board of Directors requested management to contact the Association's attorney, Kimberly Campbell, to inquire as to her legal opinion on the feasibility of seeking restitution.

The Board then entered into a discussion relative to the importance of communication with the membership. Following discussion, **a motion was made by Dr. Eblin, seconded by Mr. Poag, to establish a website for the Shipyard community utilizing At Home Net. The motion carried unanimously.** The Board requested that management put together the website and keep the Board apprised of its progress. Mr. Poag stated that he has taken pictures of the buildings and committed to forwarding the disc to management so that the pictures can be utilized for the website.

Concluding discussion, the Board of Directors requested management to email the Board members a copy the "All Guard Product Warranty".

IV. **FINANCIAL REPORT:**

A. **Financial Statement – December 31, 2007 - Unaudited:** It was noted that prior to this meeting, the Board of Directors received a copy of the financial reports for the period ending December 31, 2007. Management noted as of December 31, 2007, the Association experienced an excess of income over expenses totaling $32,054.70. At this time, the Board entered into a discussion with questions posed and answered to the satisfaction of the Board of Directors, and the Board accepted the reports as information.

B. **Accounts Receivable:** Management reported that at the end of December there was $1,829.00 in arrears. Management then reported that there were five (5) accounts reflected on the delinquency report as of the end of the month. Since the end of the month two (2) of the accounts have been brought current, and one (1) account owed the $10.00 administrative fee. A 30 day reminder letter was generated to the owners of the accounts that remained in arrears.

V. **MANAGEMENT REPORT:**

A. **Introduction of Interim Community Manager:** Ms. Gallagher stated that she will be serving as the community manager until the return of Kellie Diehl from her medical leave.

B. **Management Report:** Mr. Bennett provided the Board with the management report, as attached to these minutes and identified as Exhibit "C".

Following the review of the report, the Board requested the following:

- Investigate the possibility of grounding the elevator on the first floor and to speed up the operation of the elevator and report the findings to the Board.
- Order 15 additional pool table chairs.
- Top the bushes located around the shed between buildings C & D

At this time, Mr. Bennett reviewed the circumstances surrounding water penetration into C55. Mr. Bennett reported that water penetrated into the unit through the light fixture as a result in a failure of a sprinkler system line. He then reported that Full Steam Ahead (FSA) was contacted by the owners, and FSA dried out the unit by moping of the water that was on the tile, drying out the carpet and cleaned out the light fixture. He then stated that the owners contend that the water intrusion caused damage to the tile and the tile needs to be replaced. The owner is requesting that the Association absorb the entire expense.

At this time Brodie Brigman, representative of C55 entered the meeting. Mr. Brigman contended that 50% of the tile needs to be replaced as a result of the water intrusion. Mr. Brigman commented that the Association did a great job with its immediate response by stopping the leak and cleaning up the unit; however, the Board needs to approve the replacement of the damaged tiles. He then contended that the cost to replace the tile should be absorbed by the Association as the leak came from a common pipe. Mr. Brigman stated that one of the partners of the unit solicited proposals for the replacement of the tile which came to $5,000 to $7,000.

Chairman Cassidy thanked Mr. Brigman for attending the meeting and pleading his case. He informed Mr. Brigman that the Board will be discussing this issue and forward their decision in writing. At this time, Mr. Brigman left the meeting.

The Board of Directors requested that management contact the Association's insurance agent on the requirements of the Association with respect to the insurance deductible. Once the agent's response is received, the Board will contact management on a response to the owners of unit C55.

VI. **OLD BUSINESS:**

A. **By-Laws Ad Hoc Committee Findings:** Dr. Jennings reported that Kimberly Campbell reported the Master Deed does not have to be changed as the Association is in bounds, as the Association has to have 51% of an affirmative vote for the repairs. Dr. Jennings then reported that the work of the committee has been completed.

B. **Hot Water Heater Replacement Reminder Letter Status:** Management reported that a reminder letter of the policy to replace the hot water heaters every ten years was generated via regular mail to the entire membership. Following a discussion, it was determined by the Board that this is an individual homeowner's responsibility and no further action was taken.

VII. **NEW BUSINESS:**

A. **Preliminary Annual Members' Meeting Preparation Discussion:** The Board stated that the annual members' meeting is scheduled for Saturday, April 19, 2008 at 9:00 am at the Litchfield by the Sea Clubhouse. The Board members whose terms will be expiring at this meeting are: Jim Poag, Doris Bray, Dr. Jack Eblin and Dr. Leon Jennings. The Board requested management to contact Ms. Kimberly Campbell and request her attendance at the meeting.

MEC Engineering Services Contract Discussion: At this time, the Board reviewed the proposed contract. The following changes/additions were agreed upon by the Board.

- The agreement to be executed commencing August 3, 2007.
- First Page, Article I, section 1.1 F., please input "and furnish 9 final copies" "within 7 business days".
- Page 2, Article 2, section 2.1 A. Spelling error needs corrected - change "concering" to "concerning".
- Page 2, Article 3, section 3.1, input 9 months.
- Page 3, Article 4, Section 4.1. A. 3. - REMOVE THIS PARAGRAPH COMPLETELY.
- Page 3, Article 4, Section 4.1. A. 4. - This section should reflect that copies, pictures, etc. be billed at "cost" or clarify the reason for the mark up.
- Page 4, Article V, Section 5.4 (Termination of Agreement) should reflect, "Either party may at any time, upon 30 days written notice to the other party".

Following discussion, the Board requested management to forward the proposed contract, along with the above requested revisions, to Kimberly Campbell for her review and implementation.

VIII. **SCHEDULING OF NEXT MEETING DATE:**

The next meeting has tentatively been scheduled for Monday, February 25, 2008, at 9:00 a.m. at the office of Puckett, Scheetz & Hogan.

IX. **ADJOURNMENT:**

With no further business to discuss, **a motion was made and duly seconded to adjourn the meeting at 12:50 pm.**

Submitted by: _____
Jim Poag, Secretary

Approved by: _____ Date 2/25/08
Dr. Jack Eblin, President

Exhibit A

MEC ENGINEERING SERVICES, INC.

January 19, 2008

Mr. Jack Eblin, Board President
Shipyard Village Council of Co-Owners
K.A. Diehl & Associates, Inc.
Post Office Box 2537
Murrells Inlet, SC 29576

Re: Shipyard at Litchfield by the Sea

Dear Mr. Eblin:

This correspondence is our third interim report of work conducted on the above referenced project to date. All of the investigative work is complete and final design and pricing begins.

In summary, we began with our original meeting on Saturday, August 31, 2007.

1- *We contacted Mr. Doug Hunt to place a hold on the windows that were possibly ordered for the contract instigated by Ken Schneider.*
2- ***Our review of the architect's work and meetings lead us to recommend suspension of the architect and his services.***
3- *We subsequently canceled the AIA Contract between Frisch & Associates Construction Company, Inc.*
4- ***We involved ourselves with the communications of more than 30+ Owners either by telephone, letters, photos or emails each of which seemed to be satisfied with answers concerning the project.***
5- *We involved a General Contractor, ProCon & Associates in completing a study of the exterior finishes on both building by the "sounding" method. And requested them to provide a Report of Findings along with budget pricing for both buildings.*
6- *We involved a General Contractor, Glasstec, Inc. in reviewing and measuring all the exterior windows, sliding glass doors. And requested them to provide a budget price for all the windows and installation.*
7- *We involved a Window Manufacturer, Starline Industries in providing samples of the proposed window systems, inspections of previous work and specifications.*
8- *We involved a Structural engineering firm, Kyzer-Timmerman of provide on-site inspections; review of reports and to design the structural components of the concrete structure.*
9- *We involved a Concrete Analysis company, Tourney Consultants Group in making a thorough analysis of the concrete system along with providing a complete report of the structural work.*

10- We involved exterior finish products Distributor, Sika, Inc. with providing information on Repair & Protection, Sealing and Bonding, and Waterproofing.

11- We have coordinated with the Property managers, K.A. Diehl & Associates for previous work conducted, property access and Owner notifications of our review.

12- We have conducted a photographic survey of the exterior, selected Unit interiors and met with some of the Owners along with answering their questions.

13- We have reviewed the reports of both Procon and Tourney and discussed the full impact of the studies as it relates to repair and remediation of the buildings with the exterior waterproofing contractor, the structural engineer and the concrete analysis group along the products manufacturer.

14- Hopefully, we have met with, planned and discussed each step of our work with the Council of Co-Owners and been in constant communications via emails with same to some satisfaction.

The next step will is to coordinate with the Council of Co-Owners a plan to complete the work necessary to restore the buildings. In the Tourney report, a recommendation is being made to incorporate "cathodic protection" to the corroding re-enforcement elements within the concrete structure. The Tourney Group is certified in this area and has presented a proposal to design and specify this protection element to the structure. See Enclosed Proposal. This work could be complete on or before February 15, 2008. It is MEC Engineering Services, Inc.'s recommendation to approve the "cathodic protection" design and specifications. Additionally, we have coordinated with the structural engineer to have the structural repair design and specifications completed by February 15th and that MEC provide Scaled drawings of both buildings using a registered surveyor to be used by both the structural engineer and cathodic protection engineer.

After conversing with all the professionals working on the project, we believe that pricing should be coordinated by using a General Contractor as a managing consultant for the prescribed work. The pricing would be obtained from a minimum of three (3) independent Contractors in each specific trade. Namely, 3 concrete demolition contractors, 3 concrete restoration contractors, 3 window installation contractors, 3 structural steel contractors, 3 painting contractors, 3 exterior products applicators, 3 carpet installers, etc., etc. A final selection of Contractors under the General Contractor would be made upon consulting with the Council of Co-Owners and their representative, MEC Engineering Services, Inc. The work will be defined by type, placement, repair, product and application from MEC Engineering Services, Inc. plans and specifications using the work product developed during the investigation and review phase. The work will be planned and scheduled using K.A. Diehl's input and the Council of Co-Owners' direction and financial requirements necessary to pay for the project.

The financial planning, development and possible Owner assessment, which sections or parts of the building to begin work on and how long the project will be is the decisions to be made by the Board.

We would offer the follow scenario for review: <u>Repair Options</u>

1- Do Nothing:

The "Do Nothing" option is not recommended for this building. Significant distress is already evident, and waiting will only increase the scope of the repairs. A common rule of thumb is that repair areas double in size every 5 to 10 years after sustained corrosion activity begins.

Significant chloride ion contamination trapped under the membrane is causing the corrosion distress. The combination of chloride contamination and a membrane accelerates corrosion. This acceleration occurs because moisture is trapped in the concrete, lowering its resistance to corrosion. The "Do Nothing" alternative will lead to further deterioration, and eventual depreciation of the building's value.

2. Conventional Chip and Patch Repair

Repairs to this structure are necessary. Conventional "Chip and Patch" repairs are common on structures of this age. Unfortunately, subsequent patch repairs are also common. The reason for these subsequent repairs is that simply chipping and patching delaminated areas addresses the symptoms, but does nothing to solve the problem. Chloride ions remain trapped inside the concrete and commonly initiate corrosion in areas adjacent to the patches. It is not uncommon for subsequent corrosion-related chip and patch repairs every five to ten years.

In order to produce a long lasting repair, the underlying cause for the problem must be addressed. It has determined that the chloride ion levels at and below the reinforcing level are sufficient to sustain corrosion. In addition, the water-proofing membrane, low concrete cover, and poor drainage contribute to the problem. A comprehensive repair program should be developed to address these issues.

The typical life of "Chip and Patch repairs" is between 5 to10 years. The cost of this alternative depends on the surface area to be repaired, and if surface treatments are also used. At this time the scope of the repairs must first be determined.

3. Chip and Patch Repair with Galvanic Protection

A technique commonly used to mitigate corrosion of chloride-contaminated concrete structures is to utilize discreet galvanic anodes in addition to conventional repairs. This technique uses the principle of galvanic cathodic protection to control the corrosion process. Galvanic protection is commonly used in marine and transportation structures, and is becoming widely used in balcony restoration.

Galvanic protection works when sufficient quantities of sacrificial zinc metal is attached to the reinforcing steel inside the moist concrete. Once connected to the reinforcing, the zinc metal corrodes instead of the steel and produces a galvanic current similar to a low-grade battery. This galvanic current prevents corrosion of the steel, and thereby extends the life of the repair.

The galvanic protection technique is essentially maintenance free and can be used in combination with most repair techniques and coatings to create a system with a service life in excess of 20 years. The key to success is to properly design the quantity and distribution of sacrificial zinc for the intended service life. See Enclosed Cathodic Protection Information.

4. Chip and Patch Repair with Impressed Current Cathodic Protection

Impressed current cathodic protection operates on a similar principle as galvanic protection to mitigate corrosion of reinforcing steel. In this system, inert anodes are installed into the concrete and are then connected to an external power supply. The power supply generates a small current that polarizes the reinforcing steel to prevent corrosion activity.

The service life of impressed current systems can be indefinite if properly sized and maintained. Maintenance of impressed current systems is mandatory if long life is to be realized. Impressed current systems are normally installed by specialty contractors that also maintain and adjust the systems. One of the problems with impressed current systems is that they are not recommended for use under coatings.

5. Chip and Patch Repair with Surface Applied Corrosion Inhibitors

Surface applied corrosion inhibitors are sometimes used in conjunction with repairs to mitigate corrosion in situations where chloride ion levels are not excessive. This technique is cost-effective on uncoated structures, as the inhibitor can soak into the concrete surface. This option would require removal of the coating on all surfaces.

6. Full-depth Replacement

Full-depth replacement is the brute-force method to mitigate corrosion. This option entails total removal and replacement of the concrete on the balconies and walkways. The benefit of this approach is that the root problems can be corrected, so that a very durable solution can be achieved. The drawback of this approach is that it is very intrusive to residents and expensive.

We have tried to outline in the simplest of terms the findings and work on Shipyard A & B. Some of the materials and ideas put forth in our work are complicated and detailed. We will be available for any additional explanations that you may have questions on.

Now, the work and planning of when and how much the Council of Co-Owners wants to initiate is open. We may suggest that certain Owners that have "fogged, defective window seals" have their windows replaced before the total window system is installed. A survey could be made of all the Units with defective window seals. Then, a replacement could be accomplished as an interim repair. Additionally, certain work could be accomplished before the major elements are repaired or replaced. This work could be scheduled during the course of the up coming year by the General Contractor.

We believe the timing of the up coming work by the professionals is as follows:

Tourney Group	*Cathodic Protection Design*	*February 15, 2008*
Kyzer-Timmerman	*Structural Repair*	*February 15, 2008*
MEC Engineering	*Plans and Specifications*	*February 15, 2008*
Survey of Defective Window Seals on Buildings A & B		
Selection of a General Contractor for Construction Management		*February 15, 2008*
Replacement of Defective Window Seals		*March 1, 2008*
Complete Pricing of all elements of Construction for 3 Contractors		*March 15, 2008*
Selection of Building or Sections to begin with by		*April 2, 2008*

Estimated Cost...An informed Guess	*Windows & Installation*	*$2,200,000*
	Cathodic Protection	*$ 400,000*
	Structural Repair	*$3,200,000*
	Painting/Scaffolding	*$ 260,000*
	Specialty Products	*$ 350,000*
	G.C.'s General Ovhead	*$ 250,000*
	G.C.'s Mark-up	*$ 350,000*
	Professional Services	*$ 150,000*
Estimated Project Cost for Both Buildings (A & B) over a 2 year period		*$7,160,000*

Sincerely,

MEC ENGINEERING SERVICES, INC.

Eddie C. Stokes, PE

ECS:file/md/projects/Shipyard/SYV_Interim_ltr3

Enclosure: (1) TCG – Cathodic Design Proposal (2) Cathodic Protection Information

About Cathodic Protection

Cathodic protection is the most commonly used electrochemical process used to combat corrosion of metals. The most prevalent form of cathodic protection employs a sacrificial thin layer of zinc metal that corrodes to prevent corrosion of the underlying steel. This process is commonly known as galvanizing. Galvanizing works well in an atmospheric exposure, but does not work as well in media such as concrete, soil, or water. In these situations, the sacrificial corrosion process consumes much more zinc metal, so blocks of reactive metals such as zinc, aluminum, or magnesium called anodes are electrically connected to the steel and are placed along side the structure. These anodes corrode and provide a small electrical current that polarizes the steel and significantly slows or stops the corrosion reaction. The choice of anode depends on the environment, and the duration of protection depends on supplying the proper mass and distribution of the anodes.

Another cathodic protection technique applicable for concrete is impressed current cathodic protection. This technique employs a power supply to deliver a small current through inert anodes embedded in the media where the metal is located. Impressed current systems are commonly employed to protect buried steel tanks and pipelines. The benefit of impressed current systems is that they allow the user to adjust the level of current applied to the system to compensate for changes in the system. When properly designed, installed, and maintained, impressed current systems can theoretically control corrosion indefinitely. The key to long duration is proper system design, installation and maintenance.

Cathodic protection of reinforcing steel in concrete requires specially designed anode systems. The first applications of cathodic protection systems for concrete used impressed current technology directly from oil and gas pipeline protection. These systems typically were used in transportation structures, but failed to be durable because the applications were not maintained regularly, were vandalized, or not designed properly for use in concrete. Proper design required an in-depth knowledge of concrete materials which the initial system designers did not possess.

Advances in cathodic protection anode systems improved installation reliability, but the need for annual maintenance and the remote location of many transportation installations lead to galvanic cathodic protection systems becoming the system of choice. Galvanic systems are essentially self-contained and self-regulating within the concrete, but have the disadvantage of a limited life and that the current output can not be adjusted after installation.

The choice of metal for galvanic protection of steel in concrete is limited to zinc that is activated to prevent zinc passivation in the alkaline environment inside the concrete. Other typical anode metals such as aluminum and magnesium produce

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corrosion by-products that will cause the concrete to deteriorate. In a similar manner, impressed current anodes intended for use in concrete are specially designed to minimize the potential for harmful side-effects.

Below are a few photographs of several cathodic protection anode systems.

Installation of a discrete Galvashield XP type galvanic anode to clean reinforcing steel in a concrete repair application. These anodes are intended only to provide localized protection in situations where patching is necessary.

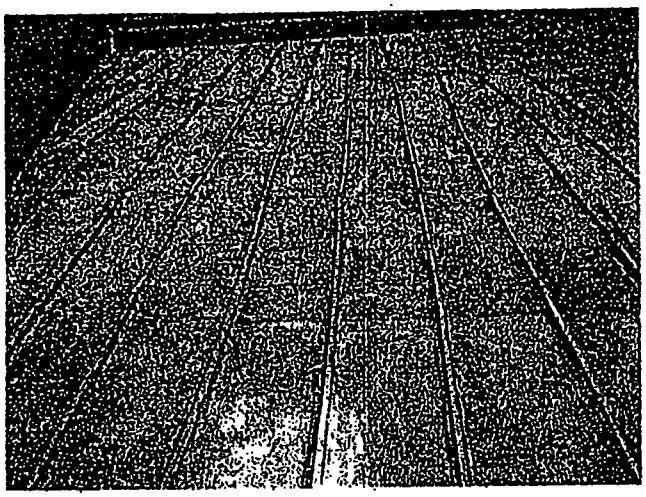


Discrete Galvashield CC 65 galvanic anodes being installed in holes cored in sound concrete. These anodes are electrically connected to the reinforcing steel through the wire, and are grouted into the holes with a cement-based grout. These anodes are recommended for use in the joists of the Pool Filter room.



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Distributed Galvanode DAS strip anodes used in an overlay application to protect the entire surface of a reinforced concrete slab. Similar anodes are recommended for use in the ceiling of the Pool Filter room.



Discrete impressed current anodes being installed into a floor application. These anodes are the most efficient and durable anodes available for use in concrete today. In this application, the wiring that connects the anodes to the power supply is routed through the slots cut in the surface and is then covered with cement-based grout. Wiring for wall installations can be run in surface mounted conduit.



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Exhibit "B"

TCG
TOURNEY CONSULTING GROUP LLC

January 8, 2008

Attn: Eddie Stokes, P.E.
MEC Engineering Services, Inc.
Surfside Beach, SC

Re: Shipyard Village at Litchfield by the Sea - Cathodic Protection Design Proposal

Dear Mr. Stokes:

It is a pleasure for Tourney Consulting Group, LLC (TCG) to propose cathodic protection design services for Shipyard Condominium Buildings A and B. This proposal is provided for consideration as a follow-up to the preliminary investigation performed by TCG during the week of November 26, 2007.

Background:
Based on the findings from the preliminary investigation performed by TCG during the week of November 26, 2007, it is recommended that repair and restoration options should include cathodic protection of the following elements:

1. Cantilever beams supporting balconies
2. Cantilever beams supporting corridors at expansion joint locations
3. Hollow-core planks of the corridors and balconies.
4. Slab edges where windows will be replaced

Cathodic protection is a common technique used for mitigating corrosion of reinforcing steel in concrete exposed to chloride contamination. Cathodic protection is the most widely used technique to reliably halt the progression of corrosion.

Normally, the highly alkaline environment inside concrete will not support corrosion activity. However, if the pH of the concrete drops below 11.0 and/or if the concrete becomes contaminated with sufficient chloride ion, corrosion begins. Once corrosion begins, there is little that can be done to stop the corrosion process other than replacement of the contaminated concrete, or cathodic protection. Both conditions, reduced pH and chloride contamination, were identified in locations with corrosion distress throughout both condominium buildings. Unless corrosion mitigation and appropriate repairs are implemented in the near future, widespread corrosion distress will continue to a point where a decrease in property value will result.

Galvanic cathodic protection is the process of connecting two different metals together to create a battery inside concrete. Corrosion of a sacrificial metal such as zinc (anode) with steel (cathode) causes an electrical current to flow through an electrical connection to the protected metal. Galvanic cathodic protection is the preferred technique for use in concrete because it is essentially maintenance-free once installed.

5200 East Cork Street
(269)384-9980
Kalamazoo, MI 49048
(269)384-9981 Fax
WWW.TOURNEYCONSULTING.COM

(1) R

Work Scope:
The proposed work scope for Shipyard Village Buildings A and B is to prepare design calculations, installation detail drawings, and specifications for galvanic cathodic protection system(s) to mitigate corrosion of the following elements for a 15 year period. An engineer's estimate of probable construction cost will be provided for each structure. Construction documents will be sealed by a Professional Engineer.

1. Cantilever beams supporting balconies
2. Cantilever beams supporting corridors at expansion joint locations
3. Hollow-core planks of the corridors and balconies
4. Slab edges where windows will be replaced

MEC Engineering Services will provide TCG with a dimensioned typical floor plan drawn to scale in *.dwg or .jpg format upon acceptance of this proposal. This drawing is necessary to identify the work areas and construction quantities.

Preparation of concrete repair details is excluded from the scope of this proposal.

Coordination of concrete repair and cathodic protection documents is excluded from the scope of this proposal.

Proposed Schedule:
Matt Miltenberger, P.E. will supervise preparation of the cathodic protection design documents for TCG. Matt is a NACE certified cathodic protection designer and licensed professional engineer.

It is anticipated that preparation of the cathodic protection system documents will take at two to three continuous calendar weeks, and that a site visit during initial installation will be required.

Professional Fees:
The fee for preparation of design documents for a galvanic cathodic protection system as described above is $19,500.00.

A 25% retainer is requested at the time of acceptance.

Construction phase visits are not included in the proposed fee. Construction phase visits will be charged at $1200/day for professional engineers, and $750/day for technicians.

Travel expenses are not included in professional fees and will be added at cost.

Thank you for allowing Tourney Consulting Group to propose these services to you. Please call me at (269)384-9980 or my mobile at (269)370-1597 to discuss any issue. Please call if you want to discuss further or refine the work scope.

Sincerely,

Matt Miltenberger

Matt Miltenberger, P.E.
Vice President

Work scope and fees are accepted:

Vicki Gallagher On Behalf of Shipyard Village Condo Assoc. Inc. - 1/23/08

~~Eddie Stokes, P.E.~~ Date
~~MEC Engineering Services, Inc.~~

Vicki Gallagher, KA Diehl & Assoc., Inc
Managing Agent

Contingent To Terms & Conditions reflecting Georgetown County, SC & References To Kalamazoo County + MI Being Removed

5200 East Cork Street
Kalamazoo, MI 49048
(269)384-9980
(269)384-9981 Fax
WWW.TOURNEYCONSULTING.COM

TERMS AND CONDITIONS

1. Payment. Invoices shall be submitted, at TCG's option, upon completion of the Services or on a monthly basis. Payment in full is due 30 days from date of invoice. Past due accounts are subject to a service charge of 1.5% per month on the unpaid balance. Client shall reimburse TCG for any costs incurred in collecting past due sums, including attorneys' fees. TCG may, without liability to Client, terminate performance of the Services for past due accounts. Retainers shall be credited on the final invoice.

2. Time of Performance. TCG shall endeavor to perform the Services promptly but shall be given a reasonable time in which to commence and complete performance. TCG shall not be responsible for delays occasioned by causes beyond its control, including without limitation delays caused by Client, weather, delays in transportation, computer failure, shortages of raw materials, civil disorders, labor difficulties, vendor allocations, fires, floods, droughts, accidents, war, riots, insurrection, restrictions or interference by any government or governmental agency, acts of God or any similar cause. TCG shall be entitled to equitable adjustment in its fees for additional costs due to unanticipated delays or accelerations.

3. Work Area. Client shall provide TCG and its contractors and agents with access to the Site. Client shall maintain the Site in compliance with applicable municipal, state and federal laws, rules, regulations, orders and ordinances and shall insure that physical and environmental conditions at the Site are safe. TCG is not obligated to performed field work under unsafe conditions. Additional charges may result for safety measures required due to hazardous conditions or if the Site is not accessible when indicated by the Client. TCG shall have no liability for the discovery, presence, handling, removal or disposal of or exposure of persons to hazardous materials in any form at the Site (including without limitation asbestos products, polychlorinated biphenyl or other toxic substances).

4. Reliance on Client's Information. TCG has relied on information supplied by Client in preparing this Agreement and will rely on such information in performing the Services. TCG shall not be liable for any claim resulting from inaccuracies in any information supplied by Client, and Client shall pay any costs incurred by TCG, Client or third parties resulting therefrom.

5. Exclusion of Warranties and Limitation on Liabilities. Client agrees that any modification of TCG's work product may result in adverse consequences that TCG cannot predict or control. Client agrees to defend, indemnify and hold TCG and its contractors and agents harmless from and against all claims, liabilities, losses, damages and costs, including attorneys' fees, arising out of or in any way connected with the modification, misinterpretation, misuse or reuse by Client or third parties of TCG's work product. TCG provides no warranty of subcontractors' work. The remedies provided herein are Client's sole and exclusive remedies against TCG. TCG's liability for any claim arising out of this Agreement shall in no case exceed the actual fees received by TCG for the Services within the six month period prior to the event giving rise to the claim, and shall under no circumstances include any liability for consequential, incidental or special damages, or loss of production or profits.

6. Indemnification. Client shall defend, indemnify and hold harmless TCG, its employees, contractors and agents (each, an "Indemnitee") from and against any losses, liabilities, damages, costs, expenses, suits, actions, claims and all other obligations and proceedings whatsoever, including without limitation, all judgments rendered against and all fines and penalties imposed upon any Indemnitee, and any attorneys' fees and other costs of litigation (collectively, "Liabilities") arising out of this Agreement caused by Client, its employees, agents or contractors, or in any way attributable to the acts of omissions of Client, excepting Liabilities arising from the sole negligence of any Indemnitee.

7. Patent/Copyright Infringements. TCG shall not be responsible for any infringement of any patent, copyright, trademark or other intellectual property right of a third party. All searches and protection procedures are the responsibility of Client.

8. Intellectual Property of TCG. TCG retains exclusive rights to any techniques, processes or materials that could constitute inventions or intellectual property that are discovered, produced or utilized by TCG or its employees or contractors in performing the Services. Intellectual property owned by Client prior to TCG's performance of the Services shall remain the property of Client.

9. Termination. Upon 20 days' prior written notice, this Agreement may be terminated by Client or TCG with or without cause. In the event of termination, Client shall reimburse TCG for all expenses incurred to the date of termination, together with a termination fee of 25% of the total remaining fees. Fees for Services at least 75% complete are payable in full if terminated.

10. Unenforceable Provisions. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable, the remaining provisions shall remain in full force and effect and shall in no way be impaired thereby, and this Agreement shall be construed as if any such unenforceable provisions were omitted.

11. Limitation Period. Any action or arbitration brought against TCG relating to this Agreement, under any legal theory whatsoever, must be brought within 12 months of the date of TCG's final invoice.

12. Entire Agreement; Amendment; Assignment. This Agreement contains the entire agreement between the parties with respect to the transaction described herein and is a complete and exclusive statement of the terms thereof and supersedes all previous agreements with respect thereto and no amendment shall be binding on a party unless reduced to writing and signed by an authorized representative of such party. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns. Neither party shall assign this Agreement without the prior written consent of the other; however, TCG may delegate some or all of its obligations to subcontractor(s) of its choice without the prior approval of Client.

13. Disputes. Any dispute arising in connection with this Agreement shall be submitted to confidential arbitration in ~~Kalamazoo, Michigan~~ Georgetown County, South Carolina, VS, except to the extent that either party seeks injunctive or other equitable relief. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association ("AAA"), provided that such rules shall be modified as necessary to comply with the requirements of this paragraph. The arbitrator's award shall be binding and may be entered as a judgment in any court of competent jurisdiction. The arbitration shall not be administered by the AAA unless the parties otherwise agree. There shall be a single arbitrator who shall be selected by mutual agreement of the parties. If the parties cannot agree upon an arbitrator within 30 days of the date a party sends a notice of arbitration to the other party, either party may promptly request the AAA to appoint a single arbitrator and all parties shall accept such arbitrator. If discovery is ordered by the arbitrator, it shall be limited to a period of 180 days from the date the arbitrator is selected.

14. Choice of Law and Forum. This Agreement shall be governed by the laws of the State of ~~Michigan~~ South Carolina (VS), notwithstanding any state's choice of law rules to the contrary. Any legal action permitted by paragraph 13 above must be conducted in a state or federal court sitting in ~~Kalamazoo County,~~ Georgetown VS ~~Michigan~~ South Carolina (VS) and the parties consent to jurisdiction and venue in any such court.

15. Notices. Notices required or permitted under this Agreement shall be in writing and shall be deemed given (a) when personally delivered; (b) on the business day such notice is sent by facsimile, email or similar electronic communication, fully prepaid, which facsimile, email or similar electronic communication shall promptly be confirmed by a notice given pursuant to clause (a), (c) or (d) of this paragraph; (c) on the second business day after being sent by United Stated mail, postage prepaid; or (d) on the business day following the date such notice is sent by reputable overnight courier. Notices under clauses (b) through (d) shall be sent to the facsimile number, email address or mailing address set forth above, or to such other number or addresses as may be provided by either party in writing from time to time.

16. Inconsistent Terms. In the event of an inconsistency between the "Terms and Conditions" provisions of this Agreement and the terms typed or written above the "Terms and Conditions," the latter (including any Exhibits and attachments referenced therein) shall control.

EXHIBIT "C"

Maintenance Report
SHIPYARD VILLAGE
1/2008

Fire Pipe Leak
C Bldg.
C55 above laundry room...pipe burst No heat damage
Waiting cost from FSA / Sprinkler Co.
Deductible not met According to estimates
LETTER WILL BE SENT FROM OWNERS THEY WANT ALL NEW TILE SINCE CAN'T MATCH
ALL OTHER REPAIRS COMPLETE NO BILL FROM FSA YET

POOL SURFACE
Unfortunately old plaster did not hold near Island
Reworking week of the fourth (7/04/07)
Looking to do resurface of small pool and SPA in off season
Can repair with major discount off from what re-plaster would have cost us.
UPDATE...REPAIRED LAST WEEK OF NOV...1ST DEC. ADDEDAGGREGATE TO PREVENT SLIPPAGE ON STEPS (DR. EBLIN REQUEST) COST 2,000.00

Central Sprinklers
Report Completed sent certified mail
Delivered Sprinklers
UPDATE... SRINKLER REPLACEMENT TO BEGIN 1/21/08 THRU 2/1/2008
ALL OWNERS CALLED-- RENTAL ENTITIES NOTIFIED SHOULD RECOUP APPROXIMATELY ½ TO ¾ FROM CENTRAL SPRINKLER.

EXHIBIT "C"

Inspections and reports Abound

We are now documenting all walk through inspections And fire equipment inspections As well as A/C inspections Completed on regular basis, i.e. ... yearly, monthly, weekly and daily.

This is paramount in ensuring details for liability (insurance) and code requirements (DHEC, Fire Department, Elevator FIRE CALLS)

NEW BUSINESS

OWNERS CLOSETS A/B
ALL LOCKS INSTALLED LETTER SENT TO OWNERS NOTIFYING THEM OF KEY SITUATION (THEY WILL CALL ME)

ALL CLOSETS PAINTED AS OF JANUARY 5TH

ADDED FAN TO A BLDG. 8 STACK DRYER VENT FOR REMEDIATION OF MOISTURE PROBLEM NOW EQUIPPED WITH TEMPERATURE SENSOR TO OPERATE FAN UNTIL COOLED, AND HOPEFULLY MOISTURE REMOVED ALSO
POSSIBLY ADD TO OTHER STACKS AS NEEDED OR BOARD REQUEST

PRESSURE WASHED ALL BUILDINGS UNDERNEATH PARKING AREAS AS WELL AS WALLS

PAINTED ELECTRICAL BOXES NEAR ALL BUILDINGS (LATTICE BOXES)

EXHIBIT "C"

RESEALED MAIL BOX POSTS A/B
ZINC OXIDE COATED AND RE PAINT

CLEATS HAVE BEEN REPLACED ON ALL FRONT RAIL WALKWAYS
STANDARDS INSPECTED

ALL BALCONIES WILL BE INSPECTED
AND LOG SHEET FOR EACH UNIT RECORDS THE WORK DONE ON THE BALCONY
UP TO AND INCLUDING AS NEEDED PER BUILDING
THE FOLLOWING REQUIREMENTS:
RAIL INSPECTION
SIKA PRODUCT
ALL GUARD PRODUCT
CLEATS REPLACED (BRIDGES GAPS AT JOINTS)
STANDARDS RESEALED (CONCRETE)
CAULKING INSPECTED REPLACED AS NEEDED
CLEAN ALL FRONT DOORS AND WINDOWS FROM THE OUTSIDE

HAVE REPAINTED AREAS IN CABANA BATHROOMS AS NEEDED

STARTED WITH THE YEARLY TRIMMING OF LANDSCAPE (QUESTIONS AROSE ON AMOUNT AND APPROVAL
SEEKING DIRECTION FROM BOARD MEMBER QUESTION??)

ASSISTED ENGINEERING FIRM WITH TESTS ON STUCCO REPORT SHOULD FOLLOW

RESERVE STUDY COMPLETE WITH SUGGESTIONS COPIED FOR ALL BOARD MEMBERS AND MGMT.

EXHIBIT "C"

WILL REPLACE...

B BUILDING TRASH ROLL UP DOORS

(9) CURB STOPS (RE NUMBER) C/D
ADD SAFETY BOLLARDS TO D21 PARK SPACE

JOMAX... ALGAE/MILDEW CONTROL ALL AREAS

INVESTIGATING A PRODUCT TO RECOAT
SPA IN HOUSE...SIMILAR TO EPOXY (2 STEP) PRODUCT
IN LARGE POOL...less $$$... 10 YEAR FIX

STAIRWELLS IN C/D TO BE PAINTED
RUST REMOVE SANDED RESEALED
W/RUST PREVENTATVE
FLOORS AND DOORS TOUCH UP ALSO

TILE IN LOBBIES RESEALED AFTER EXTENSIVE CLEANING

RUST REMOVAL AND PAINT ELEVATORS AS NEEDED INSIDE
A/B... SCHEDULED FOR THIS SPRING AS WEATHER PERMITS

PTAC UNIT IN D BLDG. TO BE REPLACED THIS SPRING

WE NOW ARE CLEANING CARPETS IN HOUSE $2,300.00
MACHINE PURCHASED WITH MONTHLY BUDGET

WE NOW HAVE SPECIALIZED PRESSURE WASHING EQUIPMENT FOR THE POOL DECKS
WE WILL FOLLOW THAT WITH TOUCH UP PAINTING THIS SPRING

EXHIBIT "C"

Mission Statement
For 2008
Shipyard Village
STAFF

We are committed to VALUE ADDED work procedures.
This means multi tasking when working in an area and attention to detail while performing cost efficient methods of consistent maintenance standards at SHIPYARD VILLAGE.

Any and ALL suggestions are welcome as we are committed to giving the best management of the property with honest evaluation of all suggestion and comments about our work, for YOU.
We are STEWARDS of your property.

Rbrgb1@sccoast.net

843.385.1643

In Service, Richard

"The quality of a person's life is in direct proportion to their commitment to excellence, regardless of their chosen field of endeavor." ~ Vince Lombardi

SHIPYARD VILLAGE
ACTION LIST
BOARD MEETING JANUARY 19, 2008

Action	Date Completed
Minutes ***Status: Completed and emailed to the Board.***	2/08
Scan the All Guard Product Warrant and email to the Board of Directors – Maria Renkey	1/08
Confirm meeting room for AMM on 4/19/08 with Litchfield By the Sea – Maria Renkey	1/08
Mail Doris and Jim the reports presented by Mr. Stokey and the reserve study – MR	1/08
Top the bushes located around shed between buildings C & D – Richard	
Contact Carolyn Perry of PS&H to acquire the Association's responsibility with The claim at unit C-55 and copy the Board with her response – Vicki Gallagher	1/08
Investigate the possibility of grounding the elevator on the first floor and to Speed up the operation of the elevator and report to the Board the findings – Richard ***Status: Richard to report on this issue at the meeting.***	
Contact Kim Campbell to provide an opinion on the feasibility of bringing Claim against Schneider & Assoc., and to utilize Mr. Stokes as a resource – Vicki Gallagher ***Status: Sent request and have been following up. Will request an answer to be presented prior to the 2/25/08 meeting.***	
Request Kim Campbell's presence at the AMM – Vicki Gallagher ***Status: Ms. Campbell has committed to attend the AMM***	1/08
Ask Doris if she will be re-running for the Board of Directors as her term Is expiring at the April meeting – Vicki Gallagher ***Status: Doris has committed to re-running.***	1/08
Contact Kim Campbell with respect to the Board's changes, and request That she clarify term to 10 working days – MEC Cons.– Vicki Gallagher ***Status: Approved by Board as presented by K. Campbell & Emailed to Mr. Stokes.***	2/08
Establish a website for the Association through At Home Net – Vicki Gallagher ***Status: Started the process.***	
Purchase 15 pool table chairs – Richard	
Provide the Board with the websites for Glasstec and ProCon – Vicki Gallagher	1/08

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

FEBRUARY 25, 2008

NOTICE

By order of the President, Notice is herby given for the holding of a Regular Meeting of the Board of Directors, to be held on Monday, February 25, 2008 **commencing at 9:00 A.M.** in the offices of Puckett, Scheetz & Hogan, 90 Wall Street, Pawleys Island, South Carolina.

The conference call phone number is ***866-589-1974*** for out of the local or state area. To set up the call, 2 people (or phones) need to call the number at about the same time, then just stay on the line and as others call the number they will automatically be joined into the call. If you get dropped from the call, dial the number again and you will automatically be joined by to the call.

Please contact Maria Renkey at (843) 357-9888 on your attendance so a quorum can be determined.

Vicki Gallagher

Vicki Gallagher, Community Manager
K. A. Diehl & Associates, Inc.
Managing Agent

Murrells Inlet, South Carolina
February 19, 2008

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

February 25, 2008

AGENDA
9:00 A.M.

I. OPENING OF MEETING

II. APPROVAL OF MINUTES:

Regular Meeting of the Board of Directors held on January 19, 2008

III. OWNERS REP/A & B BUILDING ISSUES
- A. MEC Engineering Services Contract Finalization
- B. MEC Engineering Services Report
- C. Remedial Actions on Buildings A & B Strategy
- D. Other

IV. FINANCIAL REPORT:
- A. Financial Statement – January 31, 2008
- b. Accounts Receivable

V. MANAGEMENT REPORT
- A. Management Report

VI. OLD BUSINESS
- A. Development of Website Status
- B. Annual Members Meeting Preparation and Status
  - 1) LBTS Clubhouse Scheduling Status
  - 2) Appointment of Nomination Committee
- C. Responsibility of Deductible Outcome Discussion
  - 1) Legal Opinion
  - 2) C-55
  - 3) Future Claims
- D. Grounding of Elevator on First Floor Outcome
- E. Schneider & Associates Discussion Funds Recoupment Discussion
- F. Other

VII. NEW BUSINESS
- A. Decisions by Board via Email Discussion
- B. Corresponding with Owners Regarding Board's Actions Regarding Buildings A & B
- C. Other

VIII. SCHEDULE OF NEXT MEETING

IX. ADJOURNMENT

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

FEBRUARY 25, 2008

A regular meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Monday, February 25, 2008, at 9:00 a.m. at the offices of Puckett, Sheetz & Hogan, 150 Wall Street, Pawleys Island, South Carolina.

I. **ATTENDANCE:**

Board Members Present In Person: Dr. Jack Eblin, Timothy Cassidy, Dr. Leon Jennings, Jim Poag, Clinton Carter and Marie Aker

Board Members Present Via Conference Call: Doris Bray

K. A. Diehl & Associates Representatives In Person: Vicki Gallagher and Richard Bennett

Other Present In Person: Eddie Stokes of MEC Engineering Services
Bob Gallagher of Pro Con

Dr. Eblin, Board President, served as Chairman of the Meeting.
Jim Poag, Secretary of the Association, served as Secretary of the Meeting.
Vicki Gallagher, K. A. Diehl & Associates, Inc., served as Recording Secretary of the Meeting.

The Chairman confirmed that the Association's quorum requirement for Board meetings has been met to officially conduct the meeting.

It was noted that Bob Gallagher is no relation to Vicki Gallagher.

II. **APPROVAL OF MINUTES:**

A motion was made by Mr. Poag and seconded by Ms. Aker that the reading of the minutes of the Regular Meeting of the Board of Directors held on February 25, 2008, be waived and the minutes approved as submitted. The motion carried unanimously.

III. **OWNERS REP FIRMS/ A & B BUILDING ISSUES:**

A. **Eddie Stokes – MEC Engineering Services Inc.**

Mr. Stokes presented the Board of Directors with a report, as attached to these minutes and identified Exhibit "A". He then reviewed the report for the benefit of the Board members.

At this time, the Board entered into a discussion at length with questions posed and answered to the satisfaction of the Board members.

Mr. Stokes reported that as the project progresses there may be additional areas in need of repair that they did not detect. He noted that they are not 100% sure that all areas of the buildings that are in need of repair have been identified because there are areas of the buildings that have not been investigated. Mr. Stokes did note that they are 99% sure that all areas have been identified.

A discussion was entered into relative to utilizing the All-Guard System or Dow Corning coating. Mr. Stokes provided information on both products with questions posed and answered to the satisfaction of the Board members. No decision was made with respect to the type of system to be utilized at this time, and further discussion was tabled until the bids are received.

Mr. Stokes reported that his firm will not have a bid package prior to the Annual Members' Meeting. He then suggested that an information packet be put together and mailed out to the membership, with the Board concurring to his recommendation. Mr. Stokes committed to having the information packet to management for distribution 20 days prior to the annual meeting date. Chairman Eblin requested that Ms. Aker compose a cover letter for this packet.

A discussion then ensued around the pending renovations to buildings A & B including a timeline for repair. Mr. Stokes provided the Board with options with respect to scheduling. Following discussion, it was the decision of the Board to have the renovations conducted on both buildings at the same time. The timeframe for the work is tentatively scheduled for September 2008 through March 2009. It was understood that occupancy during this timeframe will not be permitted.

At this time, Mr. Gallagher of ProCon was allocated time to provide information on his company. Mr. Gallagher then proceeded to give the Board members his credentials and a background of his company and the benefits of utilizing his company as the Construction Manager of the project. Concluding his presentation, he thanked the Board for their time and left the meeting.

The Board entered into a discussion regarding the capabilities of ProCon, and following discussion **a motion was made by Mr. Poag, seconded by Ms. Aker to authorize MEC to solicit a proposal from ProCon for Construction Management services which shall be utilized as a starting point, then MEC shall secure additional bids based on ProCon's proposal in order to satisfy the Board's diligence in securing a minimal of three (3) proposals. The motion carried unanimously.**

At this time, Mr. Stokes displayed the plans for the structure Cathodic drawings and specifications that were produced by the Tourney Group. He noted that the drawings will be provided within the bid documents. Mr. Stokes committed to providing the Association with a copy of the drawings.

The Board expressed the need that the bids be solicited quickly because the Board has to determine if the Association has the funds to commence with the renovations. If the Association does not have the funds and have to assess the membership, the membership has to vote in the affirmative for the levying of special assessments.

A discussion then ensued around the need to retain the services of an attorney who specializes in construction contracts. Management committed to contacting three (3) attorneys in this regard.

Mr. Poag reported that the window located in his master bedroom (unit B51) shook as a result of high winds. The high winds caused a crack that extends 122" in the area of the widow. Mr. Stokes and Mr. Bennett committed to looking at the window.

IV. FINANCIAL REPORT:

A. Financial Statement – January 31, 2008:

It was noted that prior to this meeting, the Board of Directors received a copy of the financial reports for the period ending January 31, 2008. Management then reviewed the financial reports. At this time, the Board entered into a discussion with questions posed and answered to the satisfaction, and accepted the reports as information.

A discussion was entered into relative to the operating account, and a **motion was made by Mr. Poag, seconded by Dr. Jennings to transfer $50,000 from the regular operating account into a money market account. The motion carried unanimously.**

B. Accounts Receivable:

Management reported that at the end of January there was $534.10 in arrears. Management noted the accounts are 30-days in arrears and the necessary delinquency reminder letters have been generated.

V. MANAGEMENT REPORT:

A. Management Report:

Mr. Bennett provided the Board with the management report, as attached to these minutes and identified as Exhibit "B".

Mr. Bennett reported that there are some areas in need of concrete repairs, and 10 or 11 curb stops that have delaminated and need to be replaced. The cost to make the concrete repairs is $300.00, and the cost to replace the curb stops is $45/stop. The Board approved both projections.

Mr. Bennett reported that the spa is in need of re-coating, as the spa is heavily chlorinated which has caused severe discoloration of the shell. Mr. Bennett provided the Board with a bid at a cost of $4,250.00, and noted this project is a reserve expense. He noted that the coating is epoxy and has a 10 year warranty. Following discussion, **a motion was made by Mr. Poag, seconded by Ms. Aker authorizing the re-coating of the spa at the cost of $4,250.00. The motion carried unanimously.** The Board directed management to have sand mixed in with the coating for the steps.

Mr. Bennett reported that there are large cracks in the parking area concrete at both the C & D buildings, and recommended that a contractor look at this area to determine the cause and if necessary provide corrective measures to be taken. Following discussion, **a motion was made by Mr. Poag, seconded by Mr. Cassidy to authorize management to have a concrete engineer inspect this area. The motion carried unanimously.**

Mr. Bennett reported that when the phone books arrive, his team will be inspecting all decks and caulk where needed.

VI. OLD BUSINESS:

A. Development of Website Status:

Management reported that the website should be ready for viewing by the end of March 2008.

B. Annual Members' Meeting Preparation Status:

1) LBTS Clubhouse Scheduling Status: Management reported the date and time of the meeting have been confirmed with LBTS. The meeting will be held at the LBTS clubhouse, with registration to commence at 8:30 am on Saturday, April 19, 2008. Danishes, coffee, tea and juice are to be served.

2) Appointment of Nomination Committee: The Board appointed the following members to the Nominating Committee:

Marie Aker, Chairperson
Tim Cassidy
Clinton Carter

The members accepted their appointment.

A motion was made by Marie Aker, seconded by Mr. Carter to approve the following slate of nominees:

Jim Poag
Dr. Leon Jennings
Dr. Jack Eblin
Doris Bray

The motion carried unanimously by all 3 Nomination Committee members.

C. **Responsibility of Insurance Deductible Outcome Discussion:**

1) Legal Opinion: The Board noted that the legal opinion concurred with the insurance agent's opinion with respect to the responsibilities of the Association's master insurance policy deductibles. The outcome reflects that the Association is responsible for the insurance deductibles. It was noted that the legal opinion as presented by Kim Campbell of Patrick & Stathos is filed with the official records of the Association.

2) C55 Claim: Due to the above ruling, the Association is responsible for the repairs to the interior of the unit that was caused as a result of water intrusion. The owner has been notified that the Association will render payment for the replacement of the tile in the affected areas with the cost of "like" tiles, and any upgrade will be the responsibility of the homeowner.

3) Future Claims: It was the decision of the Board to look at the Master Deed to determine verbiage in amending the documents to have the affected units responsible for the deductibles. Further discussion was tabled until the next Board meeting.

D. **Grounding of Elevator on First Floor Outcome:**

A discussion was entered into relative to having the elevators being based at the parking level versus the first floor. Following discussion, it was the decision of the Board to leave the elevators based on the first floor which is recommended by the Thyssenkrupp Elevator Corp., Association elevator maintenance company.

E. **Schneider & Associates Discussion Funds Recoupment Discussion:**

Management reported that the Association is not in receipt of the legal opinion and will follow up in this regard.

F. **Other:**

No other unfinished business was discussion.

VII. **NEW BUSINESS:**

A. **Decisions by Board Via Email Discussion:**

The Board expressed the importance of responding on decisions via email in a prompt manner.

B. **Corresponding with Owners Regarding Board's Actions Regarding Buildings A & B:**

The Board committed to corresponding regularly also utilizing the website to keep the membership up to date on the Board's actions in this regard.

C. **Other:**

No other new business was discussed.

VIII. **SCHEDULING OF NEXT MEETING DATE:**
The next meeting is scheduled for Saturday, April 12, 2008, at 9:00 a.m. at the office of Puckett, Scheetz & Hogan.

IX. **ADJOURNMENT:**
With no further business to discuss, **a motion was made and duly seconded to adjourn the meeting at 12:40 pm.**

Submitted by: James C. Poag, Jr.
Jim Poag, Secretary

Approved by: _____
Dr. Jack Eblin, President

Date 2/16/09

STATE OF SOUTH CAROLINA	)	AGREEMENT FOR
	)	ENGINEERING SERVICES
COUNTY OF GEORGETOWN	)	

This is an Agreement made the 3d day of August, 2007, by and between Shipyard Village Council of Co-Owners, Inc. (hereinafter "Owner") and MEC Engineering Services, Inc. (hereinafter "Engineer").

Owner and Engineer agree as follows: Owner employs Engineer to perform professional engineering services, to serve as Owner's professional engineering representative, and to provide professional engineering consultation and advice for a Professional fee as set forth herein, in connection with repairs to the structures located within the Shipyard Village Horizontal Property Regime (hereinafter the "Project"), in Georgetown County, South Carolina.

ARTICLE I - ENGINEER'S SERVICES

1.1 After written authorization from Owner to proceed, Engineer shall perform the following services:

A. Inspect the buildings and structures located on or within the "Project" Carolina;

B. Advise Owner as to the necessity of Owner's obtaining from others professional studies or data required in connection with determining areas where repairs and/or maintenance may be necessary and making recommendations for such repairs and/or maintenance.

C. Provide analyses of Owner's needs with respect to the Project and provide evaluations and comparative studies of prospective solutions;

D. Periodically provide interim reports, photographs of on-going investigation for review by Owner's Board of Directors;

E. Prepare a report (the "Report") containing the Engineer's findings and recommendations, and containing, as appropriate, schematic layouts, sketches, and design criteria with appropriate exhibits; furnish copies of the Report to Owner; and review Report and findings in person with Owner's Board of Directors and management agent.

F. Revise the Report in response to Owner's and other parties' comments, as appropriate, and furnish nine (9) final copies of the Report to the Owner within seven (7) business days after completion of reviewing it with Owner.

1.2 Additional Services: If authorized in writing by Owner, additional services related to the Assignment will be performed by Engineer for an additional fee.

ARTICLE 2 - OWNER'S RESPONSIBILITIES

2.1 Owner shall do the following in a timely manner, so as not to delay the services of Engineer:

A. Provide all criteria and full information as to Owner's requirements for the Assignment and designate in writing a person with authority to act on Owner's behalf for all matters concerning the Assignment.

B. Furnish to Engineer all existing studies, reports and other available data pertinent to the Assignment, obtain or authorize Engineer to obtain or provide additional reports and data as required, and furnish Engineer services of others as required for performance of Engineer's services, and Engineer shall be entitled to use such information and services provided by Owner or others in performing Engineer's services under this Agreement.

C. Arrange for access to and make all provisions for Engineer and its consultants to enter upon public and private property as may be required for Engineer to perform services under this Agreement.

D. Owner shall bear all costs incident to compliance with its responsibilities pursuant to this Article 2.

ARTICLE 3 - TIME FOR RENDERING SERVICES

3.1 The time period for the performance of Engineer's services shall be nine (9) months from the date of this Agreement.

3.2 Engineer's services under this Agreement will be considered complete at the earlier of the date of the Report's acceptance by Owner, or thirty days after the revised Report is submitted to Owner for final acceptance, plus, if applicable, such additional times as may be reasonably necessary for obtaining approval of governmental authorities having jurisdiction to approve the Report.

3.3. Engineer's Additional Services, if any, will be performed and completed within the time period agreed to in writing by the parties at the time such Additional Services are authorized.

3.4 If any time period or date by which any of Engineer's services are to be completed is exceeded through no fault of Engineer, then the time for completion of Engineer's services and the amount of Engineer's compensation shall be adjusted equitably.

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SYV 003793

ARTICLE 4 - PAYMENTS TO ENGINEER

4.1 Methods of payment for Services of Engineer

A. Owner shall pay Engineer for services rendered under this Agreement as follows:

1. An amount equal to the cumulative hours charged to the Assignment by Engineer for the Services of this Agreement times the Engineer's standard hourly rate of $175.00 per hour. The total amount of compensation is estimated to be $_____.

2. If the Engineer is authorized by Owner to perform litigation-related services such as deposition and/or trial testimony, the Engineer's hourly rate shall be $300.00.

3. Owner shall be responsible for payment of the following specified expenses, at cost: Costs for schematics, graphs, charts, drawings, specifications, photographic film and development.

4. The amount of $350.00 per month shall be paid for e-mail review, telephone calls, and administrative duties.

4.2 Engineer shall submit monthly statements for Basic and Additional Services rendered and for reimbursable expenses incurred. Owner shall make prompt monthly payments in response to Engineer's monthly statements.

4.3 If Owner fails to make any payment due Engineer for services and expenses within thirty days after receipt of Engineer's statement therefor, the amounts due Engineer will be increased at the rate of 1% per month from said thirtieth day, and in addition, Engineer may, after giving seven days' written notice to Owner, suspend services under this Agreement until Engineer has been paid in full all amounts due.

4.4 If Engineer has provided in this Agreement estimates of the amounts that will become payable, then such estimates are only estimates for planning purposes, and are not the minimum or maximum amounts payable to Engineer under the Agreement.

4.5 If estimated compensation amounts have been stated herein and it subsequently becomes apparent to Engineer that a compensation amount thus estimated will be exceeded, Engineer shall give the Owner written notice thereof. Promptly thereafter Owner and Engineer shall review the matter of services remaining to be performed and compensation for such services. Owner shall either agree to such compensation exceeding said estimated amount or Owner and Engineer shall agree to a reduction in the remaining services to be rendered by Engineer, so that total compensation for such services shall not exceed the estimated amount when such services are completed.

4.6 Engineer's opinions of probable construction cost, financial evaluations, feasability studies, economic analyses of alternate solutions, and utilitarian considerations of operations and maintenance costs prepared by Engineer hereunder will be made on the basis of Engineer's experience and qualifications and represent Engineer's best judgment as an experienced and qualified design professional generally familiar with the industry. It is recognized, however, that Engineer does not have control over the cost of labor, materials, equipment, or services furnished by others, or over market conditions or contractors' methods of determining their prices, and that any utilatarian evaluation of any facility to be constructed or work to be performed on the basis of the Report must of necessity be speculative until completion of its detailed design. Accordingly, Engineer does not guarantee that proposals, bids, or actual costs will not vary from opinions, evaluations, or studies submitted by Engineer to Owner hereunder.

ARTICLE V - GENERAL CONSIDERATIONS

5.1 Standard of care

A. The standard of care for all professional engineering and related services performed or furnished by Engineer under this Agreement will be the care and skill ordinarily exercised by engineers practicing under similar circumstances.

5.2 Ownership and reuse of documents

All documents prepared or furnished by Engineer pursuant to this Agreement are instruments of service, and Engineer shall retain an ownership and property interest therein (including the copyright and right of reuse at the discretion of Engineer). Reuse of any such documents by Owner for purposes other than those included in the Assignment shall be at Owner's sole risk; and Owner agrees to indemnify and hold Engineer harmless from all claims, damages, and expenses, including attorney's fees, arising out of such reuse of documents by Owner or by others acting through Owner.

5.3 Insurance

Engineer will maintain insurance coverage for General Liability, Professional Liability, Workers' Compensation, and Automobile Liability and will provide certificates of insurance to Owner upon request.

5.4 Termination of Agreement

Either party may at any time, upon thirty (30) days written notice to the other party, terminate this Agreement. Upon such termination, Owner shall pay to Engineer all amounts owing to Engineer under this Agreement, for all work performed up to the effective date of termination.

5.5 Assignment Neither party shall assign its rights, interests, or obligations under this Agreement without the express written consent of the other party.

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SYV 003795

5.6 Nothing under this Agreement shall be construed to give any rights or benefits in this Agreement to anyone other than Owner and Engineer, and all duties and responsibilities undertaken pursuant to this Agreement will be for the sole and exclusive benefit of Owner and Engineer and not for the benefit of any other party.

5.7 Binding Effect

This Agreement shall bind, and the benefits thereof shall inure to the respective parties thereto, their legal representatives, executors, administrators, successors, and assigns.

5.8 Severability and Waiver of Provisions

Any provision or part of the Agreement held to be void or unenforceable under any laws or regulations shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon Owner and Engineer, who agree that the Agreement shall be reformed to replace such stricken provision or part thereof with a valid and enforceable provision that comes as close as possible to expressing the intention of the stricken provision. Non-enforcement of any provision by either party shall not constitute a waiver of that provision, nor shall it affect the enforceability of that provision or of the remainder of this Agreement.

5.9 Survival

All express representations, indemnifications, or limitations of liability included in this Agreement will survive its completion or termination for any reason.

5.10 Controlling Law

This Agreement is to be governed by the laws of the State of South Carolina

5.11 Notices

Any notice required under this Agreement shall be given in writing, addressed to the appropriate party at its address as shown on the signature page hereof, and given personally, or by facsimile, by registered or certified mail, or by a commercial courier service. All notices shall be effective upon the date of receipt.

5.12 Entire Agreement

This Agreement constitutes the entire agreement between Owner and Engineer and supersedes all prior written or oral understandings. This Agreement may not be amended, supplemented, or modified except by a writing signed by both parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, the effective date of which is indicated on page 1.

(signature page follows)

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SYV 003796

WITNESSES:

_____

_____

_____

_____

OWNER:

_____
Shipyard Village Council
of Co-Owners
By:_____
Its: _____

Address for giving notices:

c/o K.A. Diehl & Associates
P.O. Box 2537
Murrells Inlet, SC 29576

ENGINEER:

_____
MEC Engineering Services, Inc.
By: _____
Its: _____

Address for giving notices:

161 McDonald Court, Ste 1
Myrtle Beach, SC 29588

EXHIBIT "A"

MEC ENGINEERING SERVICES, INC.

February 25, 2008

Mr. Jack Eblin, Board President
Shipyard Village Council of Co-Owners
K.A. Diehl & Associates, Inc.
Post Office Box 2537
Murrells Inlet, SC 29576

Re: Shipyard at Litchfield by the Sea

Dear Mr. Eblin:

This correspondence is our fourth interim report of work conducted on the above referenced project to date. All of the investigative work, the final designs for Cathodic protection and Structural repair are complete and the bid package is being prepared.

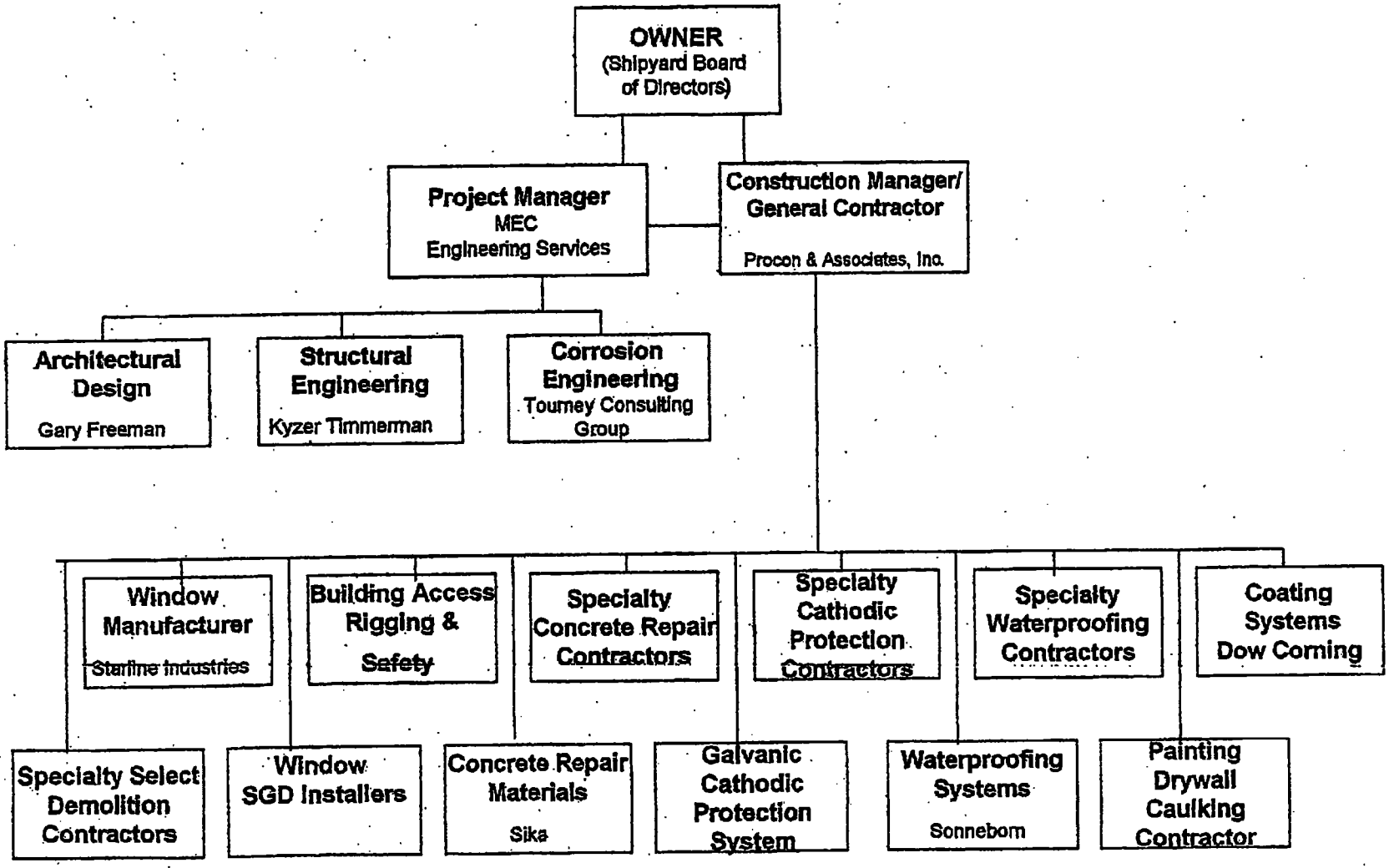
In summary from the January 19th meeting is as follows:

1- *The design for Cathodic protection has been completed by Tourney Group and has issued drawings with specifications to be included in the bid documents.*
2- *The Structural design for repair has been completed and with the exception of minor specifications and notes is ready for the bid documents.*
3- *We have completed an accurate site layout for the exterior of buildings A & B by a registered land surveyor and an AutoCad drawings made by MEC Engineering for use by the Structural and Cathodic engineers.*
4- *We have received from the window manufacturer drawings on the window systems and the sliding glass door systems to be used in the final architectural details.*
5- *We have received the building repair and coating information from Sika that was used by the structural engineer in developing the repair process.*
6- *We have met on several occasions with ProCon, a local General Contractor and Construction Management Company for consultation and review of the bidding process. Additionally, ProCon personnel have met with an assisted the structural engineer in their previous work of "soundings" on the structures.*
7- *We have contacted an architect, Mr. Gary Freeman to assist with some of the architectural details necessary for the bid documents. It is our intentions to meet and review this work with Mr. Freeman within the next two (2) weeks.*
8- *We have met with K.A. Diehl personnel to review and discuss the preliminary schedule for the repair and restoration work on both buildings A & B.*

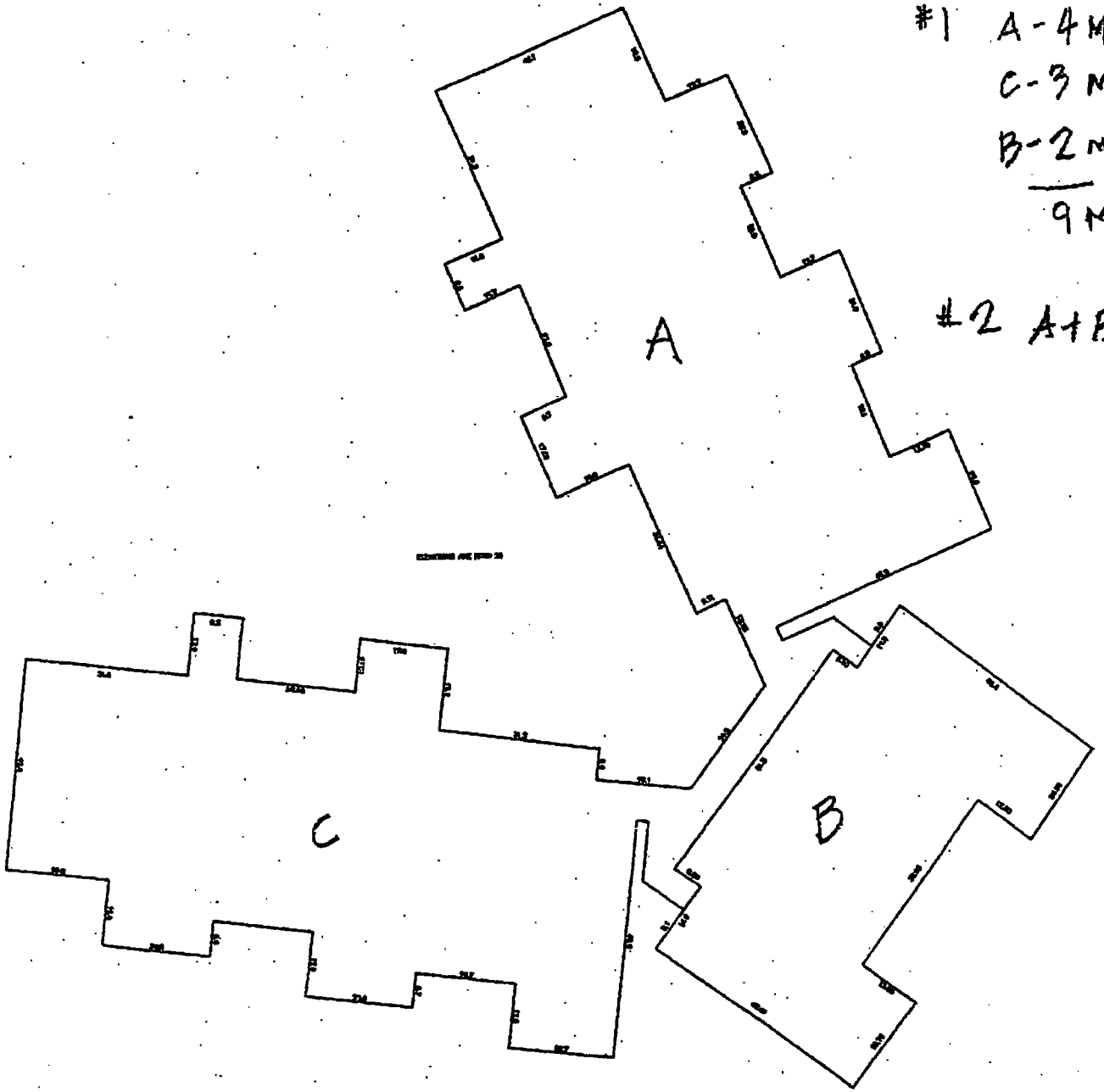
Post Office Box 15758 • Surfside Beach, South Carolina 29587
Office: (843) 293-7901 • E-mail: plantecs@sccoast.net

SHIPYARD A & B RENOVATION

Proposed Design/Build Team



SVV 1227 003800



#1 A - 4 MOS
C - 3 MOS
B - 2 MOS
9 MOS

#2 A + B + C = 7 MOS

SVV 1228 003801

EXHIBIT "B"

SHIPYARD INTERIM MAINTENANCE REPORT
2/25/2008

THINGS TO BE DONE PRIOR TO APRIL 19TH

I) PAINT
- A. PEDESTAL LIGHTS - BLDG A&B
  PAINT HANDRAIL SPLICES - BLDG A&B
  PAINT STUCCO - BLDG A&B
  TOUCH-UP ELEVATORS - BLDG C&D

II) CARPET
- A. RE-GLUE CARPETS WHERE NEEDED – BLDG A&B
- B. USE CARPET EXTRACTOR - ALL BLDGS, ALL FLOORS

III) SIGNS
- A. REPLACE SIGNS AS NEEDED
  1. PAINT SYV SIGNS AT ENTRANCES

IV) REPAIR, REPLACE
- A. 4X4 POOL BOARDWALK STAIRS (Gallup to replace Gratis)
  REPAIR BOARDWALK WHERE NEEDED – BLDG B
  I. JOMAX SPRAY BOARDWALKS & POOL AREA WHERE NEEDED

VI) SUPER CLEAN ALL BLDGS A/B/C/D
Consists of: COMMON AREAS
- A. Vacuum all floors
- B. De web
- C. Clean all doors
- D. Clean all windows
- E. Clean all rails
- F. Clean all fixtures
- G. Clean all trash Chute rooms
- H. All stairwells PLUS treat with Jomax Mildecide

THINGS TO BE COMPLETED BY MAY 31ST

PAINT CURBS – BLDG A&B
FILL CONCRETE CRACKS – BLDG C&D
USE RUST-AWAY WHERE NEEDED
SAND & REPAINT HANDRAILS, FLOORS & STAIRS IN BLDG C&D STAIRWAYS
REPLACE A/C UNIT "B" ELEVATOR ROOM SOUTH
REINFORCE HANDRAIL AT POOL WHERE NEEDED
CLEAN & SAND DROP CEILING PANELS A&B PAINT WHERE NEEDED
Elevator doors in A/B Paint SOON (Pro Tec James Bradley sub-contract)

EXHIBIT "B"

SPRINKLERS – BROKEN PIPES
"D" BLDG

51 OVER TV
53 LEFT OF WET BAR
53 KITCHEN OVER SINK
53 1ST BEDROOM RIGHT SIDE
41 LEFT OF WET BAR
45 LIVING ROOM OVER TV
33 MASTER BEDROOM BY BATHROOM
25 STORAGE ROOM
25 CEILING AT ENTRY

SPRINKLER WORK STILL TO BE DONE
"D" BLDG

PARTS FOR THESE ARE ON ORDER AS OF 2ND WEEK OF FEBRUARY

1 UPRIGHT HEADS ON GROUND FLOOR
2 DRY PENDANTS IN STORAGE "D" (HAD TO BE ORDERED)
3 1 3/4" TRIM PLATE C-16
4 CEILING COVER PLATE D51 (MECHANICAL ROOM)

NOTES...

1.

2.

3.

1230
SYV 003803

EXHIBIT "B"

SHEETROCK WORK
"D" BLDG

SPRINKLER RELACEMENT

51 LIVING ROOM OVER TV	PATCH & PAINT
53 LEFT OF PHONE	PATCH & PAINT
53 1ST BEDROOM RIGHT SIDE	PATCH & PAINT
53 KITCHEN ABOVE SINK	PATCH & NEEDS WALLPAPER (NOT ON SITE)
53 CEILING AT ENTRY	PATCH & PAINT
41 ENTRY CEILING	PATCH & PAINT
41 LEFT OF WETBAR	PATCH & PAINT
41 DINING ROOM LEFT WALL	PATCH & PAINT
45 LIVING ROOM OVER TV	PATCH & PAINT
46 KITCHEN OVER SINK	PATCH & MRS. AKER DID HER OWN WALLPAPER
31 1ST BEDROOM LEFT SIDE	SKIM & PAINT
32 MASTER BEDROOM	PATCH & PAINT
32 1ST BEDROOM LEFT SIDE	PATCH & PAINT
33 MASTER BEDROOM	PATCH & BORDER WALLPAPER (NOT ON SITE)
34 KITCHEN OVER SINK	PATCH & PAINT
34 1ST BEDROOM RIGHT SIDE	PATCH & PAINT
21 MASTER BEDROOM	PATCH & PAINT
25 CEILING AT ENTRY	PATCH & PAINT
24 KITCHEN RIGHT OF PHONE DESK	PATCH & PAINT
24 1ST BEDROOM ON RIGHT OF ENTRY	PATCH & PAINT
24 1ST BEDROOM ON LEFT OF ENTRY	PATCH WALLPAPER IN CABINET OVER WASHER
11 LEFT OF PHONE DESK	PATCH & PAINT

EXHIBIT "B"

SHIPYARD INTERIM MAINTENANCE REPORT
2/25/2008

THINGS TO BE DONE PRIOR TO APRIL 19TH

I) PAINT
- A. PEDESTAL LIGHTS - BLDG A&B
  PAINT HANDRAIL SPLICES - BLDG A&B
  PAINT STUCCO - BLDG A&B
  TOUCH-UP ELEVATORS - BLDG C&D

II) CARPET
- A. RE-GLUE CARPETS WHERE NEEDED – BLDG A&B
- B. USE CARPET EXTRACTOR - ALL BLDGS, ALL FLOORS

III) SIGNS
- A. REPLACE SIGNS AS NEEDED
  1. PAINT SYV SIGNS AT ENTRANCES

IV) REPAIR, REPLACE
- A. 4X4 POOL BOARDWALK STAIRS (Gallup to replace Gratis)
  REPAIR BOARDWALK WHERE NEEDED – BLDG B
  i. JOMAX SPRAY BOARDWALKS & POOL AREA WHERE NEEDED

VI) SUPER CLEAN ALL BLDGS A/B/C/D
Consists of: COMMON AREAS
- A. Vacuum all floors
- B. De web
- C. Clean all doors
- D. Clean all windows
- E. Clean all rails
- F. Clean all fixtures
- G. Clean all trash Chute rooms
- H. All stairwells PLUS treat with Jomax Mildecide

THINGS TO BE COMPLETED BY MAY 31ST

PAINT CURBS – BLDG A&B
FILL CONCRETE CRACKS – BLDG C&D
USE RUST-AWAY WHERE NEEDED
SAND & REPAINT HANDRAILS, FLOORS & STAIRS IN BLDG C&D STAIRWAYS
REPLACE A/C UNIT "B" ELEVATOR ROOM SOUTH
REINFORCE HANDRAIL AT POOL WHERE NEEDED
CLEAN & SAND DROP CEILING PANELS A&B PAINT WHERE NEEDED
Elevator doors in A/B Paint SOON (Pro Tec James Bradley sub-contract)

EXHIBIT "A"

SHIPYARD VILLAGE

BOARD OF DIRECTORS REPORT

COUNCIL OF CO-OWNERS

April 19, 2008

Your Board of Directors has had a very active schedule during the past year. Since the last annual meeting, the Board has met for seven business meetings, and has had almost daily contact by phone or e-mail with our management staff, our owner's representative, and each other. The Board has made decisions regarding the matters that are constant from year to year such as property maintenance, insurance, financial management, and all other general matters pertinent to maintaining our property in the best of condition. However, the major thrust of our efforts on behalf of this association the past year has dealt with the planning necessary to arrive at a satisfactory remedy to the long-standing problems of serious water intrusion and structural deterioration of the A and B buildings.

As was reported in previous updates to the owners the Board engaged a well recommended architectural firm to investigate the causes of these problems, and to develop the information necessary to perform the needed repairs. After the passage of many months and the expenditure of a significant amount of money, without evidence of satisfactory solutions, the Board ordered the architectural firm to desist from any further work on the project. Efforts are currently underway for reimbursement for monies paid to the firm. The Board then interviewed two firms to serve as owner's representative. On August 31, 2007, the Board contracted with Eddie Stokes, PE of MEC Engineering Services, Inc. to fill the position. Since that time, Mr. Stokes has caused numerous investigative studies to be completed by various engineering and architectural firms.

As a result of the compilation of the accumulated information, the Board has agreed upon the nature of the remedial work necessary to complete the project. A bid package is currently being developed. Mr. Stokes will present an overview of the investigative studies and the future of the project at the Annual Meeting of Shipyard Village. His report will become a part of the minutes of that meeting.

Early in the fall of 2007, the Board was saddened to learn that Mrs. Kelli Diehl of KA Diehl and Associates was confronted with serious health problems, which precluded her active, hands on involvement in the management of our association. Kellis is currently in a process of rehabilitation, and the Board extends our best wishes to her and hopes for a speedy recovery.

In January of this year Mrs. Vicki Gallagher, Vice President of KA Diehl and Associates started devoting full time attention to the management of Shipyard Village. The Board is very pleased to have Mrs. Gallagher as our manager, and has been impressed with her thoroughness and efficiency.

The Board wishes to commend Mr. Richard Bennett, on site manager, and his staff for all the projects they have completed in the past year. Mr. Bennett and his staff keep our property clean and well groomed. All problems that arise are dealt with in a prompt and professional manner. A complete report of all projects accomplished by Mr. Bennett and his staff in the past year is attached.

During the months to come we all will be looking to deal with effecting solutions to major problems associated with our property. Through this process the Board intends to be open and transparent in all its actions. The main concern of every property owner is the preservation of property values through well thought out repairs, sound financial management, and excellent maintenance procedures.

The Board wants to get the A and B building repair project underway as soon as possible, but we intend to proceed only as fast as finances, wisdom and prudence dictate.

Respectfully submitted,
Board of Directors
Shipyard Village, Council of Co-Owners

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

TWENTY-SIXTH ANNUAL MEMBERS' MEETING

APRIL 19, 2008

MINUTES

The Twenty Sixth Annual Members' Meeting of the Shipyard Village Council of Co-Owners, Inc., was called to order at 9:00 A.M., Saturday, April 19, 2008, at the Litchfield by the Sea Beach House, Pawleys Island, South Carolina.

I. **Opening Comments and Introductions:**
Dr. Jack Eblin, President of the Shipyard Village Board of Directors, opened the meeting by welcoming those in attendance. He then introduced the Board members in attendance, Doris Bray, Leon Jennings, Tim Cassidy and Clinton Carter. He then introduced the K. A. Diehl & Associates, Inc. management representatives, Vicki Gallagher, Maria Renkey, Azure Harper and Richard Bennett. He then introduced Eddie Stokes of MEC Engineering Services, who is serving as Owners' Representative in connection with certain proposed building repairs scheduled to be discussed in the meeting.

II. **Formal Opening of the Meeting:**
Dr. Eblin formally called the meeting to order and stated that in accordance with Article I, Section 6 of the Association Bylaws, as amended, that the Annual Members' Meeting shall be held on the third Saturday of April of each year or at such other time as may be determined by the Board of Directors. Dr. Eblin stated that he would serve as Chairman of the meeting and that in the absence of Jim Poag, Secretary/Treasurer, Doris Bray will serve as Acting Secretary of the meeting.

Chairman Eblin stated that Vicki Gallagher has been appointed Agent and Proxy for those members of the Association not present at the meeting for the purpose of casting the votes only as indicated on the proxy and/or ballot. Ms. Gallagher will also serve as Clerk of the meeting.

III. **Roll Call/Quorum Certification:**
The Chairman requested Ms. Gallagher to report on the roll call check in process and certification of the quorum. She announced that 38.65% of the membership was represented by proxy and 34.39% was represented in person, for a total representation of 73.04%. She then noted that the quorum requirements had been met to successfully conduct the meeting in accordance with the By-Laws of the Association.

IV. **Examination of Proof of Mailing:**
The Chairman examined the Proof of Mailing of the Notice of the Twenty Sixth Annual Members' Meeting and noted that the Proof of Mailing, along with a sample of the notice, would be filed with the official records of this meeting.

V. **Approval of Minutes:**
The Chairman requested that the Secretary read the minutes of the Twenty Fifth Annual Members' Meeting, unless there was a motion and a second to waive the reading of the Minutes and approve them as written. Upon a motion by Mr. Beard (B13), seconded by Mr. Nisbet (D21) and duly carried by

voice vote, the reading of the Minutes was waived; and further, the Minutes were approved as written.

VI. Annual Reports:
The Chairman noted the formal order of business of the Annual Meeting allows for certain reports to be made.

A. Board of Directors Report:
Chairman Eblin reported on Association activities throughout the year. The Board report is attached to these Minutes and identified as Exhibit "A".

B. Financial Report:
Ms. Gallagher reported that the 2007 year end audit was completed by Andrew C. Thompson, CPA. She noted that the report was distributed to the membership at this meeting. The owners not in attendance will also receive a copy of the report when the Minutes of the meeting are mailed. Ms. Gallagher then briefly reviewed the report for the benefit of the membership, stating that the Association had ended 2007 with a $48,920 surplus. This surplus will be transferred to the reserve account to avoid paying a high tax rate. As of December 31, 2007, the Association had $1,734,627 in the reserve account.

Ms. Gallagher announced that the Board of Directors approved the establishment of a community website and provided the membership with the website address which is shipyardvillage.com. Ms. Gallagher then noted that website access directions that was distributed to the membership at this meeting, and will be mailed to the members not in attendance.

VII. Election of Directors, Tax Resolution and Master Deed Amendment:
Chairman Eblin announced that the primary purpose of the meeting is to elect Directors. There are four (4) seats open on the Board.

Chairman Eblin stated that the Nominating Committee's slate is:
Dr. Jack Eblin (D32)
Dr. C. Leon Jennings (B54)
Jim Pacenta (A58 & B51)
Doris Eblin (B27)

Additional owners who are interested in serving:
Bob Postiglione (A31)
Donald G. Johnston (D11)

The Chairman opened the floor to additional nominations. With no further nominations, Mr. Shaffner (B26) moved that the nominations be closed, seconded by Mr. Nisbet (D21). The Motion carried by voice vote.

The Chairman appointed Mr. Nisbet (D21) as the Inspector and Teller for the purpose of assisting management with calculating of the votes.

At this time, Chairman Eblin announced that a short break will be taken to allow for the counting of the ballots.

Concluding the calculating of the votes, Mr. Nisbet (D21) announced that Dr. Eblin, Dr. Jennings, Mr. Poag and Ms. Bray were elected to the Board of Directors by majority votes. The Chairman congratulated the newly elected members and reminded them that following the Annual Meeting, an Organizational Meeting will be held to allow for the Board members to elect its officers.

It was then announced that the tax resolution had passed with 70.93% of the membership voting in the affirmative.

VIII. Unfinished Business:
There was no old business to be discussed.

IX. New Business and Member Comment:
1. Homeowners Representative Report for the A & B Building Issues

The membership received an informational packet regarding the repair issues at buildings A & B. It was noted that the provided information will be downloaded onto the community's website and mailed to those owners not present at the meeting.

Mr. Stokes presented a slideshow of the information provided to the members present and reviewed the same.

Mr. Stokes announced that if anyone desires a CD of the slideshow, to let him know and one will be provided.

Mr. Stokes provided an overview of what his firm had found to be repairs needed to the A and B buildings, as highlighted below:

- Residential windows were installed during the original construction
- Announced that the exterior envelope of the buildings was not installed per code. The buildings are full of wood.
- The exterior envelopes of the buildings' coatings are the hard coat stucco and at the end of the buildings there is EFIS stucco.
- A window manufacturer inspected the windows in units A65 and A14 and reported that the windows were not installed properly. Performed a moisture test of the exterior envelopes of the buildings and most of the moisture discovered were around the windows, there is no flashing around the windows,
- Performed a sounding test on the exterior envelopes and balconies.
- Structural analysis was performed.
- Opened a portion of the balconies, which provided evidence that the rebar in the balconies have corroded.
- Displayed the underside of the balconies which provided evidence that the beams have corroded. Reported that balcony beams were poured upside down.
- Reported that some of the balconies have humps. It was explained that the cause of the humps is as a result of two (2) metal strips inside of the balconies meeting together. A little bead of caulk was spread in this area; however, over time, the caulk disappeared and the metal started to corrode and fuse together. Repairs require the removal of the metal, installation of new metal and then the pouring of concrete.
- Displayed numerous pictures reflecting the building issues.
- Core samples of the concrete were taken. Approximately 250 holes were drilled out in two inch (2") intervals from the top to the bottom of the buildings. The samples taken confirmed

that the concrete is contaminated with water which is expanding the concrete and damaging the rebar and beams.

- Reviewed the basis of galvanic cathodic protection. Recommended the following repairs in addition to the replacement of the window systems and the coating of the buildings: a technique commonly used to mitigate corrosion of chloride-contaminated concrete structures is to utilize a discreet galvanic anode in addition to conventional repairs. This technique uses the principle of galvanic cathodic protection to control the corrosion process. Galvanic protection is commonly used in marine and transportation structures, and is becoming widely used in balcony restoration. Galvanic protection works when sufficient quantities of sacrificial zinc metal is attached to the reinforcing steel inside the moist concrete. Once connected to the reinforcing steel, the zinc metal corrodes instead of the steel and produces a galvanic current similar to a low-grade battery. This galvanic current prevents corrosion of the steel and thereby extends the life of the repair. The galvanic protection technique is essentially maintenance free and can be used in combination with most repair techniques and coatings to create a system with a service life in excess of 20 years. The key to success is to properly design the quantity and distribution of sacrificial zinc for the intended service.
- Both buildings will be closed down at the same time for the repairs. The repairs are planned to commence in September of 2008 and the estimated time for the repairs is 10 to 11 months. Prior to September, the owners of buildings A & B will be contacted and asked to remove any personal belongings in the units: remove wall pictures, window treatments and clean out refrigerator. Furniture can stay in unit. The contractors will video tape the entire unit and its belongings prior to the beginning of the repairs.
- Explained the construction of temporary walls in the units to allow for the removal of the windows and repairs to the exterior building envelopes.
- Explained the preliminary project schedule, noting that the contractors will have a very detailed schedule that will be approximately 40 pages long.
- Announced that the bids for the project have not been received, but the process is underway; therefore, a firm expense has not be received. The estimated repair cost for the project is between $12 to $13 million dollars.

Chairman Eblin reported that there is a need to make repairs to buildings A & B, which is not news. If the necessary repairs are not completed, the buildings will continue to corrode, and at some point in time, the balconies will need to be replaced not repaired which will increase the overall expense. Further, water intrusion will continue and as time goes by without the repairs, the expense to repair will increase.

The funding of these repairs will be through the levying of a special assessment to the membership. In accordance with the Association's Master Deed, in order to levy a special assessment the membership will have to vote on the assessment with 51% of the membership voting in the affirmative. The Chairman then stated that Somerset (neighboring community) is undergoing extensive repairs to their buildings and the membership of the community were special assessed to fund the repairs, as well as other neighboring communities in Litchfield by the Sea. The Chairman stated that the Board was diligent in investigating the water penetration issues within these buildings, and has a fiduciary responsibility to repair and maintain the buildings and that there is no alternative but to make the repairs.

Chairman Eblin announced that all bids are scheduled to be received on May 30, 2008, and the Board will review the bids and select the construction manager, general contractor and sub-contractors and should have the maximum price for the repairs at that time. The firm cost will then

be disseminated to the membership and a vote will be taken for the levying of the special assessment.

The Chairman then opened the floor for questions.

- It was inquired from the floor as to who will be responsible for the special assessment. The Chairman responded that per the Association's Master Deed, all 140 unit owners will contribute.
- It was inquired from the floor as to the cost estimate for the repairs per building. Mr. Stokes stated that the bids are not in hand but a preliminary estimate is $6.5 million per building with contingencies, therefore, the total estimated cost is between $12 to $13 million dollars. The Chairman stated that the repairs cannot commence unless the special assessment passes.
- Ms. Morris (A48) inquired if one (1) building at a time could be repaired versus both buildings at the same time? Mr. Stokes reported that the Board discussed this option, but it would extend the project over a longer period of time. The building that has to wait for the repairs would continue to corrode and the repair costs would inevitably increase. Therefore, the Board made the decision to repair both buildings at the same time.
- Mr. West (D46) stated that there was a code trigger on the railings, and inquired what other code triggers can the community face during the repairs? Is there any liability on the original builder and/or previous management company? What is the life expectancy of the planned repairs? The Board stated that the statute of limitations expired quite a few years ago and the chances of successfully bringing a lawsuit against the previous management firm may be slim. Mr. Stokes stated that the life expectancy of the repairs should be 20 to 30 years if properly maintained.
- Mr. O'Brien (D22) stated that the membership amended the Master Deed in 2006 to place the responsibility of replacing the windows on the Association. A discussion then ensued around said amendment. The Board stated the amendment affects all units within the Association. A discussion then ensued around the water intrusion problems. It was noted that the issue is not with the windows, but the structure in which the windows are placed. Ms. Morrow (B26) stated that she has investigated the water intrusion problems and stated that her investigation reflected that the problem is with the exterior building envelope defects: there is no flashing and the originally installed windows were not up to code. She then commended the Board for their diligence in researching the water penetration issues and determining what the necessary repairs are needed to correct the problems. A discussion continued at great length relative to the amendment, with the currently planned repairs including the replacement of the windows.
- Mr. Johnston (D11) inquired as to what happens if an owner does not pay or cannot pay. The Board responded by stating that the special assessment will be collected in the same manner as the monthly and insurance assessments are collected.
- A discussion was entered into relative to the possibility of financing the repair expense, with the Board taking the suggestion to research this possibility under advisement.
- It was inquired from the floor if the reserve funds could be utilized to assist in funding the expense, with the Board stating that the reserve funds are earmarked for the replacement of capital assets and will not be utilized to fund the repairs.
- It was inquired if C & D buildings had forensic testing done in the same manner as the A & B buildings? Dr. Jennings reported that extensive forensic studies were conducted on the C & D buildings during the five (5) year period of the lawsuit but not by the same group that performed the testing on buildings A & B. The end result was the lawsuit was successfully settled with the Association being awarded $3 million dollars.

- It was inquired from the floor, why there is only one (1) homeowner representative on the Board of Directors for the C & D buildings. The Board announced that there are three (3) members serving on the Board that are owners of units within either the C or D buildings: Clinton Carter, Marie Aker and Jack Eblin. Clinton Carter and Marie Aker's terms do not expire until 2009.
- A discussion ensued around who will oversee the project and change orders. Mr. Stokes stated the Construction Manager, General Contractor, Board of Directors and himself.
- A discussion was entered into relative to the appraisal value of the units during repairs and the appraisal value if the repairs were not made to the units.
- It was inquired if the Board looked at tearing down the buildings then rebuilding them, with the Board stating the most cost effective way is to repair.
- A discussion ensued around the difference in the ages of buildings A & B and C & D.
- It was inquired that once the repairs are completed, will the Association see less maintenance to the buildings? The Board reported that the buildings will not need to be pressure washed as frequently and mitigating repairs will not be necessary.
- Mr. Nisbet (B26) stated that had this Board not been as diligent as they were in finding the building defects in C & D and then filing a lawsuit, the statute of limitations would have run out. The lawsuit ended successfully, and allowed for the necessary repairs to C & D to be accomplished.
- It was suggested from the floor that prior to voting on the special assessment, an online meeting be scheduled. The Board took this suggestion under advisement.

X. **Adjournment:**
With no further business brought forth from the floor, a motion was made by Ms. Morrow (B28), seconded by Mr. Davis (A51) and duly carried that the meeting be adjourned. The meeting was adjourned at 11:40 am.

SUBMITTED BY:

Doris Bray, Acting Secretary

APPROVED BY:

Dr. Jack Eblin, President

DATE: 4/4/09

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

SPECIAL MEETING OF THE BOARD OF DIRECTORS

JULY 28, 2008

NOTICE

By order of the President, Notice is herby given for the holding of a Special Meeting of the Board of Directors, to be held on Monday, July, 2008 **commencing at 9:00 A.M.** originating in the offices of K. A. Diehl & Associates, Inc. 11524 Hwy. 17 By-Pass South, Murrells Inlet, South Carolina.

The Special Members Meeting has been called to discuss legal issues as it relates repairs to Buildings A & B, appointment of Board member to fill vacant seat and to discuss the retaining of other engineers.

The conference call phone number is 843-756-2733 for local callers and 866-589-1974 for out of the area callers. To set up the call, 2 people (or phones) need to call the number at about the same time, then just stay on the line and as others call the number they will automatically be joined into the call. If you get dropped from the call, dial the number again and you will automatically be joined by to the call.

Please contact Marla Renkey at (843) 357-9888 on your attendance so a quorum can be determined.

Vicki Gallagher

Vicki Gallagher, Community Manager
K. A. Diehl & Associates, Inc.
Managing Agent

Murrells Inlet, South Carolina
July 24, 2008

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

JULY 28, 2008

AGENDA
9:00 A.M.

I. OPENING OF MEETING

II. A & B BUILDING REPAIRS

A. Engineering Firms Discussion
1. Sutton-Kenner, Boone
2. Spectrum Engineering Services

B. Other

III. APPOINTMENT OF BOARD MEMBER

IV. ADJOURNMENT

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

SPECIAL MEETING OF THE BOARD OF DIRECTORS

MINUTES

JULY 28, 2008

A Special Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Monday, July 28, 2008, at 9:00 a.m. at the offices of K. A. Diehl & Associates, Murrells Inlet, South Carolina.

I. **ATTENDANCE:**

Board Members Present In Person By Conference Call: Jack Eblin, Clinton Carter, Tim Cassidy, Jim Poag, Doris Bray, Robert Postiglione and Don Johnston.
Board Member Not Present: Clinton Carter
K. A. Diehl & Associates Representative Present In Person: Vicki Gallagher, Community Manager

Dr. Eblin, Board President, served as Chairman of the Meeting.
Jim Poag, Secretary, served as Secretary of the Meeting.
Vicki Gallagher, K. A. Diehl & Associates, Inc., served as Recording Secretary of the Meeting.

The Chairman confirmed that the Association's quorum requirement for Board meetings has been met to officially conduct the meeting.

II. **APPOINTMENT OF BOARD MEMBER:**

Chairman Eblin stated that Dr. C. Leon Jennings has resigned from the Board of Directors. The Board expressed their appreciation to Dr. Jennings for his dedication and contributions during his tenure on the Board of Directors.

The Board entered into a discussion regarding filling the vacant seat on the Board of Directors. Following discussion, **a motion was made by Mr. Cassidy, seconded by Mr. Johnston, to appoint Mr. Postiglione to fill the vacant Board seat. The motion carried unanimously.**

At this time, Mr. Postiglione joined the meeting via telephone.

The Board discussed and approved permitting past Board Presidents to participate in Board meetings, but not vote. It was noted that soliciting participation from past Board Presidents will bring a wealth of experience and knowledge. The Board members concurred unanimously.

III. **BUILDING A & B REPAIRS:**

A. **Engineering Firms Discussion:**

The Board entered into a discussion at length relative to pursuing two (2) engineering firms to review the repair project engineering reports, bid specifications, drawings and proposals and provide a report to the Board with their findings and recommendations.

1. **Sutton-Kennerly:** Mr. Cassidy informed the Board that he contacted Dow Corning relative to the 10 year warranty on Building C and D's exterior coating. During the discussion, the engineering firm of Sutton-Kennerly was discussed. The representative of Dow Corning recommended this firm. He then noted that Sutton-Kennerly has no affiliation with HiCaps.

   Mr. Cassidy reported that he spoke at length with Mr. Chuck Ernest of Sutton-Kennerly relative to the findings and needed repairs to buildings A & B. He reported that they discussed alternatives to the cathodic protection, and it will come down to what type of fix the Association would want, i.e., a 10 year fix, a 15 year fix, a 25 year fix, etc. Following further discussion, **a motion was made by Mr. Cassidy, seconded by Mr. Johnston to authorize the retaining of Sutton-Kennerly to review the repair project engineering reports, bid specifications, drawings and proposals and provide a report to the Board with their findings and recommendations, with the expense not to exceed $10,000.00. The motion carried unanimously.**

2. **Spectrum Engineering:** The Board entered into a discussion relative to Mr. Knesel's (owner of B34) solicitation of a proposal for the repairs to Buildings A & B from Spectrum Engineering. It was further noted that Mr. Knesel provided a copy of the proposal to the membership at the Information Meeting.

   The Board entered into a discussion, at length, relative to Spectrum's proposal. Mr. Cassidy informed the Board that Mr. Knesel reported that Spectrum will review the engineering reports, drawings and bid specifications at an expense of $6,000.00.

   Concluding the discussion, Mr. Cassidy committed to interviewing Spectrum Engineering. Further discussion was tabled until after the interview.

   Mr. Cassidy was asked to discuss the Board's concerns relative to performing the repairs a stack at a time, due to the exterior coating warranty issues. The warranty issues are that Dow Corning will not warrant the exterior building coating unless all repairs are done concurrently.

IV. **OTHER:**

1. **Correspondence:** The Board discussed the letter received from a homeowner suggesting the formation of a Building Committee for the repair project. The Board entered into a discussion at length giving consideration to this request. Following discussion, the Board denied this request. This decision was made because the Board was elected by the membership to serve in this capacity. Chairman Eblin will correspond with the homeowner of the Board's decision. The Chairman stated that any member of the Association can make an appointment with management to review the engineering reports, bid specifications and drawings. The Board also noted that the minutes of the Board meetings will be posted on the website. These statements will be included within the response letter to the homeowner.

2. **Informational Meeting Discussion:** The Board expressed their disappointment with the responses from HiCaps and MEC Engineering at the Information Meeting. Many of the questions asked by the membership were not answered by the experts, which was unacceptable.

V. ADJOURNMENT:

With no further business to discuss, the meeting was adjourned at 11:32 a.m.

Submitted by: James C. Poag Jr.
Jim Poag, Secretary

Approved by: J C Eblin
Dr. Jack Eblin, President

Date 2/16/09

shipyard maintenance

July 28th Board Meeting
Maintenance
Update

Construction Science and engineering……came by on 7/13
George/ McGee Engineering……came by on 7/19
Ken Schneider /Princeton Engineer ……came by on 7/25
Window Quotes…..
Building issues also...

Charlotte Paint Co…. Job Complete, some bubbles
D12, D22, C12 C15 (paint overspray)
On balconies to be addressed (James)…..7/18 too wet
One 3" caulk pull test missed C 1stack (Perkins will address)
C51 and C41 small carpet repl. Soon (schedule)
Marie Akers issues i.e... compensation

Sod replaced due to construction and previous approved
Landscape issues week of the 7/10

Handicap ramp completed before 7/4
Landscaping beside completed also.

Trees removed per board (pines)
Cabana rear dead buses Jeff recommends Laurel Pedulum
Same as beside New Ramp

Found leak in landscape main (Jeff) Litchfield replaced
Fountain Heads replaced

Signs A/B Carports ALL INSTALLED
PALM DESIGN NEW!!

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

OCTOBER 14, 2008

NOTICE

By order of the President, Notice is herby given for the holding of a Regular Meeting of the Board of Directors, to be held on Tuesday, October 14, 2008 **commencing at 10:00 A.M.** in the offices of K. A. Diehl & Associates, Inc. 11740 Hwy. 17 By-Pass South, Murrells Inlet, South Carolina. ***(New office, which remains on the frontage road.)***

Please contact Maria Renkey at (843) 357-9888 on your attendance so a quorum can be determined. Please let her know if you will be in attendance in person or by way of conference call. ***If it is by conference call, the call phone number is 843-756-2733 for local callers and 866-589-1974 for out of the area callers. To set up the call, 2 people (or phones) need to call the number at about the same time, then just stay on the line and as others call the number they will automatically be joined into the call. If you get dropped from the call, dial the number again and you will automatically be joined by to the call.***

Vicki Gallagher

Vicki Gallagher, Community Manager
K. A. Diehl & Associates, Inc.
Managing Agent

Murrells Inlet, South Carolina
October 6, 2008

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

OCTOBER 14, 2008

AGENDA
10:00 A.M.

I. OPENING OF MEETING

II. APPROVAL OF MINUTES:

Regular Meeting of the Board of Directors September 18, 2008

III. A & B BUILDING ISSUES
- A. Sutton-Kennerly & Associates, Inc.'s Report Review
- B. Spectrum Engineering Report Status
- C. C & D Building Owner Legal Council Issues Discussion
- D. Homeowner Communication Update Status
- E. Other

IV. FINANCIAL REPORT:
- A. Financial Statement
- B. Accounts Receivable

V. MANAGEMENT REPORT
- A. Management Report

VI. OLD BUSINESS
- A. Establishment of 2009 Goals
- B. Pest Control Contract Discussion (proposals are being solicited)
- C. Beach Crossover Repair Status (underway)
- D. C & D Lobby Doors Project Status (completed)
- E. Other

VII. NEW BUSINESS
- A. Insurance Claim for Units C42, C43, C32 and C33 (sprinkler pipe burst in Unit C42)
- B. Other

VIII. SCHEDULE OF NEXT MEETING

IX. ADJOURNMENT

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

OCTOBER 14, 2008

A Regular Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Tuesday, October 14, 2008 at 10:00 a.m. held in the offices of K. A. Diehl & Associates, Inc., 11740 Highway 17 Bypass South, Murrells Inlet, South Carolina.

I. **ATTENDANCE:**

Board Members Present: Don Johnston, Jim Poag and Tim Cassidy.

Board Members Present via Conference Call: Dr. Jack Eblin, Robert Postiglione and Doris Bray

Board Member Not Present: Clinton Carter

K. A. Diehl & Associates Representatives Present: Vicki Gallagher

Others Present: Kimberley Campbell of Patrick & Stathos
Stephen Robinson and Tim Norton of Sutton-Kennerly

Dr. Eblin, Board President, served as Chairman of the Meeting.
Jim Poag, Secretary of the Association, served as Secretary of the Meeting.
Vicki Gallagher, K. A. Diehl & Associates, Inc., served as Recording Secretary of the Meeting.

The Chairman confirmed that the Association's quorum requirement for Board meetings has been met to officially conduct the meeting.

II. **APPROVAL OF MINUTES:**

A motion was made by Mr. Poag, seconded by Mr. Cassidy to waive the reading of the September 18, 2008 Regular Meeting of the Board of Directors Meeting minutes and approve as written. The motion carried unanimously.

III. **A & B BUILDING ISSUES:**

A. **Sutton-Kennerly Consulting Engineers:**

The Board thanked the Sutton-Kennerly Consulting Engineers (SKA) for attending this meeting.

It was noted that prior to this meeting, the Board of Directors received (SKA) review report, as attached to these minutes and identified as Exhibit "A".

At this time, Mr. Robinson stated that it is their conclusion that it would be in the best interest of the Association to consider a different repair approach based on their review of the provided information and inspection of buildings A & B.

Mr. Robinson went on to say that SKA feels it is quite possible there is another approach to the repairs that will achieve the same repair objectives at a lesser cost. He stated his firm feels that the methodology and evaluation of the existing conditions and the testing performed on the buildings by the previous experts is in order and meets industry standards. The buildings have a significant problem with corrosion that has manifested itself, and the conditions are getting worse.

The major concern is the proposed repairs by the Tourney Consulting Group (TCG) to the tendons (cable) in the precast hollow core slabs (the flat concrete floor on the balconies and walkways). It is in SKA's opinion that the possibility of replacing the pre-stressed precast hollow core slabs should be evaluated. The primary advantage will not only be at a favorable economic cost, but the removal of some or most could be highly desirable from a structural or serviceability standpoint depending upon the severity of corrosion in any individual panel from known or hidden conditions.

SKA stated that they have concerns regarding the addition of #6 mild reinforcing steel bars where pre-stressed steel strands have deteriorated, especially if repairs become extensive and several strands and/or long lengths of strands have deteriorated in localized areas. The concern is that you can't take a mild rebar and repair pre-stressed tendons for the capacity of that component. In essence, the Association would be taking a very efficient technology with a less efficient repair which can not give the same strength.

SKA stated with the recommended repairs by the previous experts reflects that there is a lot of "surgery" going on for the recommended repairs, especially on the balconies. If you replace the panels, there is no reason to do the corrosion repairs, which would give the Association a 20 – 25 year life expectancy. SKA stated that it would be less expensive to replace the balconies versus repairing them. The Board inquired on the cost to replace the balconies, with SKA stating a proposal hasn't been solicited; however, there would be a significant savings. The Board inquired to how much damage would there be to the inside of the units if the balconies are replaced, with SKA stating they would only go approximately 10" inside the unit. The Board inquired if the timeframe for replacing the balcony panels would be longer than the initial proposed repairs to the balconies. SKA stated that there will not be a great difference.

SKA stated that they would recommend that a partial replacement be made to the walkways; possibly the outside panels. SKA stated that they are trying to minimize the cathodic protection because of the extensive cost. If there is a partial replacement of the walkways, there will be some areas that would have to have cathodic protection to prevent future corrosion on the panels. These areas are the areas next to the walls, because these panels go in the unit.

At this time, SKA provided detailed information on the construction of the walkways and the balconies' components. With questions posed and answered to the satisfaction of the Board of Directors.

At this time, SKA reviewed their findings with respect to the proposed window/door replacements. SKA stated that the proposal lacks information

regarding technical information on how the materials would be installed. The specifications rely solely on the manufacturers instructions. The specifications reflect that the windows and doors will be installed with two (2) separate systems, and they need to be one (1) system. The existing design shows that the water will be drawn to the outside of the building, and does not show provisions on how to direct the movement of evacuating the water. There is not a lot of information shown on the drawings for the windows. This transition of each component is very critical and if you don't show the details on the drawings there will be leakage. SKA recommended a tank underneath the door/window systems for the evacuation of the water, which is not reflected on the current drawings. SKA agrees that the windows need to be replaced; however, disagree with the proposed details.

In waterproofing the building there is four systems: doors/windows, wall, deck planking and flashing. All of these systems need to be tied in to work properly.

SKA reported that the existing proposed repairs and drawings lack detail.

The Board inquired if they switch engineers, can the new engineers get the reports and findings from the previous engineering firm. SKA stated that they would not utilize the repair drawings but would use the testing reports, because they do meet industry standards.

At this time, SKA proceeded to review their report's findings and recommendations. Numerous questions were posed and answered to the satisfaction of the Board of Directors.

A discussion was entered into with respect to the timeframe of the repairs, and further would SKA recommend both buildings be repaired at the same time or a building a year. SKA suggested that the repairs be done in two (2) phases (a building a year). Then the repairs can be done in the off season (September through May). The advantage in doing the repairs in two (2) phases are: 1) initial contract you can do in two (2) separate contracts; 2) will lesson the burden on the homeowners.

The Board inquired on the timeframe to receive proposals if the Board chooses SKA. SKA stated that they would need 8 to 12 weeks to prepare the drawings then the bidding process will take four (4) weeks.

Following further discussion, the Board authorized SKA to provide them with a proposal on the expense to provide the Association with the cost for them to provide new repair drawings and the next approach on the cost for the project.

The Board inquired if they would be able to serve as the Construction Consultant, SKA stated no that their firm does not provide this service. However, they would provide the service to be advisors to the Board directly.

With no further questions, the Board thanked the SKA representatives for attending the meeting and they left the meeting. A discussion at length was entered into relative to the Association's contract with MEC Engineering. Following discussion, **a motion was made by Mr. Cassidy, seconded by Mr.**

Postiglione to authorize Ms. Campbell to issue a letter to MEC Engineering stating that their services will no longer be needed. The motion carried unanimously.

B. **Spectrum Engineering Services, Inc.**
Management reported that Spectrum Engineering Services committed to having their report to the Board by November 7, 2008. Once the report is received, the same will be provided to the Board.

C. **C & D Building Owner Legal Council Issues Discussion**
A motion was made by Ms. Bray, seconded by Mr. Cassidy to enter into Executive Session to discuss issues presented by some of the owners of Buildings C & D. The motion carried unanimously. Following discussion, **a motion was made by Ms. Bray, seconded by Mr. Cassidy to conclude Executive Session. The motion carried unanimously.**

D. **Homeowner Communication Update:**
Management reported that a letter was generated to the membership to serve as an update on the progress made relative to soliciting two (2) additional opinions on the A & B building repair project. It is noted that the letter was also downloaded onto the community website. The Board stated that upon receipt of the second opinion another letter will be generated to the membership.

E. **Other:**

1. **Board President Position:**
Chairman Eblin informed the Board members that due to health issues, he will be stepping down as Board President and nominates Don Johnston to serve as Board President. He committed to remaining as a Board member until his term expires. Mr. Johnston thanked the Chairman and accepted the nomination, **and a motion was made by Dr. Eblin, seconded by Mr. Cassidy to appoint Don Johnston as the President of the Association. The motion carried unanimously.**

Mr. Johnston stated that he appreciates the vote of confidence and views this appointment as an honor.

The Board members thanked Dr. Eblin for the wonderful job he has done while serving as the Board President, and that they were happy that he has decided to continue serving on the Board.

At this time, Mr. Johnston assumed the role as Chairman of the meeting.

IV. FINANCIAL REPORT:

A. **Financial Statement – September 30, 2008:**
Management reviewed the financial reports for the period ending September 30, 2008. Following the review, the Board accepted the reports as information.

A discussion ensued around the reserve funds being invested in securities with Merrill Lynch. Management reported that Merrill Lynch feels confident that at least a portion of the securities will be successfully auctioned off. The Board then discussed the investment of the funds in a CDARS investment or through

Fidelity. Management was requested to provide the Board with CDARS and Fidelity information so that they can make a decision.

B. **Accounts Receivable:**
Management reported that there were five (5) accounts reflected on the delinquency report as being 30 days in arrears as of September 30, 2008. The appropriate letters were generated to the owners. One account has been turned over to the attorney for collection, and a lien has been placed on the unit.

V. **MANAGEMENT REPORT:**
Management reported on the following:

- The lobby doors in the C & D buildings have been brought up to code. Pawleys Island Glass completed the project.
- Per the reserve study, it is time to resurface the kiddie pool. Proposals are being sought.
- Half of the substructure of the beach crossover has been torn down, with the debris already disposed of. The staff is making remarkable progress!
- Russ and the staff replaced the C & D buildings' lobby thermostats at a substantial savings to the Association.
- All of C building's emergency lights have been replaced and are functioning properly. The staff is currently working on building D. It was found that the majority of the lights were not properly functioning. When the lights were tested, they would only stay on about 4 minutes. Now they will stay on for approximately 30 to 40 minutes.
- During a property inspection, it was noticed that the Santee Cooper light poles, especially around the pool area, are not in good condition. They are rusting and paint is peeling off of them. The Association rents the poles and fixtures, so Russ met with Santee Cooper and they have agreed to replace them at no cost to the Association. This project has been scheduled.
- Spectrum Engineering Services was contacted to inquire on their progress of the A & B building repair review process. Mr. Boone reported they are currently scheduling the onsite inspection and will contact management when the schedule is confirmed.
- Action list from September Board meeting has been completed.

VI. **OLD BUSINESS:**

A. **Establishment of 2009 Goals:**
It was the decision to table this discussion until the next scheduled meeting.

B. **Pest Control Discussion:**
Soliciting three (3) proposals for pest control service. Management is currently in possession of two (2) and is anticipating the third in the near future. Once the third is received, copies will be forwarded to the Board for review and consideration. Further discussion was tabled until the next Board meeting.

C. **Beach Crossover Repair Status:**
This project is in progress.

D. **C & D Lobby Doors Project Status:**
This project has been completed.

E. **Other:**
No other Old Business discussed.

VII. **NEW BUSINESS:**

A. **Insurance Claim – Units C42, C43, C32 and C33:**
Management reported that as the Board is aware, the Association has filed an insurance claim as a result of a sprinkler pipe bursting in the wall behind the kitchen cabinets in unit C42. This failure resulted in water intrusion into C42, C43, C32 and C33. Full Steam Ahead was contacted to mitigate the damage. Both the insurance adjustor and Full Steam Ahead have met to identify the needed repairs and related costs. Management noted that each homeowner was personally contacted relative to this issue, and Full Steam Ahead is working with them relative to the repair schedule.

B. **Other:**
No other new business was discussed.

VIII. **SCHEDULING OF NEXT MEETING DATE:**
The next meeting is scheduled for Friday, November 21, 2008 at 2:00 a.m. in the offices K. A. Diehl & Associates, Inc.

IX. **ADJOURNMENT:**
With no further business to discuss, **a motion was made and duly seconded to adjourn the meeting at 2:18 p.m.**

Submitted by: Jim Poag
Jim Poag, Secretary

Approved by: _____ Date _____
Don Johnston, President

Exhibit "A"

SKA CONSULTING ENGINEERS

Sutton-Kennerly & Associates, Inc.
300 Pomona Drive
Greensboro, NC 27407-1620

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October 1, 2008

Board of Directors of the Shipyard Village Council of Co-Owners
c/o: K. A. Diehl & Associates, Inc.
Managing Agent
P. O. Box 2537
Murrells Inlet, SC 29576

Attention: Vicki Gallagher, CMCA, AMS (via vickigal@sccoast.net)
Vice President
K. A. Diehl & Associates, Inc.

Reference: Review of Condition Assessments, Specifications and Details for Shipyard Village - Repairs and Restoration for Shipyard Village Condominiums at Litchfield by the Sea Pawleys Island, South Carolina SKA Job No. 080489.0

Dear Ms. Gallagher:

At the request of the Shipyard Village Council of Co-Owners Board of Directions, SKA visited the subject site and completed a cursory review of the provided documentation concerning the condition assessments and proposed repair and rehabilitation strategies, drawings and details, and specifications for the Shipyard Village Condominiums at Litchfield by the Sea, Pawleys Island, SC. SKA visited the subject site on September 4, 2008 to briefly review existing conditions. SKA has reviewed the following documents:

1. "Preliminary Concrete Inspection" dated October 22, 2007 prepared by Procon & Associates, Inc.
2. "Corrosion Condition Assessment: Shipyard Village" dated January 17, 2008 prepared by Tourney Consulting Group (TCG), L.L.C.
3. "Shipyard Village Condominiums Repair/Recondition Project Specifications" in the "Request for Proposal: Shipyard Village Condominiums Repair/Recondition Project" dated May 13, 2008 prepared by HICAPS, Inc.
4. Project Drawings and Details:

a. Architectural and Structural Drawings and Details by Gary Freeman Architect, Inc., MEC Engineering Services and Kyzer &Timmerman Engineers, Inc. dated at or about May 13, 2008

b. Galvanic Cathodic Protection Details prepared by Tourney Consulting Group, L.L.C. dated February 20, 2008

In general, parts of the design drawings lack detail and provide conflicting information. They should be revised prior to construction. Additionally, construction sequencing is not apparent through design documents. A plan of action should be required with a detailed sequence of specific events so that potential issues can be resolved prior to construction.

Concrete Repairs and Cathodic Protection:

SKA believes that the methodology to evaluate the degree of corrosion and level of contamination within the structural elements was technically sound; however, SKA has several concerns regarding the appropriateness of the proposed repair methodology and the completeness of contract documents. SKA believes that the measured level of contamination and atmospheric conditions do necessitate structure-wide repair and selective protection as indicated in the findings of the report prepared by TCG.

It is SKA's opinion that the possibility of replacing the prestressed precast hollow core slabs should be evaluated. The TCG report indicated that there were tendons with reduced cross-sectional area and relaxed tensile stresses. TCG indicated that many panels had longitudinal cracks from corrosion of prestressing strands. In addition to possible economic benefits from removal and replacement of the precast hollow core slabs, the removal of some or most could be highly desirable from a structural or serviceability standpoint depending upon the severity of corrosion in any individual panel from known or hidden conditions. New panels could be made with concrete proportioned to be highly durable in coastal environments.

In the event that repairs proceed approximately as outlined. SKA recommends the following items be addressed by the designers prior to proceeding.

1. Repair and Cathodic Protection of the Prestressed Hollow-Core Panels:

   a. **SKA has concerns regarding the addition of #6 mild reinforcing steel bars where prestressed steel strands have deteriorated, especially if repairs become extensive and several strands and/or long lengths of strands have deteriorated in localized areas. We feel that it is not an appropriate repair in this situation.**

   The addition of #6 mild bars will not restore the full functional capacity offered by virgin prestressing steel. Prestressing strands provide high tensile capacity and precompress the concrete. Because prestressing strands are highly stressed during fabrication of hollow core slabs, reduction in cross-section could overstress the strands and lead to yielding and possibly catastrophic fracture of individual strands.

   The plans are not clear as to limitations of #6 bar addition with regards to acceptable length or locations of repair or the acceptable number of corroded tendons within a slab before more extensive measures must be taken. As indicated in the contract drawings, coatings and carpet could hide a significant amount of distress. This might make the scope of repair become infeasible or unsafe. If a large portion of concrete is removed, concrete at anchorage points or bonded locations could rupture, leading to a potentially unsafe condition. Also, if large surface areas require removal, a significant amount of serviceable and structural capacity could be compromised. Chipping into prestressed panels is highly specialized. Inadvertently chipping into prestressed steel can significantly reduce capacity and pose potential imminent safety concerns. The report by TCG indicated locations where the prestressing steel had significant reduction in tendon

cross-sectional area and "corroded prestressing tendons with no remaining tension" were evident. Addition of mild steel in the small confined space offered in 6" deep hollow core slabs would be difficult to implement satisfactorily while achieving necessary bond and lap. When supplemental bars are added, bond between the repair and base material and load transfer to steel reinforcement is essential to maintain structural capacity. Lap lengths on each side of a repair must be sufficient to develop the added mild reinforcing steel bar. Provided details do not guarantee this.

Demolition to 0.75 to 1 inch clear around the bar, as indicated in construction documents, in areas of repair would be very difficult without breaking through into the cores if done prior to grouting. There is a potential for fracturing a considerable amount of base material and otherwise damaging the panels. The sequencing of construction will have a significant impact on this repair. Cores will likely be filled last, but this will add dead load after repairs that might cause more distress depending upon the severity of corrosion and amount of repair. Scheduling for this is important and should be laid out prior to construction.

b. **SKA has concerns that the increased dead load from pumping hollow cores full with grout could adversely affect safe load-carrying capacity and/or serviceability. SKA also has concerns with bond performance and electrical conductivity between the grout and concrete when little or no surface preparation is done prior to application without mock-ups and appropriate testing.**

Filling hollow cores will add extra dead load (approximately 50 percent added dead load) and reduces allowable live load capacity that must be verified. Extra dead load could lead to serviceability issues such as increased deflection that could be aesthetically unacceptable and/or promote ponding water or added

cracking, especially with a reduction in effective prestressing from corroded strands. Depending upon the severity of corrosion, this load might provide significant deflections during repair, leading to further distress. Shoring may be necessary, depending upon the severity of corrosion and construction sequencing.

It is imperative that there is good bond between the grout and concrete substrate to provide an electrical path for the galvanic anodes to protect against corrosion. There is a potential that the cells in the slab will be dirty, dry, smooth and/or contaminated. These conditions could lead to a reduced bond between the grout and substrate concrete. Additionally, grout materials should be shown through mock-ups to have sufficiently low bleed and low heat generation. Sika 212 is marketed as low bleed and low heat, but data sheets do not provide test results to confirm. Materials should be shown to have low differential shrinkage. Although the indicated grout indicates an expansion at 28 days, length change over time should be evaluated.

c. **Information in the Repair Mortar Schedule and at other locations on S1.0 in text is conflicting. Some repair mortars listed are difficult to implement in galvanic protection repairs.**

The designers should clarify between the use of materials listed in the middle column, the right column and in the Repair Mortar Schedule. Some listed materials would not easily be implemented in areas subjected to cathodic protection and if their use is intentional, strict requirements and guidelines must be offered in specifications. Even if clarified and specified correctly, a contractor might have difficulty in successfully using high resistivity patch materials in areas adjacent to the necessary low resistivity repair mortars and parent concrete. S1.0 lists a Repair Mortar Schedule that includes Sika Monitor 611. SKA is unaware of a Sika product with this name. Sika Monotop 611, Sika 122 Plus and Sika 123

Plus (the latter two indicated in the right column and again on subsequent pages) have relatively high resistivity. Sika 1000 reportedly has a 28-day ASTM C 1202 result less than 1500 Coulombs and is not in compliance with part of TCG's requirements on CP1, although it is marketed as a low resistivity material. These materials should be carefully evaluated by the cathodic protection system designer in areas that will be protected.

2. Repair and Cathodic Protection of Cantilevered Beams:

   a. Although the documents give criteria for amount of acceptable cross-sectional loss and the contractor is instructed to consult with the Engineer for loss greater than the criteria, no details are provided for repair in this event.

   b. Specifics regarding the cantilever beams are unknown, but drilling 2-inch diameter holes on a 2 x 8 grid into the beams can reduce shear capacity. Repairs must ensure that this is taken into account and that proper shoring is implemented if necessary.

3. Migrating Corrosion Inhibitors:

   a. It appears that migrating corrosion inhibitors (MCI's) are to be used on areas with hairline cracking in areas subjected to galvanic protection, in addition to the tops of the topping slabs. A specification for the application of MCI's was not observed in the provided documentation. It is unclear why an MCI is only used in areas of small cracks. This would seemingly include areas with cathodic protection. The use of migrating corrosion inhibitors such as Ferroguard 903 can be a questionable approach in coastal environments with constantly increasing amounts of chlorides. Topping slabs were shown by TCG to have very high chloride concentrations that might or might not be too high for Ferroguard 903. Sika indicates that the maximum acceptable chloride concentration when using

Ferroguard 903 is 6 lbs/yds^3 (1500 ppm) with a potential of increasing to 10 lbs/yds^3 (2500 ppm) in certain circumstances. Values in the topping slab were indicated to be about 2000 ppm.

b. The possibility of using a surface applied migrating corrosion inhibitor as a less expensive solution for corrosion mitigation in the precast hollow-core slabs was considered by SKA. However, SKA does not believe the application is the best strategy for corrosion control in this particular application due to the type of construction, condition of the structure, level of chlorides, exposure conditions, difficulty in thorough application and level of testing completed to assess the structure.

c. TCG data showed that the level of chlorides at the depth of reinforcing steel in the beams was in a range where migrating corrosion inhibitors might provide temporary benefit; however, more testing would be required to assess the typical level of chlorides if this route is chosen. Chloride levels are more important if MCI's are used than if galvanic protection is used. All faces of the beam would require application of MCI's. A breathable surface waterproofing coating would also be required over the beams to inhibit further chloride ingress. If chlorides exceed the corrosion inhibitor threshold, corrosion would occur, possibly at a faster rate. Additionally, there is the lack of historical long-term performance data for corrosion inhibitors. The proposed procedure for protecting the beams is likely acceptable as long as cores do not compromise the structural capacity.

Review of Window, Door , Cladding, Waterproofing and Handrail Repairs:

1. Overall the information on the plans is lacking detail.

   a. The drawings are lacking in information to properly understand the complete scope and in some cases do not match other enlarged plans. Additional notes for

scope clarification, detail information, and proper hatching would help to ensure no confusion of materials. Some partial plans and enlarged plans do not match regarding hatch patterns and could be misinterpreted.

b. Sections are also lacking notation to ensure installation of the details is proper. Many details and sections are unclear or do not coordinate from one sheet to the other based upon materials or location of the materials in relation to other materials.

2. SKA believes that the removal and replacement of the existing windows and doors to correct the water intrusion, appears to be necessary based upon the age and condition of the windows and doors. However, some of the details observed and information provided within the contract documents are lacking in technical information and approach. See the following list of comments.

   a. Window pans should not discharge to the exterior of the building facade; the pans should discharge into the drainage cavity of the cladding. Discharging to the exterior as detailed allows for the bottom of the pan flashing assembly to take on water and also allows for the lower area of the window and pan to be fully pressurized during a wind/rain event. It is also difficult to seal the exterior corner transition of the pan to jamb as detailed with the ends extending to the exterior. Additionally the isometric details on A7 do not match the sections shown based upon the jamb to sill intersection if the jamb end dam extends to the exterior as shown on section 9/A6.

   b. SKA does feel that the door should have a separate pan flashing. However, as detailed, it is unclear if the door is to be secured into and through the pan flashing or if the rear clip is to be used for securement. SKA does not recommend the attachment through the pan flashing. In addition, it has been SKA's experience that the rear clip only will not calculate for wind loading in the negative direction.

The fabrication for the metal pan flashing should be installed into a reglet that is full of sealant. This installation will allow the pan flashing to be terminated into a material that will allow for a proper transition of the new deck coating into the pan flashing. This will create a monolithic transition.

c. The pan flashing as detailed will allow for the bottom of the door and pan flashing assembly to take on water and also allows for the lower area of the window and pan to be fully pressurized during a wind/rain event. Additionally, there is no information on the drawings regarding how the rear of the door is sealed to the pan flashing. This condition is difficult and should be reviewed carefully by the design team. If the jamb to sill transition and the rear of the pan flashing to door is not all properly configured and sealed, this area will be a source of water intrusion.

d. Most manufacturers' details require a sub-sill (or pan) below the lower extrusion, with end dams that secures the door extrusion and tank. This sub-sill does not appear to be present in the detail as illustrated. The installation of the sub-sill and its integration into the door/flashing assembly can be critical to the performance of the assembly (see item "c" above).

e. It appears that the deck coating is turning into the opening below the sill pan flashing. As stated within the item "b" above, a monolithic transition onto the top of the pan is preferred to provide continuity of the deck coating with the front leg of the sill pan flashing set into a cut reglet. However, if the deck coating is installed as illustrated under the pan, the use of a metal pan could possibly be eliminated. This consideration is only acceptable if, the deck coating is properly turned into the door opening and detailed up at the rear and up at the jambs to create a monolithic pan flashing. This design should only be considered as an option if cutting of the reglet cannot be achieved.

f. The isometric at the door does not match the profile shown in the section at the lower corner. There should be a jog in the pan if fabricated as shown in the section at the sill. Is the exterior leg is in line with the stucco?

g. Also the curb should step in and out at the door. It is unclear in the documents if this curb is new or existing.

h. There is little or no information regarding the metal fabrication requirements, securement or material information. Regarding pan fabrication, pans should turn up as detailed; however. the vertical pan height is not shown and is critical in the design unless the pan is to be sealant dependent.

i. The anchorage locations on the doors and windows are not shown in the sections and details. Although the size and number of fasteners are typically the window and door manufacturers' responsibility, the location can be shown and should be shown to ensure proper location for fastener edge distances in the substrate as well as the window or door component. This can be very critical and in some case could result in a detail or section being shown that cannot be installed.

j. It appears that none of the window and door details is shown with sub-frames as noted in the specifications. The extrusions shown in the details also do not have sealant extrusion returns to capture the sealant bead bonding leg as required for a properly designed and installed sealant bead. The sealant cannot be bonded to only the thin edge of the extrusion as shown in many of the details.

k. There is no visible provision to prevent water intrusion (flashing) or for vertical movement in the window frames at detail 4/A9. Presently, the panel runs continuously by this area with the panel outboard covering the face of the slab. Shouldn't this area be drained? How will water be evacuated that enters this area?

3. SKA believes that the stucco details are also lacking information to properly install the material.

   a. SKA strongly recommends (2) layers, not one, of weather barrier (felt). One 30# layer and one 15# layer should be installed. This is also recommended by most nationally recognized organizations. One layer is primarily for protection and one is truly for weather protection. The exterior sacrificial layer will also provide benefit regarding weather protection but experience shows that the stucco will be pushed up against the felt during the installation of the scratch coat and somewhat close the "drainage" area.

   b. The stucco tie-in details are unclear. The existing material against the existing CMU typically will be bonded fairly well and be difficult to remove. The details do not address what to do at these areas nor is there any actual tie-in detail regarding the "feathering back" or tie-in of the existing lath to new lath. There is no information regarding the aesthetic issues of the difference in textures.

   c. All stucco tie-in conditions are noticeable unless separated by a sealant joint or transition at a corner. This is due to the change in texture, not color. Although color will mask some of the tie-in, the texture will be different and will never completely match. SKA strongly recommends this be clearly understood prior to beginning this project or provisions be provided to modify tie-ins. Please ensure that all expectations regarding tie-ins are clearly understood.

   d. Additionally, the dimension shown for some of the tie-ins is 4" (and is not called out at all on others) from the new unit or floor. This dimension is almost the length of the accessory alone and will not allow for "appropriate" tie-in or installation of field lath beyond the accessory. As noted within this report, there is no information on the lath (new to existing) tie-in and if not present could result, if not addressed, in future cracking.

e. There is no indication where control joints should be installed on the drawings and there is no indication of any joints between changes in back-up materials shown on the drawings, although the specifications call out for both requirements. SKA recommends this be shown on the drawings to ensure that these conditions and details are properly incorporated to prevent cracking of the cladding and to ensure that the flashing is properly installed between transitions.

4. The following are concerns regarding the waterproofing and sealant items.

   a. There does not appear to be any backing materials at the sealant joints. This is not in accordance with most sealant manufacturers' recommendations and industry standards and, in most cases, will result in three-sided adhesion resulting in a sealant failure.

   b. Some of the materials need (*i.e.*, waterproofing, metal, flexible flashings, etc.) additional information regarding length or location to ensure that the materials are properly lapped vertically or horizontally.

   c. There are no transition details for any of the metal flashings regarding horizontal laps, inside corners or outside corner.

   d. Deck coating transitions are critical to ensure that the system will perform as designed to prevent water intrusion. Deck coating transitions should be properly detailed with all materials called out to prevent improper installation. As shown, the lower transition of the stucco has a piece of metal flashing with a bead of sealant below the metal that cannot be installed without extreme difficulty if at all. In addition, the waterproofing as illustrated appears to have three transitions within less than 1". This is very difficult with the recommendation of a 45-degree bead of sealant at transitions as recommended by most urethane manufacturers and could create an installation issue resulting in a waterproofing failure.

5. The existing hand/guardrail details are unclear regarding co-ordination between the base bid, contract document drawings and specifications. See the following comments and the specifications section of this report:

    a. The hand/guardrail detail is noted to be removed, reworked and reinstalled in the base bid under the "General Notes and Scope Of Work" on sheet A1. However, there is no clear direction on how or what to do with the old anchors in repair detail 5/A9. Will the handrails be moved inward with new anchors? Will the old anchors be reused? SKA recommends that a reinstallation detail be provided for clarification between the new hand/guardrail installation and existing hand/ guardrail re-installation.

    b. Hand/guardrail detail 5/A9 appears to be the alternate bid to install a new hand/guardrail. SKA is concerned with the installation of anchors with the existing plank reinforcement. The embedment length, size, material, etc., should be clearly specified. Additional information should be provided for fabrication of the rail.

6. The following are other general items that were observed that lacked information regarding installation, materials, fabrication, etc.

    a. How does the interior drywall tie-in and attachments occur?

    b. None of the wood blocking is called out for attachment, size of material, etc. If pressure-treated blocking is used, as noted in the specifications, then ensure that the corrosion protection of the wood and fasteners is coordinated to prevent corrosion of the fasteners with the preservatives of the wood. In addition, no edge distances for securement of the wood blocking are noted. This is critical in design for the window and door attachments if the doors and windows are secured into the wood blocking.

Specifications:

1. The hand/guardrail section does not match the details shown for attachment. The specification section refers to sleeved connections.

2. There is no anchorage information for wood blocking attachment regarding embedment, spacing, size, etc. Who is to design this connection of the blocking to the structure?

3. The sealant section of the specification only lists Sonneborn NP-1 which is a urethane sealant. This is appropriate at the locations where the urethane deck coating is installed. However, why not use a silicone at the windows, doors, vertical joints, etc., to ensure compatibility with the wall coating that is silicone based? If urethane sealants are used with a silicone coating, the sequence of installation is critical. Urethane sealant will not adhere to silicone coating substrates.

4. The sealant section also requires or notes using backing material but no specific material is called out or specified in the drawings or specifications.

5. Why are the door warranty requirements less than the requirements for the window warranty?

6. It is our opinion that G-60 coating on stucco accessories within this environment is not acceptable. The use of 99% zinc accessories, however, would be a better design choice in this corrosive environment rather than G-60 coating.

7. It appears that two finish systems are specified. Which system is being used to achieve texture?

8. Within the "Portland Cement Plaster" section 3.6, a designation is shown for "cutting and patching". However, the location, detail, amount, or authorized person to designate locations of repair is not called out or shown. This information is critical to any crack,

[illegible]

9. In addition, if the crack repair option is to route and seal then these areas (crack repairs) will be highly visible through the new coating. Has this approach been approved?

10. Is it clear to all the owners and HOA that all Portland repairs that are properly ground back and properly tied in with lath will not match regarding texture and be visible? Please ensure that all expectations regarding tie ins are clearly understood

Regards

SUTTON-KENNERLY & ASSOCIATES, INC.
Building Investigation and Diagnostic Department

David G. Tepke.
David G. Tepke, EI

Timothy Norton, Senior Designer

Charles L. Ernest, Jr., PE

cc: Shipyard Village - Tim Cassidy (via tmcassidy@optonline.net)
SKA - SPR

SOUTH CAROLINA
SUTTON-KENNERLY & ASSOCIATES, INC.
No. C00699
CERTIFICATE OF AUTHORIZATION

SOUTH CAROLINA
REGISTERED PROFESSIONAL ENGINEER
No. 13747
CHARLES LEE ERNEST, JR.

10/1/08

FINAL, Approved version

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

JANUARY 16, 2009

A Regular Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners, Inc. was held on Friday, January 16, 2009 at 2:00 p.m. in the offices of K. A. Diehl & Associates, Inc., 11740 Highway 17 Bypass South, Murrells Inlet, South Carolina.

I. **ATTENDANCE:**

Board Members Present: Donald Johnston, Robert Postiglione, Jim Poag, Timothy Cassidy and Clinton Carter

Board Members Present via Conference Call: Doris R. Bray

Board Member Not Present: Dr. Jack Eblin

K. A. Diehl & Associates Representatives Present: Vicki Gallagher, Association Manager and Alison Roberts, Assistant Manager

Don Johnston, Board President, served as Chairman of the Meeting.
Jim Poag, Secretary of the Association, served as Secretary of the Meeting.
Alison Roberts, K. A. Diehl & Associates, Inc., served as Recording Secretary of the Meeting.

The Chairman confirmed that the Association's quorum requirement for Board meetings has been met to officially conduct the meeting.

II. **APPROVAL OF MINUTES:**

A motion was made by Mr. Carter, seconded by Mr. Poag to waive the reading of the minutes of the Regular Meeting of the Board of Directors held on October 14, 2008 and approve as written. The motion carried unanimously.

A motion was made by Mr. Cassidy, seconded by Mr. Carter to waive the reading of the minutes of the Regular Meeting of the Board of Directors held on November 21, 2008 and approve as written. The motion carried unanimously.

III. **A & B BUILDING ISSUES:**

A. **Engineering Firms' Presentations Discussion:**

The Board recapped the reports presented to the Board and the Advisory Group at the January 9, 2009 meeting. The Board noted that the meeting proved very informative and beneficial to the Board as well as the Advisory Group members. However, in order to make a decision on which repair methodology to move forward with, additional information is needed.

A discussion at length was entered into relative to the two (2) different repair methodologies proposed by Sutton-Kennerly and Spectrum Engineering, and upon its conclusion, **a motion was made by Mr. Poag, seconded by Mr. Carter, to have to retain the services of Sutton-Kennerly to move forward with the Phase II portion of the investigation by performing further research testing of Buildings A & B to determine the full scope of work, repair methodology and full scope of cost. The motion carried unanimously.** The Board requested that the testing and reporting be accomplished by January 30, 2009. Prior to proceeding, a proposal of the scope and cost for the testing is to be provided to the Board for their review and consideration. Following receipt of the proposal, a vote will be taken by the Board and ratified at the next scheduled Board meeting.

The Board stated that they are taking another step towards due diligence with respect to the selection of which type of repair methodology would be in the best interest of the Association. Therefore, it was decided to retain Sutton-Kennerly (SK) to do additional testing to determine the actual cause of the buildings issues before choosing an engineer. Further, to clarify any "Additional Fees" reflected on their proposal; inspect the roofing membranes; explain the next step the Association should take and provide an estimate of what the cost would be for repairs.

The Board requested that management generate an email to the Advisory Group to inquire if they have any additional questions to be posed to SK and Spectrum Engineering.

B. **C & D Building Owner Legal Council Issues Discussion:**
There was no discussion.

C. **Other:**
There were no other A&B building issues discussed at this time.

IV. FINANCIAL REPORT:

A. **Financial Statement – December 31, 2008:**
Management reported that the year end financial reports take a little longer to complete due to the year-end closing. The reports will be generated in the near future.

B. **Accounts Receivable:**
Management reported that there remains one (1) account at the attorney's office for collection. Management reminded the Board that this unit is in bank foreclosure. A discussion was entered into, with questions posed and answered to the satisfaction of the Board members.

V. OLD BUSINESS:

A. **Pool Upgrade Status:**
Management reported that the required new drain covers for the pool were not yet available for purchase. Once the drain covers become available, they will be installed. Management reminded the Board that the newly required drain covers are larger than the existing drains; therefore, in order to retrofit, the drains will

have to be "chipped" to enlarge the area so that the caps will fit properly. This will require the pool to be drained to allow for this installation.

B. **Installation of Drum Drips for Sprinkler System Discussion:**
Management reported that the installation of the drum drips have been accomplished at buildings C & D, as approved by the Board.

C. **Execution of the 2009 Management Agreement:**
Chairman Johnston stated that he will review the contract and contact management with any questions. It was the decision of the Board to table the execution of the management contract until the next Board meeting.

D. **Other:**
The Board requested Management look into the repair of the Formica paneling in the elevator in the A building, as the paneling is deteriorating. Management reported that the cost is estimated at $2,000.

VII. **NEW BUSINESS:**

A. **Windows/Doors Amendment Re-Vote Special Members' Meeting Discussion:**
It was the decision of the Board to table this discussion until the next scheduled Board meeting.

B. **Annual Members Meeting Preliminary Preparation Discussion:**
The Annual Members' Meeting is scheduled for Saturday, April 4, 2009 at the Litchfield by the Sea Beach House to commence at 9:00 am. Management committed to generating the Board solicitation letter to the membership 60 days prior to the scheduled meeting.

C. **Computer for Maintenance Staff Discussion:**
Management proposed to the Board the purchasing of a computer for the maintenance staff for ease of communication between manager, and staff and other various Association related needs the staff has for a computer. Following discussion, **a motion was made by Mr. Cassidy, seconded by Mr. Carter authorizing management to purchase a desktop computer, with proper security, for the maintenance staff of Shipyard Village. The motion carried unanimously.** It was noted that the Association will own the computer.

D. **Other:**
The Board inquired about adding a feature to the website that would allow homeowners to be able to vote online. Management stated that the Association's documents require certain correspondence be sent via the U.S. Postal Service. Further, not all homeowners have e-mail or access to the website. Management added that they would contact the website provider regarding the addition of this feature for future use, as it would not cost anything to the Association to have it added. The Board asked Management to include an article in a mailing, urging homeowners to look into the purchase of tank less hot water heaters as they lower the risk of leaks for the homeowner and the Association. Management added that they would also look into the purchase of the tank less water heaters at a bulk rate for homeowners.

It was noted that the Board would like a professional form be placed in units when maintenance or any other contractor enter a unit. Management committed to purchasing this form.

The Board requested that management research the possibility of Wi-Fi for all buildings.

VII. SCHEDULING OF NEXT MEETING DATE:

A conference call is scheduled for Wednesday, February 4, 2009 at 2:00 p.m. based out of the offices of K.A. Diehl & Associates, Inc.

The next regular meeting is scheduled for Monday, February 16, 2009 at 10:00 a.m. in the offices K. A. Diehl & Associates, Inc.

VIII. ADJOURNMENT:

With no further business to discuss, **a motion was made and duly seconded to adjourn the meeting at 4:35 p.m.**

Submitted by: _____
Jim Poag, Secretary

Approved by: _____ Date _____
Don Johnston, President

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

FEBRUARY 16, 2009

A Special Meeting of the Board of Directors of the Shipyard Village Co- Owners', Inc. was held on Monday, February 16, 2009 at 10:00a.m. in the offices of K.A. Diehl and Associates, Inc. 11740 Highway 17 Bypass South, Murrells Inlet, SC. 29576.

I. **ATTENDANCE:**

Board members present in person were Don Johnston, Tim Cassidy, Jim Poag, Robert Postiglione, Doris Bray and Dr. Jack C. Eblin. Community Manager Vicki Gallagher and Assistant Community Manager Alison Roberts K. A. Diehl & Associates, Inc. were in attendance.

Board member not in attendance was Clinton Carter.

Don Johnston, President, served as Chairperson of the Meeting.
Mr. Poag, Secretary, served as Secretary of the Meeting.
Alison Roberts served as recording Secretary of the Meeting.

II. **APPROVAL OF MINUTES:**

A motion was made by Mr. Cassidy, seconded by Dr. Eblin to waive the reading of the January 16, 2009 Regular Board meeting minutes and approve as written. The motion carried unanimously.

III. **MAINTENANCE REPORT:**

A. **Presentation of Task Planner:**

Management provided the Board with a "task planner" showing all of planned maintenance tasks of the Association and projected completion dates for the listed items. A discussion was entered into, with questions posed and answered to the satisfaction of the Board members. Management reported that the task planner would be updated regularly, and a copy of the same will be forwarded to the Board with the monthly financial reports. Management further committed to downloading the task planner on the website, which will keep the membership apprised of the maintenance staffs' activities.

IV. **A & B BUILDING ISSUES:**

A. **A &B Building Repairs Discussion:**

Management stated that SKA was contacted regarding their charges and what they included, and a report would be forthcoming. Management then reported that K. A. Diehl & Associates is in the process of contacting financial institutions relative to the possibility of acquiring a loan for the repair project. It was reported that the banks will look at the delinquency status of the Association, which is favorable as there is only one (1) account severely in areas. A discussion ensued around interest rates, with Management stating that this information will not be available until the Association gets closer to acquiring a loan and the determination of the loan amount.

Management noted that the written report was received by Sutton-Kennerly & Associates (SKA), as discussed at the February 4, 2009 Special Board of Directors Meeting. Management noted that the report will be filed with the official records of the Association. A discussion ensued around the reports' findings relative to the roof that was installed on building A in 2006. Management committed to scheduling a Meeting

with Spann Roofing to discuss these findings, and will report the outcome to the Board members.

A discussion ensued around the report received by MEC. It was noted that the scope of the report was not what was requested of MEC by the Board of Directors. Concluding discussion, the Board stated that they will not seek any further requests from MEC to complete the report as originally requested. Further, funds will not be allocated to MEC as the report that was received was not what was requested by the Board.

A discussion at great length was entered into relative to retaining an engineering firm for the A & B buildings' design and repair project. Concluding discussion, **a motion was made by Mr. Postiglione, seconded by Dr. Eblin, to retain the services of SKA as the Association's engineering firm for the design and repair project, at the proposed design project expense of $124,000.00, and to further authorize SKA to proceed with Phase II of the project by putting together designs for the repair and bidding process. The motion carried unanimously.**

The Board added that any contractor should be obligated to repair any damage they cause to the regime during the project.

B. Civil Action Lawsuit Discussion:
A motion was made by Dr. Eblin, seconded by Mr. Cassidy to enter executive session. The motion carried unanimously.

Concluding discussion, **a motion was made by Dr. Eblin, seconded by Mr. Poag to close executive session. The motion carried unanimously.**

A motion was made by Dr. Eblin, seconded by Mr. Poag to authorize the holding of a Special Members' Meeting on Saturday, March 21, 2009 at 9:00 am to allow the membership to revote on the 2006 windows/sliding glass doors amendment and for the purpose of presenting the approved repair methodology for buildings A & B as presented by SKA. The motion passed unanimously. The Board requested that management contact SKA requesting that they attend the meeting and provide a presentation to the membership.

C. Other:
There was no other business to discuss regarding buildings A & B.

V. FINANCIAL REPORT:

A. Financial Statement:
Management reviewed the financial reports for the period ending January 31, 2009, with questions posed and answered to the satisfaction of the Board of Directors. The Board accepted this as information.

B. Accounts Receivable:
Management reported that there were currently five (5) accounts in arrears and in the appropriate collection process is being followed. It was then reported that one (1) account remains in bank foreclosure. The Board accepted this as information. No questions were posed.

VI. OLD BUSINESS:

A. Pool Upgrade Status:
Management reported the project has not been completed, as the vendor has not received the drain covers. Once the drain covers arrive, the pool will be drained and the drains installed. Management reminded the Board that there will be an extra

expense, as in order to allow for this installation the pool shell will have to be chipped around the drains to allow the newly regulated drains to properly fit.

B. **Installation of Drum Drips for Sprinkler System Discussion:**
Management reported that the installation has been completed, as approved by the Board.

C. **Execution of 2009 Management Agreement Ratification:**
Management reported that the management contract had been executed, and copies were provided to the Board members.

D. **Window/Door Amendment Discussion:**
No further discussion was entered into at this time, as this item had been discussed thoroughly earlier in the meeting.

E. **Computer Purchase Status:**
Management reported that the computer is in the process of being ordered for the maintenance staff. She expressed the maintenance staffs' appreciation for the Board's approval of the purchasing of an Association computer.

F. **Other:**
1. **WI FI:**
No update was provided.

2. **Unit Entry Notification:**
Management reported that the unit entry notification forms have been received. The maintenance staff will leave a completed form in the unit if access is gained by the staff or any other vendor on behalf of the Association

VII. **NEW BUSINESS:**

A. **Bulk Rate for Tank less Hot Water Heater Discussion:**
Management reported that they are in the process of acquiring information regarding tank less water heaters. Once the information is received, the Board will be apprised of the same. Management stated that a letter will be generated to the membership again relative to the need to change out the water heaters that are 10 years or old, and will require that the age of the water heaters be provided to management so that a log can be kept.

B. **Corner Guards Discussion:**
Management reported that a proposal has been solicited for "corner guards". The Board was apprised that the corner guards would be installed on troublesome areas on the buildings to protect the stucco.

C. **Other:**
1. **Parking Lot Areas:**
The Board questioned when the parking lots needed sealed. Management reported that A & B needed sealed this year; however, this project will be tabled until completion of building repairs. Management reported that the maintenance staff will be painting the arrows and parking space stripes, along with sealing cracks in the asphalt.

2. **Social:**
The Board approved the Association hosting a social on Friday, April 3, 2009 at 6:30 pm pool side.

VIII. **SCHEDULE OF NEXT MEETING:**
A Special Board Meeting is scheduled on Monday, March 16, 2009 at 2:00 pm.

IX. **ADJOURNMENT:**
With no further business to discuss, **a motion was made by Mr. Cassidy, seconded by Mr. Poag to adjourn the meeting at 12:30 p.m. The motion carried unanimously.**

Submitted By: _____
Jim Poag, Secretary

Approved By: _____
Don Johnston, President

NOTICE

February 23, 2009

Dear Shipyard Village Homeowners:

In accordance with the By-Laws of Shipyard Village Council of Co-Owners, Inc. Notice is hereby given for the holding of a Special Members' Meeting on **Saturday, March 21, 2009.** The meeting will commence at 9:00 a.m. and will be held at the Litchfield By The Sea Beach House, Pawleys Island, South Carolina. We anticipate good attendance, so in order to allow for the meeting to start at 9:00 am, registration will begin at 8:30 am.

There are two (2) purposes for calling the Special Members' Meeting. As you may or may not be aware of, the window/sliding glass doors' amendments that were passed in the affirmative by over 80% of the membership in 2006, is currently being legally challenged by some of your fellow homeowners. Some owners alleged the amendment was not proper because the vote did not take place at a Special Meeting. The Board of Directors believed that the amendment process in 2006 was done appropriately; however, since it is being challenged the Board has decided to call a Special Members' Meeting to allow the membership to again vote on the amendments. Your Board of Directors believes that the replacement of the windows and doors should be the responsibility of the Association as a whole and not the individual homeowners. This will allow the Association to control the replacement process, as well as assure that the appropriate windows/sliding glass doors that are being installed are up to the Association's standards as well as meeting current codes, and installed properly by certified preferred vendors who will provide proper warranties as well as other benefits, i.e., cost savings by purchasing windows with the economies of scale. This is especially important with buildings with stucco and/or EIFS exterior membranes. Improper installation could jeopardize the integrity of the buildings by allowing water to intrude around the envelopes of the windows/sliding glass doors into the interior of the units. Proper window installation is important in <u>all</u> buildings.

The second purpose is to present the repair methodology for Buildings A and B. Sutton-Kennerly & Associates will conduct the presentation on behalf of your Board of Directors.

It is very important that you attend this meeting either in person or by proxy as the Special Members' Meeting can only be conducted after the establishment of a quorum of fifty-one percent (51%) of the Shipyard Village members. **Also, the amendment requires a quorum of 2/3 of all owners' approval. Thus, it is very important that you return your proxy if you cannot attend.** Please return the enclosed proxy to the management office ***<u>no later than Friday, March 20, 2009.</u>***

If you have any questions regarding any matters contained in this Notice, or on the voting of your Proxy, please don't hesitate to contact me at 843-652-2162.

FOR THE BOARD OF DIRECTORS

Vicki Gallagher, CMCA, AMS
Managing Agent

Enclosures: Proxy Card
Proposed Amendments

11740 Highway 17 Bypass South/Murrells Inlet/SC/29576
(843) 652-2162 (direct line)/(843) 652-2192 (direct fax)

LARRY ELKINS 1223

#7

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, Inc.

SPECIAL MEMBERS MEETING

MARCH 21, 2009

MINUTES

I. **CALL TO ORDER:**
The Special Members Meeting of Shipyard Village Council of Co-Owners was called to order at 9:00 a.m. at the Litchfield By The Sea Beach House, Pawleys Island, South Carolina.

II. **INTRODUCTIONS:**
Don Johnston, Association President greeted the membership introducing himself and his fellow Board members, Jim Poag, Secretary/Treasurer; Robert Postiglione, Director at Large; Clinton Carter, Director at Large; Doris Bray, Director at Large and Dr. Jack C. Eblin, Director at Large. He stated that Vice President Tim Cassidy was unable to attend due to personal reasons.

Mr. Johnston then introduced K. A. Diehl's management team, Vicki Gallagher, Community Manager; Alison Roberts, Assistant Community Manager, Russell Lockwood, On-site Property Supervisor and Eric Ault, Director of Property Services.

Mr. Johnston then introduced guest speakers, Steven Robinson, Dave Tetke, Jim Norton and Todd Hal of Sutton-Kennerly & Associates.

Mr. Johnston then introduced Association Attorney, Kimberly Campbell of Patrick & Stathos.

III. **OPENING STATEMENTS:**
Mr. Johnston opened the meeting by citing Article I, Section 1.7, of the Association Bylaws, "Special Meetings of the Council may be called at any time by the President of the Council or by the majority of the Board of Directors and shall be called by written request of Co-Owners owning a majority of the value of the regime property. Only such business as is stated in the notice of the meeting shall be transacted at a Special Meeting unless all co-owners entitled to vote waive notice of any additional business."

He then stated that the purpose of the called Special Members' Meeting was to allow the membership to revote on the 2006 windows/sliding glass doors amendments. He stated that the window/sliding glass doors' amendments that were passed in the affirmative by over eighty percent of the membership in 2006, was being legally challenged by homeowners. He stated that the Board felt the amendment process in 2006 was done appropriately. However, since it was being challenged, the Board had decided to call a Special Members' Meeting to allow the membership to again vote on the amendments. The second purpose of the called meeting was to report on the approved repair methodology to buildings A & B, which would be presented by Sutton-Kennerly & Associates.

Mr. Johnston announced that as the President of the Association, he would serve as Chairman of the meeting. Jim Poag, Secretary of the Association, would serve as Secretary of the Meeting. Vicki Gallagher of K. A. Diehl & Associates, Inc. had been appointed Agent and Proxy for those Members of the Association not present at the Meeting, for the sole purpose of casting the votes as indicated on the proxies. Ms. Gallagher would also serve as Clerk of the Meeting.

IV. **VARIFICATION OF QUORUM:**
The Chairman requested Mrs. Gallagher to report on the roll call check-in process and certification of the quorum. She announced that 43.29% of the membership was represented by proxy and 48.48% was represented in person, for a total representation of 91.77%. She then

noted that the quorum requirements had been met to successfully conduct the meeting in accordance with the By-Laws of the Association.

V. **PROOF OF NOTICE:**

The Chairman examined the Proof of Mailing of the Notice of the Special Members' Meeting and noted that the Proof of Mailing, along with a sample of the notice, was in good order and would be filed with the official records of this meeting.

VI. **BUILDINGS A & B REPAIR METHODOLOGY:**

A. **POWER POINT PRESENTATION:**

The Chairman introduced Mr. Robinson of Sutton Kennerly & Associates (S.K.A). Mr. Robinson presented the power point presentation. It was noted that the power point presentation would be posted on the website, and as attached to these minutes and identified as Exhibit "A".

During the power point presentation, the Sutton-Kennerly provided detailed explanations on the deterioration of the walkway and balcony slabs currently in place, areas of the buildings in need of repair, proposed repair methodology particularly the replacement of the balconies and some of the walkways, cited previous tests of the buildings, cost breakdown of services, what to expect during the repair process and warranty issues once repairs are completed.

B. **QUESTIONS AND ANSWER SESSION:**

Fred Ortmann (Unit B-43) questioned if there will be constant supervision of the project. S.K.A. responded that during the early stages of the project, and engineering representative(s) would be onsite to inspect the project once a week or more if the need requires. Towards the end of the project, the site visits may lesson. If the Board requires daily engineering supervision, the expense would increase to provide this service. He further stated that the general contractor would have daily oversight of the project.

Norman Rish (Unit C-23) questioned why the Board never funded for this project previously? Recommended that the Board acquire additional bids from engineering firms? Why the proposed special assessment was not more for the owners in buildings A & B? Chairman Johnston stated that they could not speak for the prior Boards' decisions not to reserve for repairs to this magnitude; however, if the reserves are to be funded to perform repairs to this magnitude for all four (4) buildings, the monthly assessments would increase dramatically. The Chairman then stated that the Association acquired a reserve study, and the Association is funding the reserves as dictated in the study. The Board has performed the interview process with several engineering firms, with S.K. A being the third retained engineering firm, and will not seek additional proposals. Approximately $576,000 has already been spent in engineering firm's costs, testing, attorney input, etc. to thoroughly identify and address the buildings issues. The Chairman then reminded the membership that the assessments are calculated by percentage of interest assigned to the unit, as dictated in the Association's Master Deed and Bylaws.

Eugene Weston (Unit B-48) asked S.K.A. if the total cost included contingencies to the scope of work. S.K.A. responded that there is a ten percent contingency fund in the cost. Mr. Weston then inquired what S.K.A.'s history for contingencies was for similar projects. S.K.A. responded that they would not expect more than ten percent. Mr. Weston asked if homeowners would have to replace interior finishes. S.K.A. responded that they would do everything they could to protect the homeowners interior finishes. The carpet would be pulled back, and then after the project is complete the carpet would be re-laid. The ocean front walls would be prepped for painting only. The contractors will not paint the walls or replace wallpaper, but would prep the drywall for painting and/or wallpapering. If there is tile that abuts the walls that will be removed, the individual homeowner would be responsible for replacing the tile and not the contractor.

A homeowner stated that due to the economy's state, the cost for these services is down and the bidding process and work should commence as soon as possible.

Joe Henson (Unit B-46) questioned if the homeowners would vote on bids S.K.A. collected. Chairman Johnston stated that the Board will make the decision on the selection of the bidder. The membership will vote on the special assessment. Further, the bidding process will commence in the near future, and the membership will vote on the estimate cost.

Katie Marrow (Unit B-28) reminded the membership that the approved special assessment that was levied against all homeowners to fund the litigation expense for the building issues at the C & D buildings, the assessment was estimated.

A homeowner questioned if buildings A & B were inspected. S.K.A. responded that they did inspect the roofs and did not feel there was any need to replace them at this time. They estimated that the roofs would not need replacement for five to six years.

Earnest L. Knesel, Jr. (Unit B-34) complimented the Board for the work they had done. He then stated he had concerns that when S.K.A. goes out to bid, the cost for the project would increase. He recommended using stainless steel rebar. S.K.A. responded they would be using cast in place concrete for the walkways and decks that was corrosion resistant and highly efficient. They stated that it would be less expensive, have more coverage over steel.

Neal Beard (B13) stated that previously it was reported that the roofs were going to be removed and replace. The owner went on to state, that if the roofs are not in good condition and leak, it would be non-productive to perform repairs if roof were leaking. The homeowner requested that S.K.A. take another look at the roofs. S.K.A responded that a thorough visual inspection was done on the roofs. The moisture in the building could be caused by the windows and/or the lack of waterproofing on the balconies.

Angie Manning questioned if the C and D buildings should start having the walkways and balconies inspected annually and sealed every three (3) years. The homeowner stated that her condominium association in Florida has the walkways and balconies inspected every year and the buildings are waterproofed every three (3) years. Ms. Gallagher responded that the buildings, walkways and balconies are inspected annually as part of the warranty guidelines for the waterproofing system on the buildings. Further, ProTec, contractor who applied the waterproofing application, is the company who inspects the buildings annually.

John Crabtree (Unit B-24) asked if the buildings A & B were currently safe for occupancy. S.K.A. responded that they were; however, there some of the walkways and balconies in both buildings will have to be shored. The list of balconies and walkways that will need to be shored has not been completed as of this date; however, the list will be compiled and forwarded to the Board in the very near future.

Lisa Lee Morgan (Unit B-53) stated that she felt much more confident with S.K.A. She questioned whether the zinc alloy spray covered with paint would require more frequent painting as it corrodes. S.K.A. responded that homeowners previously would have needed to paint every seven to ten years and would now need to paint approximately every five. Ms. Morgan questioned whether the corrosion would cause flaking of the paint. S.K.A. responded that the corrosion would be more of a white power and would not be noticeable on light surfaces. Ms. Morgan asked if all railings would be replaced. S.K.A. confirmed that they would. Ms. Morgan stated that the twenty-five percent General Condition's line item seemed high. S.K.A. responded that significant scaffolding would need to be used.

The number was based on contractor's ability to be aggressive, and that it was a variable number.

Don Wetherington (Unit A-53) stated that he had no reservations about S.K.A. and the Board's thoroughness regarding this project. He questioned whether they had ruled out any degradation in the walls of the units. S.K.A. responded that they had not inspected any interiors of units but did not anticipate any intrusion of the units. Mr. Wetherington questioned damage to units if a storm should occur during construction. S.K.A. responded that temporary walls would be wind resistant and a hurricane plan would be in place. However, if there was a category 4 or 5 storm, the temporary walls may not sustain the winds.

William Walling (Unit A-24) asked if S.K.A. had any working relationship with the outside contractors providing bids. S.K.A. responded that they would with some, but not all. They would invite five contractors per bid request. Mr. Walling asked if the Association would be involved in final decisions. Chairman Johnston stated that the Board would make the final decision, as the Governing Documents dictated

Kenneth Good (Unit A-18) questioned whether both buildings could be repaired at the same time to decrease the cost and downtime. S.K.A. responded that this would not be possible due to size and scope of project. Mr. Good asked about using two different contractors for each building. S.K.A. responded that that would create too many variations in the work being provided at each building.

Eugene Weston (Unit B-48) asked if the lighting in the hallway had been addressed. S.K.A. responded that it had.

Due to lack of time Chairman Johnston ceased any further discussion regarding the building repairs and requested any further questions be sent to Mrs. Gallagher via e-mail. He thanked the S.K.A. representatives for their presentation and their time spent answering the questions of the membership.

At this time, the membership applauded and the S.K.A representatives left the meeting.

VII. BOARD OF DIRECTORS:

Chairman Johnston reported to the membership on the Board's activities pertaining to the repairs of buildings A and B since the informational meeting held on July 19, 2008, as attached to these minutes and identified as Exhibit "B".

A. QUESTION AND ANSWER SESSION:

Beth Kirven (B35) questioned why screens were not included in the amendment. Mrs. Gallagher responded that screens were and always had been the responsibility of the homeowner per the Governing Documents. The proposed amendments are the amendments proposed and passed in 2006.

Don Wetherington (Unit A-53) asked if the Board had reviewed options for financing. The Board responded that they are researching and considering options and would likely phase assessment payments in over the two year project period.

Lisa Lee Morgan (B53) questioned what the percentage split was for buildings A and B versus C and D. Mrs. Gallagher responded that C and D have a higher percentage of interest than the A and B units, because the percentage of interest is based on the size of the units, and the units in C & D are large than the units in the A & B units.

Jim Walker (Unit D-52) asked if the assessment percentage would be equal per unit. Mrs. Gallagher stated no, the assessments will be calculated by percentage of interested assigned to the unit as dictated in the Governing Documents. This procedure is followed with all assessments including the annual insurance assessment.

Discussion at length ensued regarding the assigned percentage of interest and the calculation of assessments. A homeowner from the floor reminded the membership that each homeowner is provided with a copy of the Association's Master Deed and Bylaws when purchasing a unit within Shipyard Village. This procedure has not changed.

George Rice (Unit B-43) stated that in 2006 the Board sent out a notice, everything was done according to the Association's By-Laws and members voted over eighty percent in favor of the amendments. He expressed his concern that if the vote does not pass at this time the Association could endure further litigation. The Board responded that it could not divulge details but felt it was making the right decision to do the re-vote. Ms. Campbell added that the Board was acting in good faith and if the amendment did not pass at this time, she would work with the Board for a solution.

Mrs. Gallagher expressed the importance that the Association remains responsible for the maintaining of the windows. The membership was informed that it is essential that the correct windows be installed that meet code, and are installed properly. Proper installation within the C & D buildings is even more crucial due to the type of stucco membrane on these buildings.

Discussion ensued regarding Association litigation and responsibility for repairs.

At this time, Kim Campbell took the floor for homeowner questions. Questions were posed regarding the purpose and repercussions of the re-vote. Ms. Campbell responded that the purpose of the revote was an attempt to reduce litigation on the Association, and she would be working closely with the Board on actions which would be taken post the outcome of the re-vote.

VIII. VOTE ON PROPOSED AMENDMENTS:

Chairman Johnston stated that per the Association's Master Deed Article XIV (14), Section 14.1, states in summary, "This Master Deed and all articles incorporated herein , including the By-Laws, may be amended from time to time by resolution adopted by the affirmative vote of the Co-Owners of two-thirds (2/3) of the total interest in the Common Elements."

Chairman Johnston then announced that ballots would be handed out to those members who did not mail in their proxy or would like to change their vote. He reminded the membership that there would be only one vote per unit.

A recess was taken in order to tally the votes.

Concluding the tallying of the votes, the meeting reconvened. At which time Chairman Johnston announced that 48.31% voted for the amendments and 43.46% voted against the amendments. The Chairman then announced that the amendments did not pass in the affirmative, as the 2/3rd voting in the affirmative requirements were not met.

IX. ADJOURNMENT:

With no further business brought forth from the floor, **a motion was made by Mr. Postiglione (Unit A-31), seconded by Mr. Carter (Unit D-51) and duly carried that the meeting be adjourned.** The meeting was adjourned at 12:42p.m.

SUBMITTED BY:

_____
Vicki Gallagher, Recording Secretary

APPROVED BY:

DATE:

_____
Don Johnston, President

_____

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

TWENTY-SEVENTH ANNUAL MEMBERS' MEETING

APRIL 4, 2009

MINUTES

The Twenty Seventh Annual Members' Meeting of the Shipyard Village Council of Co-Owners, Inc., was called to order at 9:00 A.M., Saturday, April 04, 2009, at the Litchfield by the Sea Beach House, Pawleys Island, South Carolina.

I. **Opening Comments and Introductions:**
Don Johnston, President of the Shipyard Village Board of Directors, opened the meeting by welcoming those in attendance. He then, introduced the Board members in attendance: Tim Cassidy, Jim Poag, Robert Postiglione, Clinton Carter and Jack Elbin. Mr. Johnston stated that due to personal reasons, Doris Bray was unable to attend the meeting. He then introduced the K. A. Diehl & Associates, Inc. management representatives: Vicki Gallagher, Community Manager, Angel Snyder, Division Manager and Monica Vinson Administrative Assistant.

II. **Formal Opening of the Meeting:**
Mr. Johnston formally called the meeting to order and stated that in accordance with Article I, Section 6, of the Association Bylaws, as amended, that the Annual Members' Meeting shall be held on the third Saturday of April of each year or at such other time as may be determined by the Board of Directors. Mr. Johnston stated that he would serve as Chairman. Secretary/Treasurer, Jim Poag, will serve as Secretary of the meeting.

Chairman Johnston stated that Vicki Gallagher has been appointed Agent and Proxy for those members of the Association not present at the meeting for the purpose of casting the votes only as indicated on the proxy and/or ballot. Ms. Gallagher will also serve as Clerk of the meeting.

Chairman Johnston thanked the staff for organizing the social event held on April 3, 2009. He stated that the Social was well attended and enjoyed by all. He stated that the Board is looking to host future socials for the community.

III. **Roll Call/Quorum Certification:**
The Chairman requested Ms. Gallagher to report on the roll call check in process and certification of the quorum. She announced that 33.92% of the membership was represented by proxy and 41.05% was represented in person, for a total representation of 74.98%. She then noted that the quorum requirements had been met to successfully conduct the meeting in accordance with the By-Laws of the Association.

IV. **Examination of Proof of Mailing:**
The Chairman examined the Proof of Mailing of the Notice of the Twenty-Seventh Annual Members' Meeting and noted that the Proof of Mailing, along with a sample of the notice, would be filed with the official records of this meeting.

V. **Approval of Minutes:**
The Chairman requested that the Secretary read the minutes of the Twenty-Sixth Annual Members' Meeting, unless there was a motion and a second to waive the reading of the Minutes and approve them as written. Upon a motion mad by Mr. Beard (B13), seconded by Mr. Poag (A58), the reading of the Minutes of the Twenty-Sixth Annual Members' Meeting held on April 19, 2009 was waived; and further, the Minutes were approved as written. The motion carried unanimously by voice vote.

VI. **Annual Reports:**
The Chairman noted the formal order of business of the Annual Meeting allows for certain reports to be made.

A. **Board of Directors Report:**
Chairman Johnston reported on Association activities throughout the year. The Board report is attached to these Minutes and identified as Exhibit VI-A.

B. **Financial Report:**
Ms. Gallagher reviewed the financial report for the period ending February 28, 2009. (Attached as Exhibit VI-B). She then advised the monthly financial reports are posted on the community website.

Ms. Gallagher reported that the 2008 year end audit was completed by Andrew C. Thompson, CPA. She noted that the report was distributed to the membership prior to this meeting. Ms. Gallagher then briefly reviewed the report for the benefit of the membership. She encouraged the membership to contact her should they have any questions pertaining to the audit. Ms. Gallagher then reported that the report is on the website.

Ms. Gallagher stated that within the membership's packet, they will find the Task Planner for the Association. This report keeps the membership up-to-date with projects that are scheduled or that have been accomplished. She then noted that the Task Planner is also posted on the website.

VII. **Election of Directors, Tax Resolution and Master Deed Amendment:**
Chairman Johnston announced that the primary purpose of the meeting is to elect Directors. He then reported that his term along with the terms of Tim Cassidy, Clinton Carter are expiring. Therefore, there are three (3) seats open on the Board.

Chairman Johnston stated that the Nominating Committee's slate is:

Don Johnston (D11)
Tim Cassidy (A55)
Clinton Carter (D51)

Additional homeowner who is interested in serving:

Neal Beard (B13

The Chairman opened the floor to additional nominations. With no further nominations, Mr. Jerry Fuller (C41) moved that the nominations be closed, seconded by Mr. Bard (C44). The motion carried unanimously by voice vote. Bill

The Chairman appointed Ms. Janet Lee (B53) as the Inspector and Teller for the purpose of assisting management with the calculation of the votes.

At this time, Chairman Johnston announced that a short break will be taken to allow for the counting of the ballots.

Concluding the calculating of the votes, Ms. Lee (B53) announced that Don Johnston, Tim Cassidy and Clinton Carter were elected to the Board of Directors by the majority votes. The Chairman congratulated the elected members and reminded them that following the Annual Meeting, an Organizational Meeting will be held to allow for the Board members to elect its officers.

It was then announced that the tax resolution had passed with 53.75% of the membership voting in the affirmative.

VIII. Unfinished Business:
Chairman Johnston stated that in the past five (5) months, the Board has held 10 meetings and had spent approximately 37 hours each addressing the A & B building issues. He stated that the Board had reviewed financial data, worked with auditors, reviewed policy and protocol, conducted meetings based on homeowner issues, and with the Management Company's support reviewed the Board's fiduciary responsibilities as to the assets of all buildings within the community.

IX. New Business and Member Comment:
SUSAN Mr. Walling (A44) asked what the term limits were for the Board, with the Chairman answering two (2) year terms. A24

Katie Morrow (B28) thanked the Board for all of their time and commitment to the community, and stated that the Board members have gone above and beyond their responsibilities.

Mr. Shubert (B41) commented that the reserve funds did not increase in 2008, even though contributions were being made monthly. He noted that this is due to the A & B buildings' investigation expenses being allocated from the reserve account. He requested that a report be included on the website that reflects how much money was funded and how much is being expended. Management committed to posting a report reflecting this request on the website.

Chairman Johnston stated one of the concerns of the membership last year was the need for better communication. He stated that the Board's communication tool is the website, and encouraged the membership to visit the website on a regular basis.

Chairman Johnston stated that the Board is going to set out to create or form a Public Relations

Committee that would be the "PR" tool for the community. The objectives of this committee would be to provide advice to the Board on ways to promote Shipyard Village as the "Place to Be", and to assist the Board in improving better relationships with the homeowners. This committee would also be responsible for organizing future socials. The Chairman stated that if anyone is interested, to please email Management.

Lisa Morgan (B53) suggested that the Association establish a recycling program for Shipyard Village, at no cost to the owners. She encouraged the Board to consider branding the Association as being a little more "Green". The Board took this suggestion under advisement.

Chairman Johnston stated that he has witnessed unauthorized people utilizing the Association's dumpsters. He encouraged the membership to contact security or the onsite maintenance staff if they see unauthorized people utilizing the dumpsters.

It was inquired from the floor if the repair project was still on track to start on September 14, 2009. Chairman Johnston replied yes. Sutton-Kennerly (SKA) has received approval to commence with the repair design work and the development of the repair bid specifications.

He then reported that SKA has provided a report that recommends some of the balconies and walkways within both the A & B buildings be shored as soon as possible. The Board is currently researching the most cost effective way to accomplish this need. The Chairman stated that the Association is involved in litigation; however, the Association cannot allow the delaying of the repairs to these two (2) buildings.

Ms. Weston (B48) stated that the elevators in the B building are a problem and asked that they be addressed when the building is shutdown. The Board took this request under advisement.

Dr. Jennings (B54) stated that the windows/sliding glass doors amendments were approved with over 80% of the membership voting in the affirmative. He inquired why the Board made the decision to have the amendment re-voted. Dr. Jennings then stated that there was a comment from the membership at the Special Members' Meeting inquiring why the past Boards did not reserve for the replacement of the windows/sliding glass doors prior to the amendments. He then reminded the membership that the windows/sliding doors were the responsibility of the individual homeowners until the amendments passed in 2006. The Board did not reserve for this replacement prior to 2007 because up until 2006 the Association was not responsible for this expense. Dr. Jennings went on to state that since the amendment was approved, and subsequently challenged several homeowners within the C & D buildings, several of the homeowners within these two (2) buildings have had their window glass replaced with the Association paying for the expense. Dr. Jennings stated that you cannot have it both ways.

Chairman Johnston stated that the Board is researching the right of the Association to set the protocol for the replacements of the windows/sliding glass doors. The purchasing of the correct type and style of windows/sliding glass doors and proper installation is essential to the integrity of the buildings.

It was inquired if the Board is researching funding for this project. Chairman Johnston stated that the Board has approached to banking community to research the Association's options for the funding of the project. The Board's expectation is to have information on this possibility by the Special Members' Meeting.

Mr. Beard (B14) inquired if a date has been established for the Special Members' Meeting to vote on the special assessment, with the Chairman stating that the Board is looking at sometime in June.

Chairman Johnston stated that the special assessment amount per unit cannot be finalized until a decision is made on the windows. All information with regards to the assessment, from how the work is to be scheduled to how it will be financed will be provided to each homeowner prior to the Special Members' Meeting.

X. Adjournment:

With no further business brought forth from the floor, a motion was made by Mr. Weston (B48), seconded by Mr. Johnson (B23) and duly carried to adjourn the meeting at 10:15 am. The motion carried.

SUBMITTED BY:

_____
Jim Poag, Acting Secretary

APPROVED BY:

DATE:

_____
Don Johnston, President

SHIPYARD VILLAGE

NOTICE

July 8, 2009

Dear Shipyard Village Homeowner,

In accordance with the Bylaws of Shipyard Village Council of Co-Owners, Inc., notice is hereby given of a Special Members' Meeting on Saturday, August 1, 2009. The meeting will commence at 9:00 am and will be held in the Tara Room at the Litchfield By The Sea Convention Center, Pawleys Island, South Carolina. *Registration will begin at 8:30 am* – avoid the last minute rush at the door at 9:00 am!

The purpose of this meeting will be to vote on the proposed special assessment that will allow the Association to fund the necessary repairs to Buildings A & B.

Sutton-Kennerly & Associates (SKA) is currently in Phase II of the bid process. Bid specifications have been issued to eight (8) qualified contractors. The pre-bid meeting was held on June 30, 2009, with the receipt of the proposal deadline being July 28, 2009. Following the receipt of the proposals, SKA will review the proposals and provide a comparison report to the Board of Directors with their comments and recommendations. Unfortunately, we don't believe that this information will be received by the Board by August 1, 2009.

However, due to the repair project commencing on September 14, 2009 it is imperative that the membership vote on the special assessment in the near future, so when a contract is awarded, the materials can be ordered without a delay. It is the Board's objective that there will be no delays so that the work can be completed prior to Memorial Weekend in 2010, and further costs associated with additional shoring will be avoided.

The special assessment is based on SKA's construction budget with a 15% contingency. The proposed special assessment is $11,000,000: see attached breakdown as provided by SKA.

The Association's By-Laws, Article V, Section 5.5, defines a special assessment as follows: "The funds required from time to time to pay any Common Expenses which are not covered by the Budget but which are approved by a majority of the Co-owners." Therefore, in order for the Special Assessment to pass, over 50% of the membership must vote in the affirmative.

If the Special assessment does not pass, the cost of the repairs will be added to the 2010 and 2011 Operating fund.

The special assessment per unit is based on the percentage of interest assigned to the unit, as dictated in the Association's governing documents.

Special Assessment Unit Assessment Calculation with 80 units sharing the windows/doors expense (Building A & B owners only):

A & B Units	$88,398
C & D – 3 Bdr.	$64,868
C & D – 4 Bdr.	$68,471

The payment amount of the special assessment will be dependent on the outcome of the lawsuit filed against the Association with respect to the windows and sliding glass doors' 2006 amendment. The calculations above assume that the expense of the windows and sliding glass doors will be borne by the homeowners in building A&B. Currently the Association has moved forward with a Summary Judgment as a means for resolving the civil action filed by C & D owners. Consequently, the results of the judgment may have an impact on the windows/doors cost allocation to A, B, C and D owners. If the ruling comes back that all unit owners are responsible for the expense for the windows/doors, the assessments will be adjusted accordingly

The assessment will be paid over a two (2) year period (during the duration of the repair work). The Association is offering three (3) payment plans:

First Option Payment – Payment in Full due on September 1, 2009:

A & B Unit Types	$88,398
C & D – 3 Bdr.	$64,868
C & D – 4 Bdr.	$68,471

Second Option – Two (2) Equal Payments – First payment due on September 1, 2009, and second payment due on July 1, 2009:

A & B Unit Types	$44,199 each payment
C & D – 3 Bdr	$32,434 each payment
C & D – 4 Bdr	$34,236 each payment

Third Option –Equal Monthly Payments over a 24 month period, first payment will be due on September 1, 2009:

A & B Unit Types	$3,683/month, plus interest
C & D – 3 Bdr	$2,703/month plus interest
C & D – 4 Bdr	$2,853/month, plus interest

The coupons for September through December 2009 will be mailed under separate cover. When the lawsuit is resolved and if the assessments need to be adjusted, new coupons will be issued. The balance of the coupons will accompany the 2010 monthly assessment coupons for 2010 year. Each homeowner will receive monthly coupons until such time the Association is notified on which payment plan is chosen.

Structural and Facade Repairs for
Shipyard Village

SKA Project No. 080489.2
Opinion of Project Cost

Phase 1 (Building "B"): Sept. 2009 to May 2010
Phase 2 (Building "A"): Sept. 2010 to May 2011

Slab and Beam Repairs	$1,865,520
New Windows and Doors	$2,459,000
Wall Systems	$156,000
Stucco and Flashings	$100,000
Waterproofing and Coatings	$497,000
New Handrails	$352,500
Other Concrete Repairs	$379,000
Interior Finishes and Temporary Walls	$326,000
Misc. Repairs	$82,500
General Conditions	$1,365,500
Overhead and Profit (~10%)	$758,302
Total:	$8,341,322
Engineering Design Fees	$131,500
Engineering Contract Admin. Estimate	$415,000
Subtotal:	$8,887,822
Contingency (15%)	$1,251,198
Reimbursement to Reserves for Repair Investigation Expenses	$628,726
Shoring Expense	$146,722
Project Management by KAD	$30,000
Total:	$10,944,468

SHIPYARD VILLAGE

Council of Co-Owners, Inc.

July 8, 2009

Dear Shipyard Village Homeowners,

As you are aware, Buildings A and B are in need of extensive repairs. As reported to the membership, the major issues with the buildings are the deterioration of the balconies and walkways as a result of severe corrosion of the cantilever beams and various floor panels. As a result of the continued corrosion, the Association's engineering firm, Sutton-Kennerly & Associates (SKA), recommended that several balconies and walkways be shored as a precautionary measure to ensure structural stability of the walkway and balcony components at both buildings.

This determination came as a result of the following summarized observations by SKA, : 1) A number of structural pre-stressed concrete hollow slab components and reinforced concrete beam elements both at walkways and balconies are exhibiting significant deterioration from corrosion of embedded steel. This has manifested as cracking and spalling parallel to slab reinforcing steel and apparent reduction in a cross-sectional area of portions of the embedded steel resulting in a reduction in structural capacity. 2) Delaminated and displaced stucco and concrete from corrosion of the reinforcing steel presents a safety hazard due to the potential for falling objects. Various pre-stressed hollow core slabs, reinforced concrete beams and other components have 'impending spalls'. 'Impending spall' is a term used to describe cracked or delaminated concrete or stucco that could potentially separate and fall in the near future and injure an occupant below. In addition to the safety concerns, impending spalls can increase the rate of deterioration due to exposure to water.

In addition, the windows and sliding glass doors will be replaced. The envelopes around the windows/sliding glass doors are experiencing water penetration, and therefore the windows and sliders will be replaced with windows that meet current code. It is imperative that these components be replaced so that the contractors can ensure the window and door assemblies are watertight.

The railings will be removed during the demolition of the balconies and walkways. Railings will be installed that meet current building codes.

The repair project will commence on September 14, 2009 at Building B. The units can be occupied through September 13, 2009. Within the next two (2) weeks, the owners of Building B will receive a detailed checklist on what they will need to do prior to September 14, 2009 to prepare the unit for the repair project. The repair work for Building B is planned to be completed on May 28, 2010. The work is planned to start at Building A on September 13, 2010 and completed May 27, 2011.

PLAINTIFF'S EXHIBIT 57

The most efficient way to finance the necessary repairs is through a Special Assessment. The more cumbersome alternative called for in the Bylaws would make it necessary for the cost of the repairs to be added to the 2010 and 2011 Operating fund and bill all homeowners monthly just like other homeowners expenses. The Board would prefer to utilize a Special Assessment and to that end, the Board is calling a Special Members' Meeting scheduled for Saturday, August 1, 2009 at 9:00 am in the Tara Room at the Litchfield By The Sea Convention Center, for the sole purpose of voting on a special assessment. Enclosed, please find the official notice of the meeting, along with pertinent information relative to the special assessment.

Should you have any questions, please feel free to contact me at (843) 652-2162.

FOR THE BOARD OF DIRECTORS

Sincerely,

Vicki Gallagher, CMCA, AMS
K. A. Diehl & Associates, Inc.
Managing Agent for Shipyard Village
Email: vicki.gallagher@kadiehl.com

Enclosures

SHIPYARD VILLAGE

Council of Co-Owners, Inc.

NOTICE

July 8, 2009

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The purpose of this meeting will be to vote on the proposed special assessment that will allow the Association to fund the necessary repairs to Buildings A & B.

Sutton-Kennerly & Associates (SKA) is currently in Phase II of the bid process. Bid specifications have been issued to eight (8) qualified contractors. The pre-bid meeting was held on June 30, 2009, with the receipt of the proposal deadline being July 28, 2009. Following the receipt of the proposals, SKA will review the proposals and provide a comparison report to the Board of Directors with their comments and recommendations. Unfortunately, we don't believe that this information will be received by the Board by August 1, 2009.

However, due to the repair project commencing on September 14, 2009 it is imperative that the membership vote on the special assessment in the near future, so when a contract is awarded, the materials can be ordered without a delay. It is the Board's objective that there will be no delays so that the work can be completed prior to Memorial Weekend in 2010, and further costs associated with additional shoring will be avoided.

The special assessment is based on SKA's construction budget with a 15% contingency. The proposed special assessment is $11,000,000: see attached breakdown as provided by SKA.

The Association's By-Laws, Article V, Section 5.5, defines a special assessment as follows: "The funds required from time to time to pay any Common Expenses which are not covered by the Budget but which are approved by a majority of the Co-owners." Therefore, in order for the Special Assessment to pass, over 50% of the membership must vote in the affirmative.

If the Special assessment does not pass, the cost of the repairs will be added to the 2010 and 2011 ~~Operating fund~~.

The special assessment per unit is based on the percentage of interest assigned to the unit, as dictated in the Association's governing documents.

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PLAINTIFF'S EXHIBIT 58

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The payment amount of the special assessment will be dependent on the outcome of the lawsuit filed against the Association with respect to the windows and sliding glass doors' 2006 amendment. The calculations above assume that the expense of the windows and sliding glass doors will be borne by the homeowners in building A&B. Currently the Association has moved forward with a Summary Judgment as a means for resolving the civil action filed by C & D owners. Consequently, the results of the judgment may have an impact on the windows/doors cost allocation to A, B, C and D owners. If the ruling comes back that all unit owners are responsible for the expense for the windows/doors, the assessments will be adjusted accordingly.

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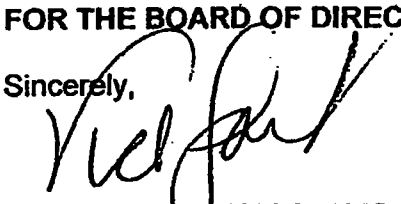
After soliciting proposals from 3 financial institutions, the Board is seeking a line of credit up to $11,000,000 with the CA Banc, which is a large financial institution that specializes in providing loans to associations. Since $11,000,000 is a significant amount of money to borrow, the line of credit has not been secured at this time. The bank needs to be assured that the Association can pay back the line of credit; therefore, the special assessment must first be approved and the bank needs assurance that not be more than 7% of the membership will default on their payment. Once this is determined, CA Banc has indicated it will provide the line of credit to the Association. If a line of credit is secured, the Association will incur interest expense and fees, which will be added to the assessment amounts for those homeowners who choose to pay the assessments monthly. If a homeowner decides to make payment in full or in the two (2) equal payments as noted above, no interest expense will be incurred.

It is very important that you attend this meeting either in person or by proxy as the Special Meeting can only be conducted after the establishment of a quorum of fifty-one percent (51%) of the Shipyard Village members. Please return the enclosed proxy to the management office ***no later than Thursday, July 30, 2009 in the provided self-addressed postage-paid envelope.***

Should you have any questions, please feel free to contact me.

FOR THE BOARD OF DIRECTORS

Sincerely,



Vicki Gallagher, CMCA, AMS
K. A. Diehl & Associates, Inc.
Managing Agent
email: vicki.gallagher@kadiehl.com

Enclosures: as noted.

Structural and Facade Repairs for
Shipyard Village

SKA Project No. 080489.2
Opinion of Project Cost

Phase 1 (Building "B"): Sept. 2009 to May 2010
Phase 2 (Building "A"): Sept. 2010 to May 2011

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Contingency (15%)	$1,251,198
Reimbursement to Reserves for Repair Investigation Expenses	$628,726
Shoring Expense	$146,722
Project Management by KAD	$30,000
Total:	**$10,944,468**

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

SPECIAL MEETING OF THE BOARD OF DIRECTORS

MINUTES

NOVEMBER 13, 2009

A Special Meeting of the Board of Directors of the Shipyard Village Council of Co-Owners', Inc. was held on Friday, November 13, 2009 at 10:00 A.M. in the offices of K.A. Diehl and Associates, Inc. 11740 Highway 17 Bypass South, Murrells Inlet, S.C. 29576.

I. ATTENDANCE/OPENING OF MEETING:

Board members present in person were Don Johnston and Clinton Carter. Jim Poag, Doris Bray, Robert Postiglione, Tim Cassidy and Dr. Jack Eblin were present via teleconference. Also in attendance in person were Community Manager Vicki Gallagher and Assistant Community Manager Vanessa Fattoross of K.A. Diehl & Associates, Inc.

Don Johnston, President of the Board of Directors, served as Chairman of the Meeting. Jim Poag, Secretary of the Board of Directors, served as Secretary of the Meeting. Vanessa Fattoross served as Recording Secretary of the Meeting.

Chairman Johnston stated that the quorum requirements had been met to officially conduct the meeting.

II. 2010 ANNUAL OPERATING BUDGET DISCUSSION/ADOPTION:

Management reviewed, in detail, each budget line item with questions posed and answered to the satisfaction of the Board. The Board entered a discussion at length, and presented changes to the proposed budget.

Concluding discussion, a motion was made by Mr. Poag, seconded by Mr. Cassidy Cassidy to adopt the 2010 budget as amended, supported by the Annual Assessments totaling $6,308,976, as attached to these minutes and identified as Exhibit "A". The motion carried unanimously.

The Board directed Management to challenge vendors with the task of reducing their costs through alternate services/options.

A motion was made by Dr. Eblin, seconded by Mr. Carter to adopt the collection policy resolution, as attached to these minutes and identified as Exhibit "B". The motion carried unanimously.

The Board requested the membership to be notified of the newly adopted collection policy through the year end newsletter.

III. SCHEDULE OF NEXT MEETING:

The next scheduled Regular Meeting of the Board of Directors will be determined at a later date.

IV. **ADJOURNMENT:**
With no further business to discuss, a motion was made by Mr. Johnston, seconded by Mr. Carter to adjourn the meeting at 12:00 P.M. The motion carried unanimously.

Submitted By: _____
Jim Poag, Secretary

Approved By: _____ Date: _____
Don Johnston, President

Adopted: 11.13.09 by the Board of Directors

ACTION TAKEN BY WRITTEN CONSENT OF THE DIRECTORS OF THE SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.

A SOUTH CAROLINA NOT FOR PROFIT CORPORATION

The following Resolution was adopted pursuant to South Carolina Code § 33-31-821 (1976), as amended, by the Board of Directors of Shipyard Village Council of Co-owners hereinafter referred to as the "Association."

WHEREAS pursuant to Article II, Section 2.2 of the Bylaws, the Board of Directors of Shipyard Village Council of Co-Owners is empowered to manage the affairs of the Association,

WHEREAS the Board of Directors of Shipyard Village Council of Co-Owners is empowered to make assessments to defray the Common Expenses, establish the means and methods of collecting such assessments, and establishing the period of the installment payments of the annual assessment,

WHEREAS the Board of Directors of Shipyard Village Council of Co-Owners is empowered to take appropriate action to collect the assessments, in its discretion, to establish reasonable late payment penalties, to collect by suit, foreclosure or other lawful method any overdue assessment pursuant to Article V, Section 5.7,

WHEREAS, it is the intent that this resolution shall be applicable to all Owners,

WHEREAS, this resolution shall go into effect 30 days from the notification to all current owners, and remain in effect until otherwise rescinded, modified, or amended by a majority of the Board of Directors.

NOW, THEREFORE, BE IT RESOLVED THAT the following policy for delinquent payments be adopted by the:

1. Payments for assessments are due on the first day of each month, and considered delinquent if not received at the Association's banking institute on or before the last day of the month in which it is due.
2. After the account is thirty (30) days delinquent for past due assessments, the Association will generate a 30-day notice informing the owner that their account is in arrears, and an interest charge of 1.5% (18% percent per annum) will be imposed on the account from the due date and request that the account be brought current within fifteen (15) days of the date of the notice.
3. After an account is sixty (60) days delinquent, cable services to the unit will be disconnected. A late notice will be sent specifying the amount of the delinquency, informing the owner that an interest charge has been imposed as well as a $60.00 disconnection fee and a $50.00 reconnection fee for cable services. Further the owner will be notified that payment must be received within fifteen (15) days of the date of the notice or the account will be forwarded to a collection attorney for resolution and that all available legal remedies will be outlined in this notice. The legal remedies will include, but not limited to, a lien being placed on the property and the Association will proceed with foreclosure on the property. All legal fees incurred will be the responsibility of the owner.

PROCON
WATERPROOFING, INC.

Corporate Office:
P.O. Box 4518
Wilmington, N.C. 28406
NC & SC
(919) 392-3935

Branch Office:
1133 Louisiana Avenue
Suite 100
Winter Park, Fla. 32789
(407) 236-9134

April 9, 1993

Waccamaw Management Company
P.O. Box 2308
Pawleys Island, SC 29585
Attn: Rory Shellenburger

RE: Sandpiper B
Shipyard A&B

Mr. Shellenburger,

After our preliminary inspection of the concrete structural slabs at the properties Sandpiper B and Shipyard A&B, we recommend that a structural engineer further evaluate the cracking and spalling which is occurring in the pre-cast slabs and beams. After their investigation is complete, our company would then submit contracts for any repairs required and include pricing to apply a waterproof membrane to these areas to avoid future concrete problems.

If we can be of any assistance in this matter or review the project with the engineers, please contact us at your earliest convenience.

Sincerely,

Bob Gallagher
PROCON Waterproofing, Inc.

BG/sjl

PROCON
WATERPROOFING, INC.

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P.O. Box 4518
Wilmington, N.C. 28406
NC & SC
(919) 392-3935

Branch Office:
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Suite 100
Winter Park, Fla. 32789
(407) 236-9134

March 9, 1994

Waccamaw Management Co.
P.O. Box 2308
Pawleys Island, SC 29585
Attn: Mr. Thomas Crocker



RE: Litchfield By The Sea
Buildings A & B

Mr. Crocker,

After our discussion and my review of the Shipyard buildings A&B on February 28th and March the 1st, the following information has been completed with regards to the exterior building repair, waterproofing and maintenance needs which are associated with these two buildings. The purpose of this information is to inform all parties involved the actual conditions found and to help establish an ongoing maintenance program.

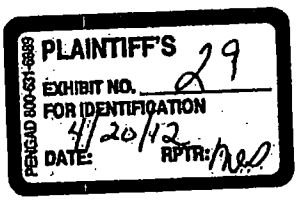
Inspection of these buildings were to complete a preliminary on-site evaluation of each building to identify any existing or potential problems in the construction of the buildings which may be contributing to the deterioration of the buildings since they were waterproofed in 1990.

-REVIEW OF THE BUILDINGS-

As outlined in our letter dated November 15, 1993, these two buildings were waterproofed in 1990 by our company and are currently in the fourth year of the warranty period. The repair and waterproofing work completed during that time excluded all corridors.

During this evaluation of the building, we noted that all work which was completed in 1990 is performing as intended with no problems at this time. Observations of the ocean front windows did find that the metal end stop bead associated with the stucco system which was installed during the original construction over each floor band are beginning to deteriorate and rust. This bead can be seen along the top and bottom of each window and appears to be directly in contact with the aluminum window frame thus creating the deterioration through electrolysis.

-continued-



When we inspected the same window locations on the north and south sides of the building, it appears that vinyl casing beads were used in this application, therefore these areas should not deteriorate like the ocean front. (See photo #1).

Our next inspection area was to evaluate the corridor walls, window units, concrete walk-ways and beams. Observations of the corridor lath and plaster stucco walls found that there are numerous areas where water and moisture can penetrate the wall system. Items such as no caulking around the perimeter of doors and windows, poor or deteriorated caulking at the wall to slab juncture and extensive cracks throughout the stucco system are all contributing to moisture entry. Effects of this moisture entry can be seen in the general deterioration and breakdown of the stucco materials and its components such as the rusted lath. More important however is the wood framing which the wall system is attached to. Wood rot and decay of the framing system can easily take place inside the cavity of these walls because once the moisture is inside, it often never dries out. Should this occur, extensive work would be required to correct such a problem. (See photos 2 through 9).

The next inspection area includes the structural concrete walk-ways and supporting beams. Observations of these areas found that the overall condition of the concrete itself is in generally good condition with a few isolated problems at or near the beams which should be evaluated by a structural engineer.

Actual concrete spalling is minor at this time. What is visually spalling off many of the beams is the stucco materials which were applied over the structural concrete. However, this does indicate that there is a stress problem at this juncture between the beam and slab above. Additionally, we observed that what appears to be a structural crack has formed in the beam as well as in the slab above. The location and repeated occurrence of these structural cracks may indicate that there is a structural problem where the corridors intersect.

Additional problems observed in the walk-ways include the total deterioration of the steel plates which are intended to bridge the juncture again where the corridors intersect. (See photos 10 through 18).

Also noted were the concrete rail stanchion holes where the rail system is anchored into the walk-way. Many of these stanchion holes were never completely filled and sealed. Water which now stands in the stanchion hole is lending to the corrosion of the rail and possibly the concrete re-enforcing rebar. (See photo #19).

Additional preventive maintenance measures to help protect the concrete from future deterioration should include the application of a protective waterproof deck coating material such as the

-continued-

system recently applied at Sandpiper A. Balconies and corridors should be considered.

-SUMMARY-

We recommend that all corridor stucco walls be repaired and waterproofed as soon as possible to prevent further deterioration of the construction materials related to these areas. The cost to complete all corridor walls on each building is approximately $19,676.00 per building.

To address repairs and waterproofing needs associated with the structural concrete, walk-ways and beams should start with the engineering evaluation to ensure that if potential structural problems exist, they can be corrected properly. Once this evaluation is completed, our company can provide cost estimates for all related work.

Cost related to removing and replacing the rusted casing beads on the ocean front can be determined after a thorough inspection has been completed to insure that the window flashing has not been effected by the deteriorating beads.

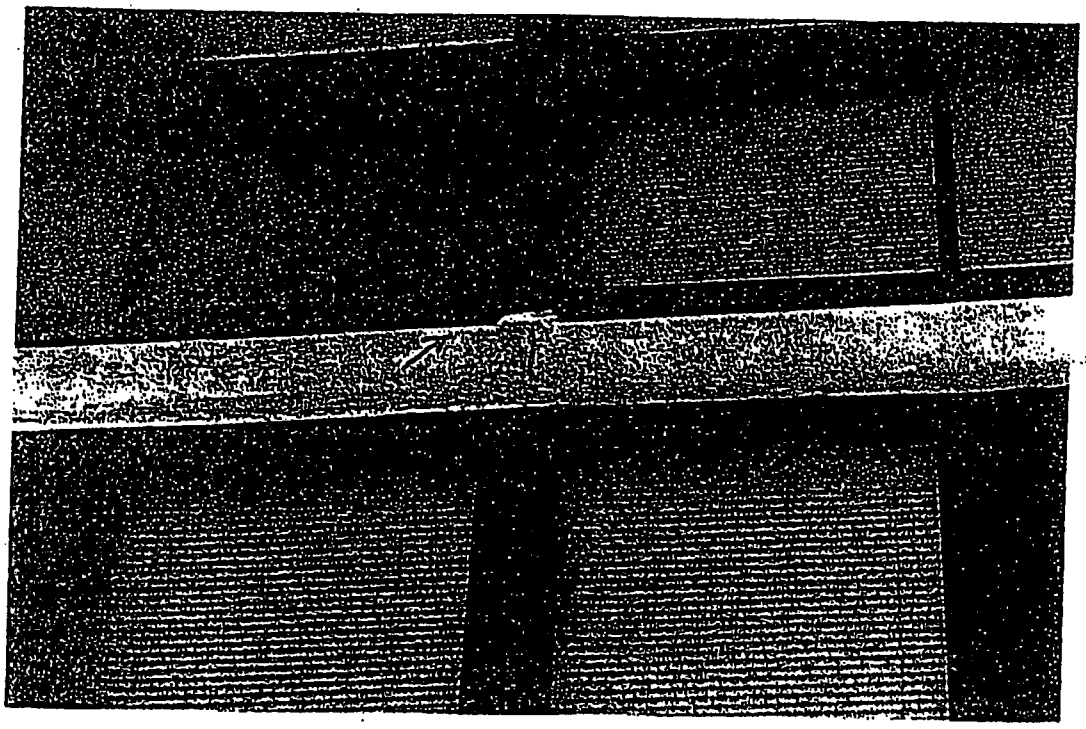
Thank you for allowing PROCON Waterproofing, Inc. to assist you with this building inspections and evaluation. If possible, we would like the opportunity to meet with you and discuss this information in further detail and perhaps negotiate completing some of these repairs along with removing the existing T1-11 siding and replacing it with a new stucco wall system. In this manner, we could offer additional discounts on all contacts and allow you to save some moneys on these projects. If there are any questions, please call at your earliest convenience.

Sincerely,

Bob Gallagher
General Manager

BG/sjl

Photo # 1

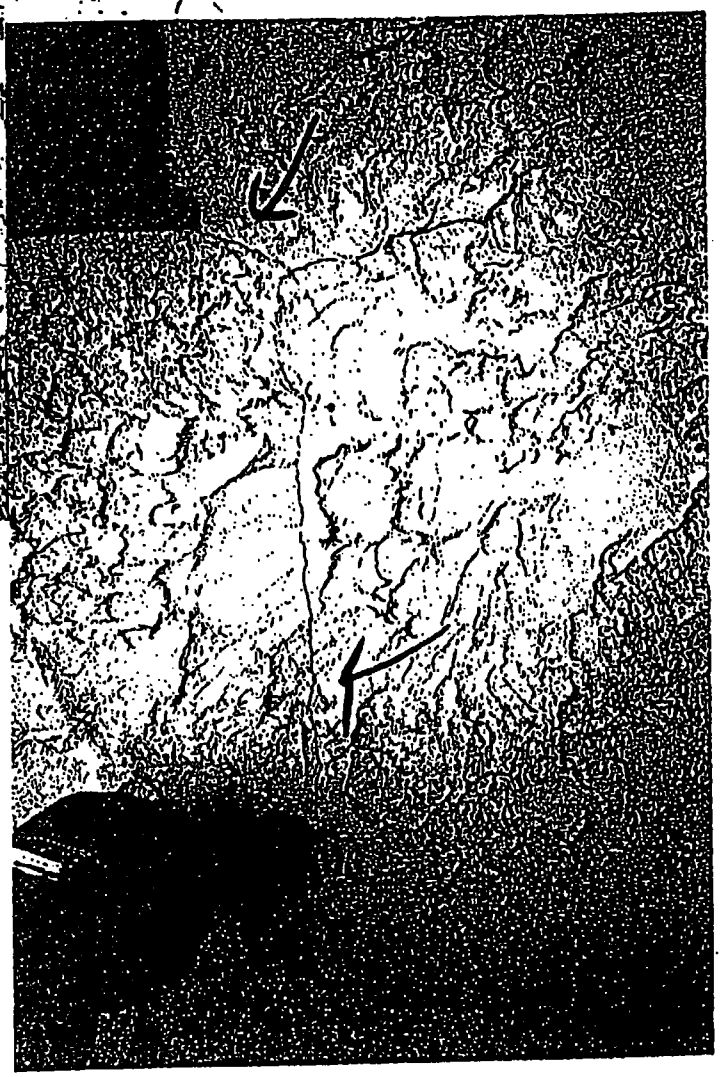


NOTE RUSTED CASING BEAD PLACEMENT.

Photo's 3 & 4



NOTE NO WINDOW CAULKING.



NOTE CRACKING AT All WINDOW LOCATIONS!

Photo's 5 & 6 31

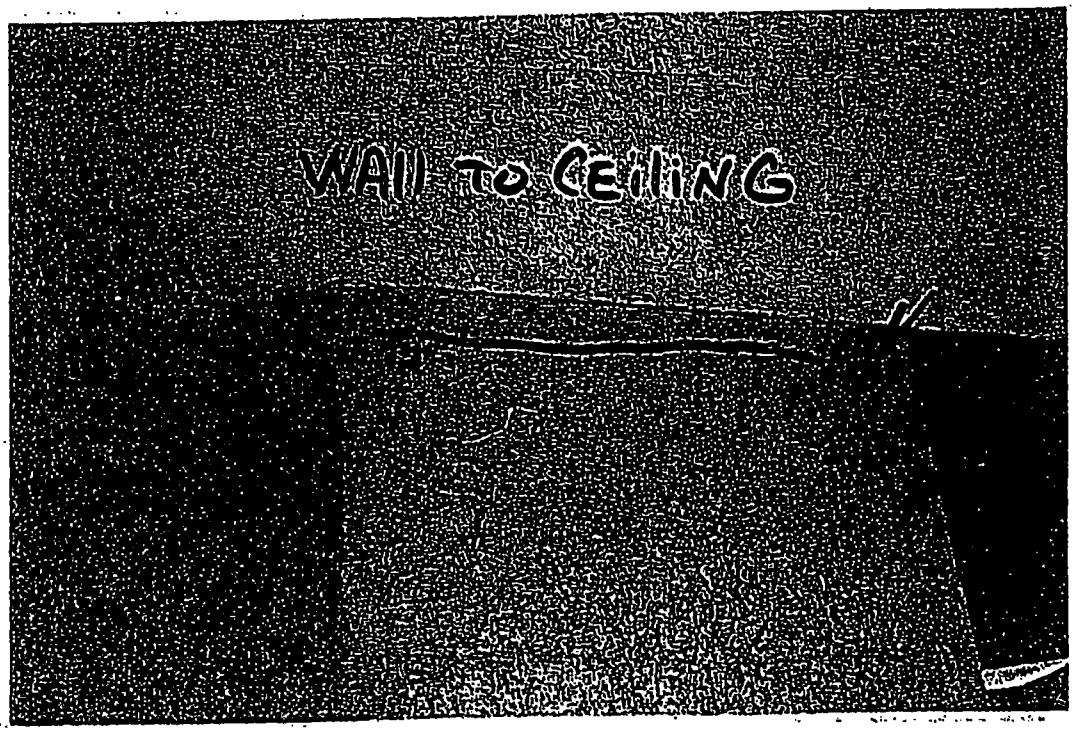
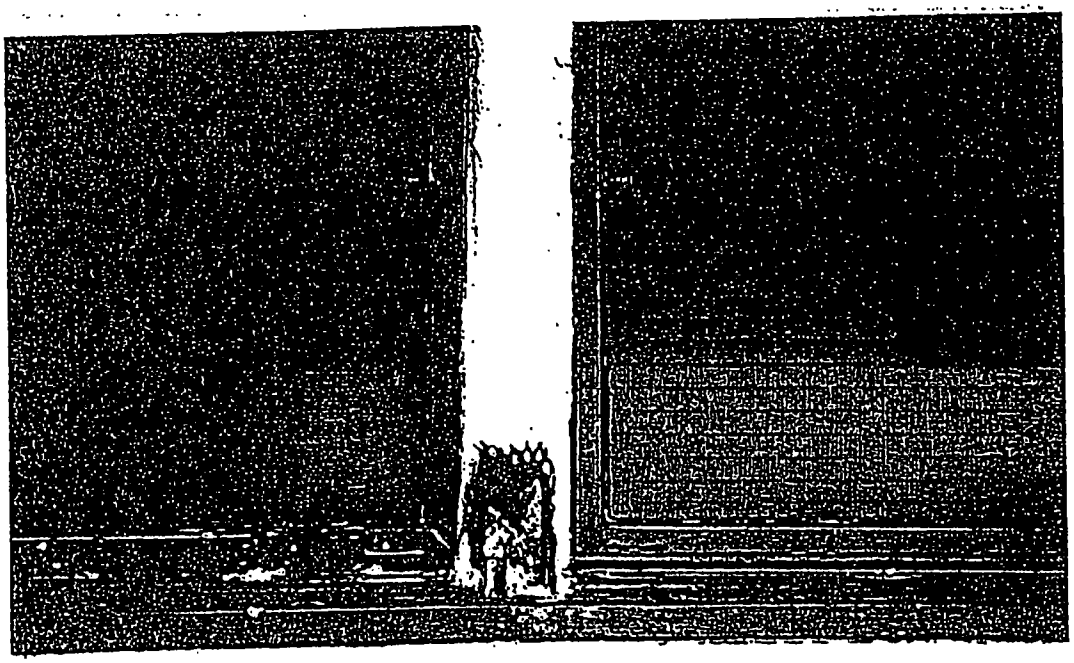
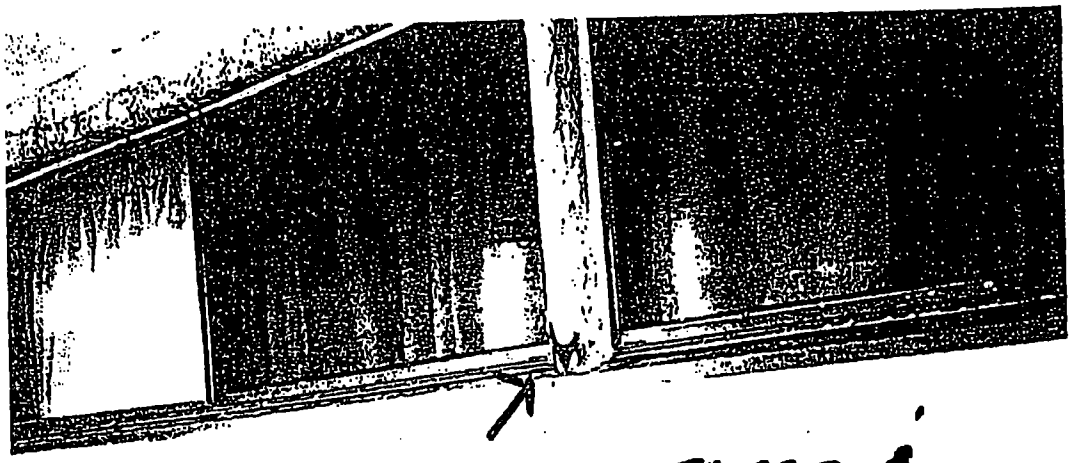




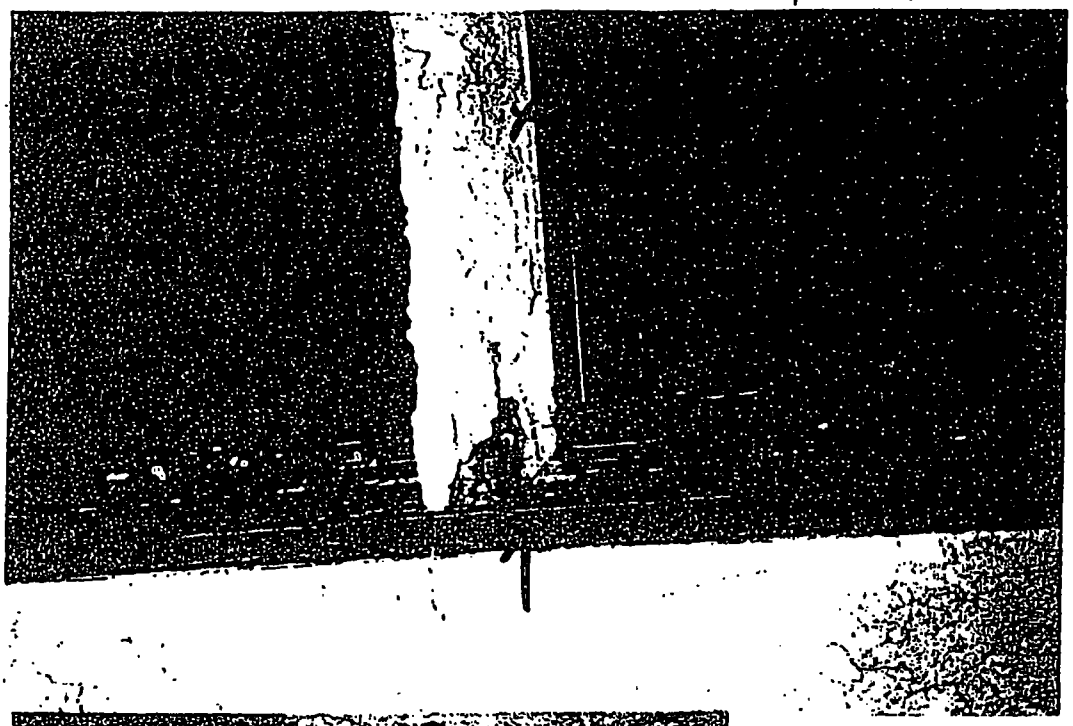
Photo 7 & 8
32





NOTE CONDITION OF STUCCO & LATH AT ALL WINDOWS

Photo's 9 & 10



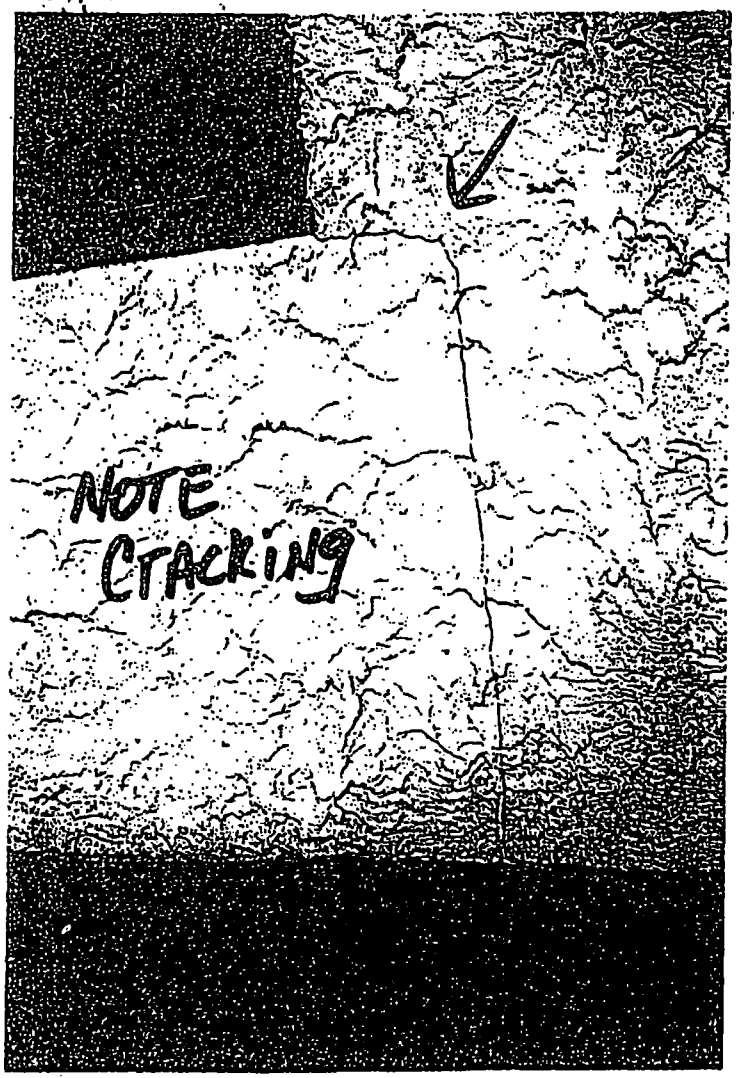
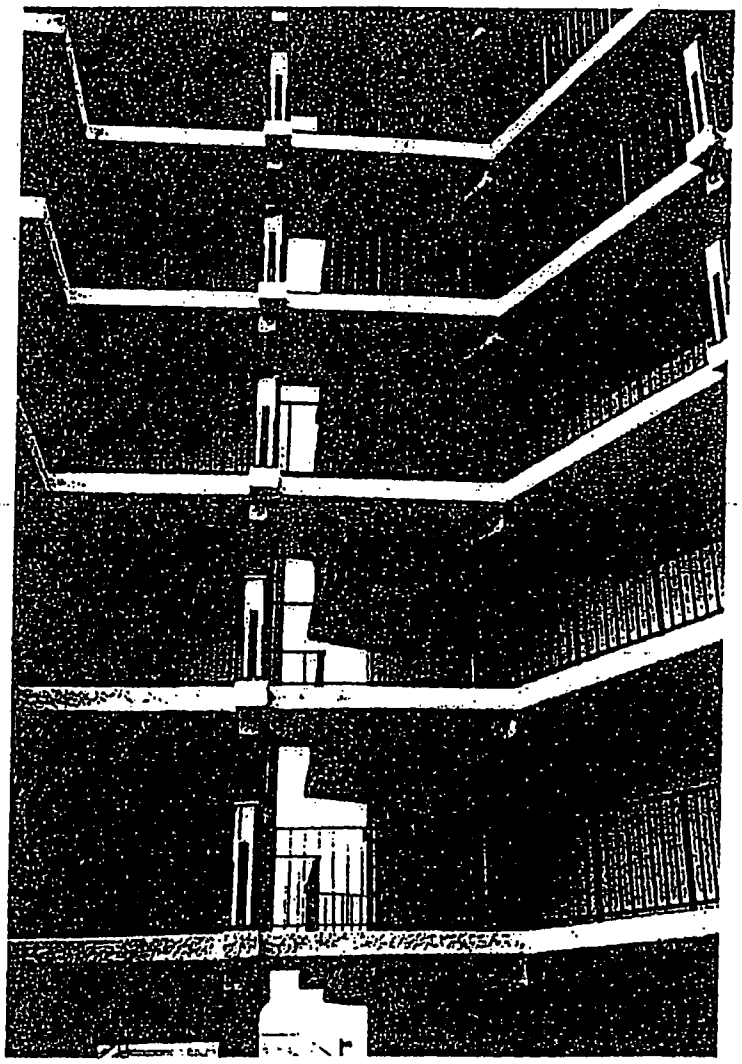


Photo # 11



— INDICATES STRESS CRACK LOCATIONS IN SLAB.

X INDICATES STRESS CRACKS IN BEAMS.

Photo # 12 35

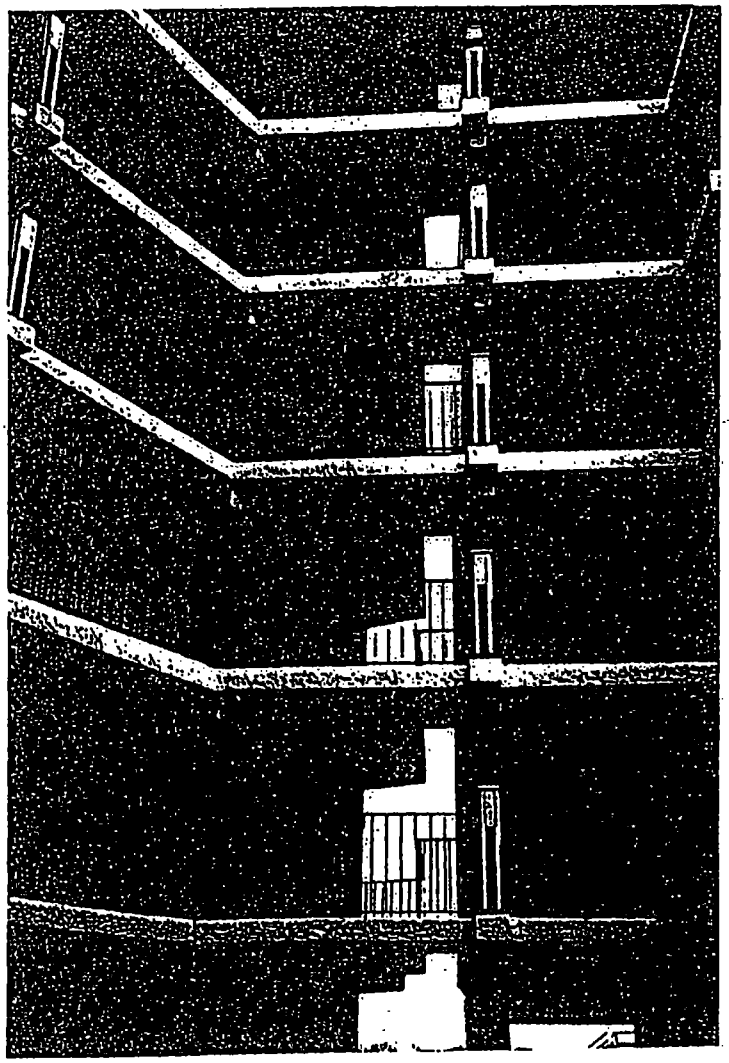
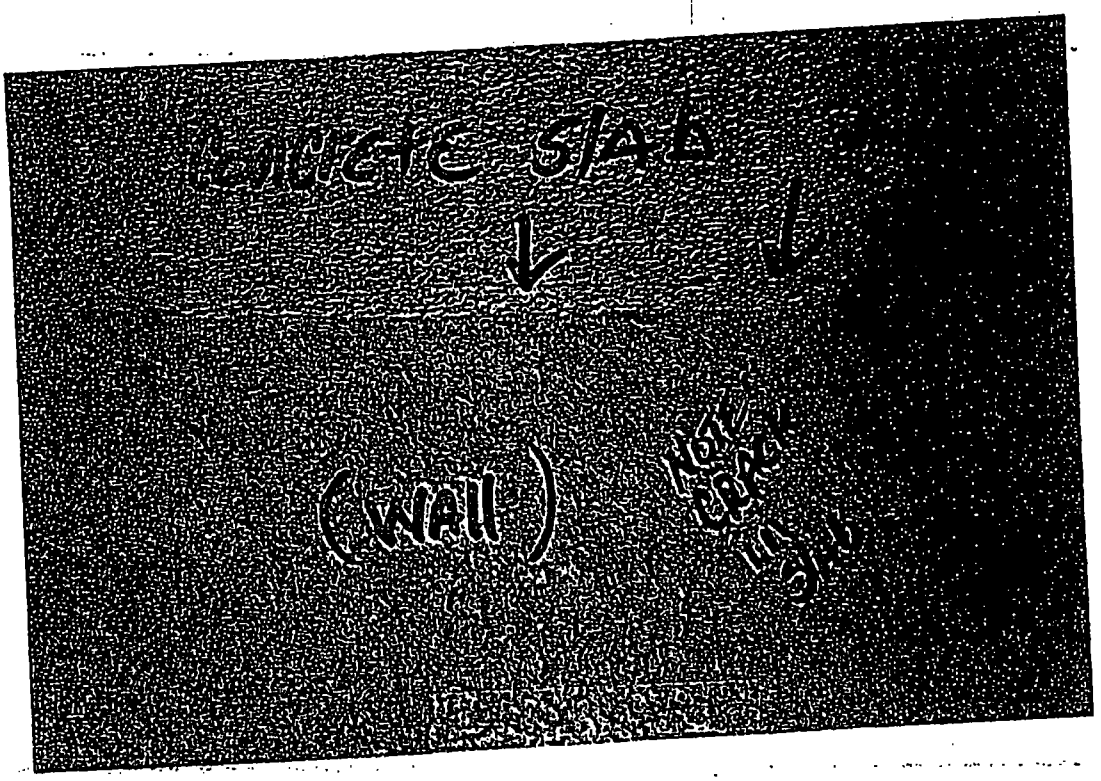


Photo #13 & 14



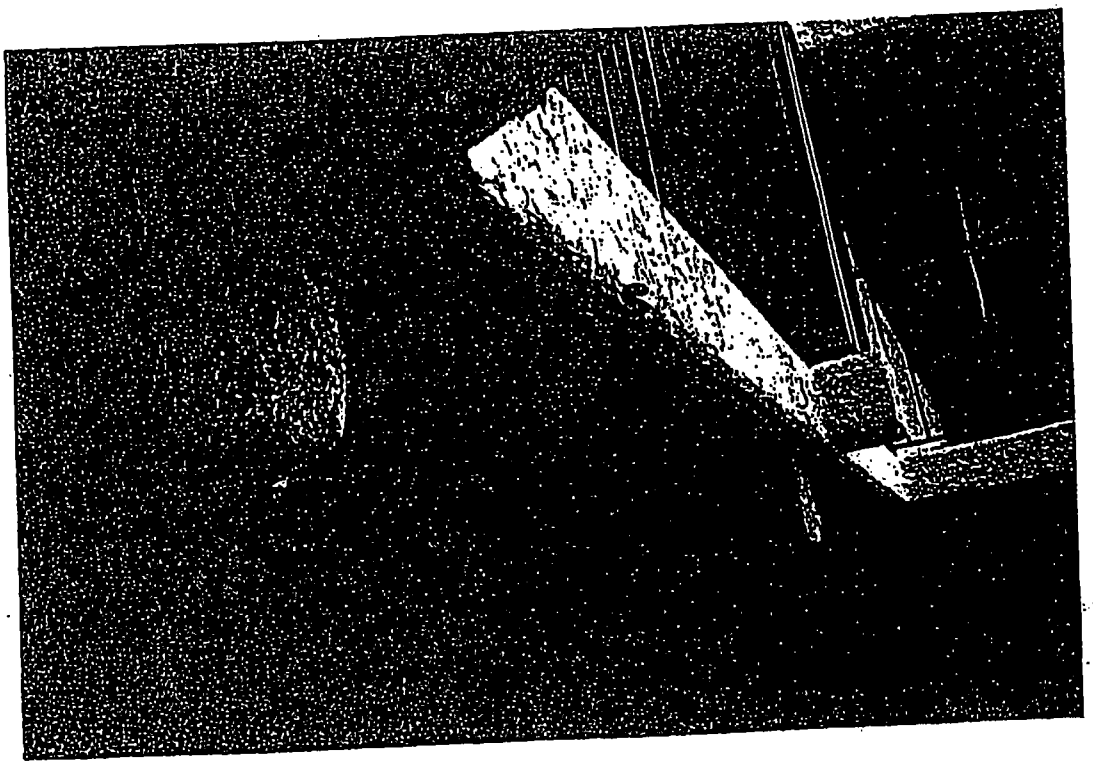


Photo 15 & 16 37



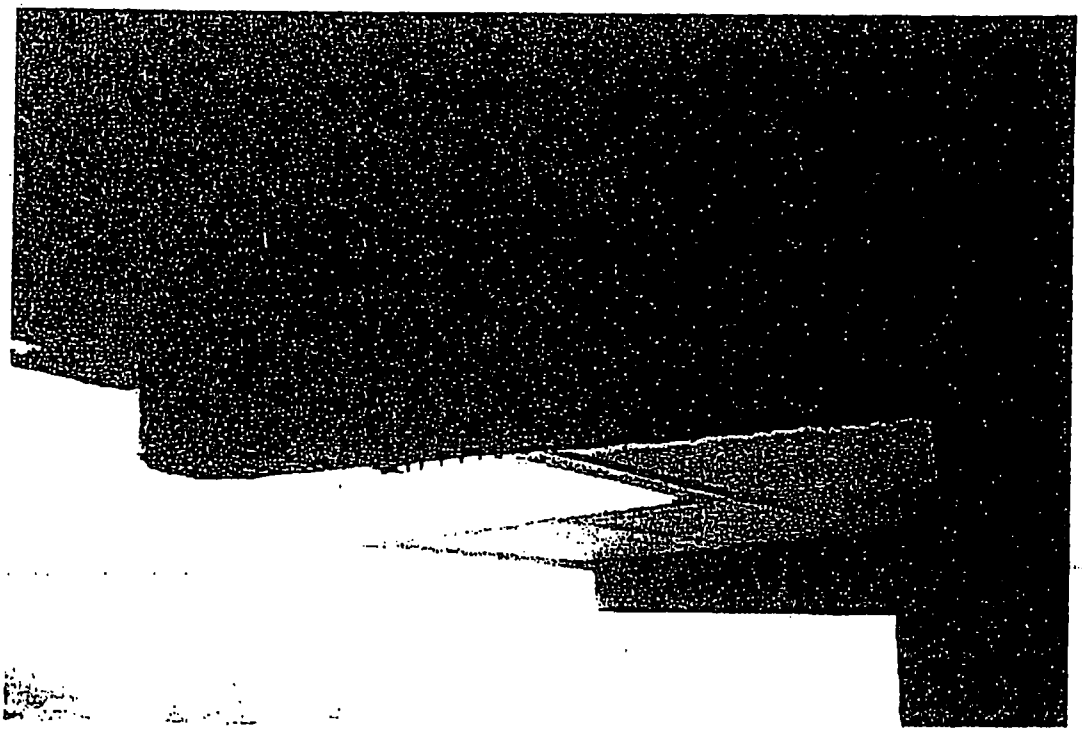
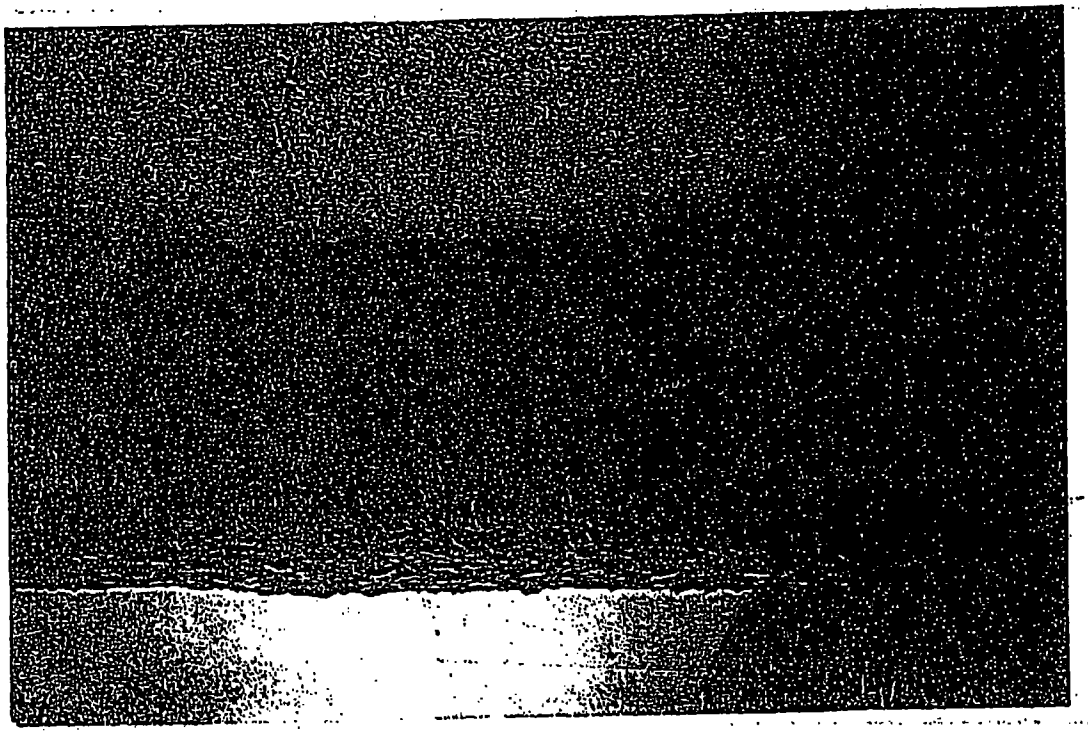


Photo 17 & 18

38



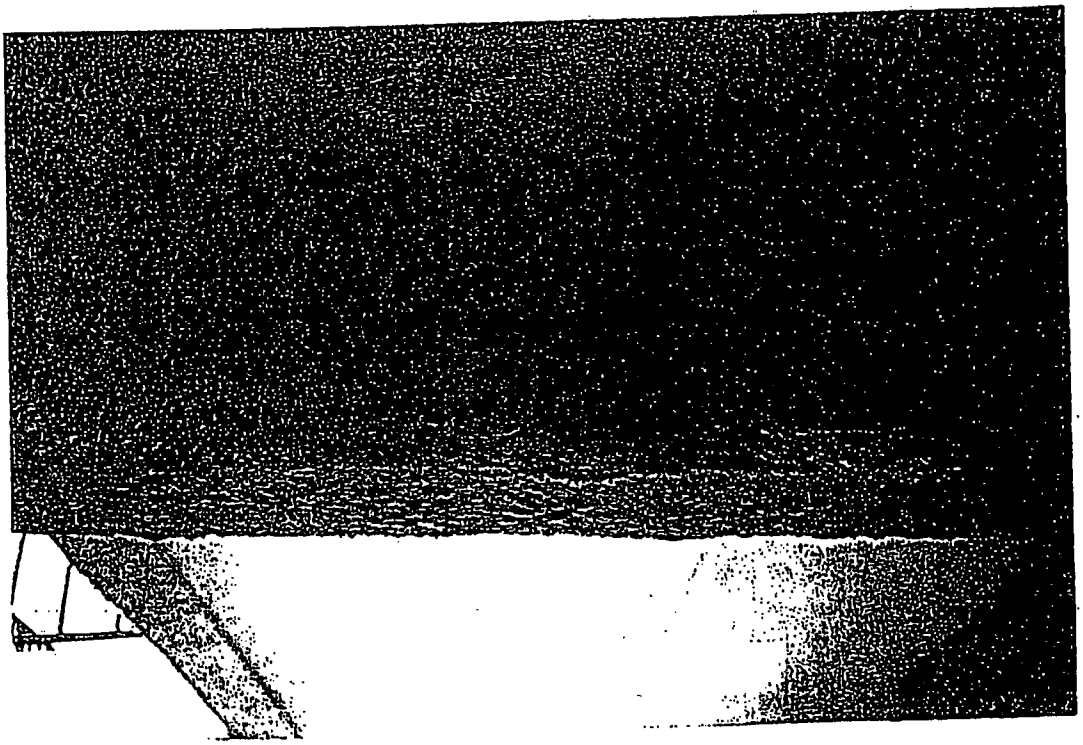


Photo # 19





SHIPYARD VILLAGE
Council of Co-Owners, Inc.

August 11, 1999

Dear Shipyard Village A & B Owners:

Per the Shipyard Village Council of Co-Owners, Inc. Master Deed, the waterproofing of the balcony thresholds and windows are the responsibility of the unit owners.

Bruce Henderson, the painting and waterproofing contractor, has agreed to waterproof the balcony thresholds for $375.00 and windows for $362.50 per unit for a total of $737.50 per unit. Since the man-lift rental alone is $300 per day, this is a significant cost savings to the homeowners having the work done while the painting of the buildings is underway.

Work has begun already in the stairwells and will be in full force after Labor Day. For this reason, we need a reply from the individual owners no later than **September 1, 1999.** Invoices will be mailed out the following week payable no later than October 1, 1999.

Please sign below to acknowledge your approval of this work and return to Shipyard Village Council of Co-Owners, Inc., Post Office Box 2308, Pawleys Island, South Carolina, 29585.

For the Board of Directors,

WACCAMAW MANAGEMENT COMPANY
Managing Agent

Susan Pendergrass

Susan Pendergrass, CMCA
Property Manager

;dtb

_____ Signature _____ Unit _____ Date

PLAINTIFF'S EXHIBIT NO. 4 FOR IDENTIFICATION DATE 10/2/12 ADMITTED

Post Office Box 2308, Pawleys Island, South Carolina 29585-2308

SHIPYARD VILLAGE
Council of Co-Owners, Inc.

October 31, 2002

Mr. Robert J. Moran, P.A.
P.O. Box 370
Murrells Inlet, SC 29576

Dear Bob:

I am in receipt of my copy of your letter to Dr. C. Leon Jennings, President of Shipyard Village. You informed me in our phone conversation that this letter was in reference to window leak problems at unit B15.

Please note that the Shipyard Village Council of Co-Owners Master Deed clearly states that windows are the responsibility of the owner, not the association. See section 3.6 in the Master Deed. Therefore, I am wondering how you are contending that the leaks are "caused by some failure in a common element of the buildings, the responsibility of which falls upon the regime council."?

The Board is hoping to provide some direction to those owners who have window leak problems; but the responsibility to address any window issues clearly lies with the unit owner.

Please don't hesitate to contact me if you have any further questions.

Sincerely,

FOR THE BOARD OF DIRECTORS

Kellie

Kellie A. Diehl, PCAM
Managing Agent

CC: Shipyard Village Board of Directors

PLAINTIFF'S EXHIBIT NO. 6
FOR IDENTIFICATION
DATE

POST OFFICE BOX 2537 · MURRELLS INLET, SOUTH CAROLINA 29576
TELEPHONE (843) 357-9888 • FAX: (843) 357-9890

SHIPYARD VILLAGE WINDOW PROBLEMS

Dear Co-Owners:

Recently, our Property Manager, K.A.Diehl & Associates ("KAD"), sent a survey to each owner attempting to discover any problems within the units. A number of owners reported window problems, including leaks, broken vapor seals and cracked or foggy panes. In an effort to determine if any financial assistance for the repairs was available to the owners, Shipyard Village Council of Co-Owners, Inc.(the"Association") employed a forensic engineer, McGee Consulting Association ("MCA"), and Finkel & Altman, L.L.C. (the "Finkel Firm") to investigate, inspect and test the windows in the A and B Shipyard buildings. During this investigation, the stability of the windows came into question and the Association authorized the Finkel Firm to provide a warning of potential danger to the Co-Owners. Following the investigation, it was suggested that we consider a law suit against the developer and the contractors who improperly and negligently installed the windows.

After prolonged discussions, additional investigation and consultation, the Board of Directors of the Association (the"Board") does not endorse another law suit on behalf of the Association for the following reasons:

I. Section 3.6 of the Master Deed clearly states that windows, including panes and frames, are part of the unit and therefore the responsibility of the owner, not the Association. Thus, we believe that it would be difficult for the Association to maintain a law suit relating to items that are the responsibility of the individual owners. Nothing in this decision would preclude an individual or group of individuals from initiating a suit if they so desire.

II. The Finkel Firm has indicated that they do not believe it is economically feasible for them to undertake a representation of the Association in this matter. We are dealing with events that transpired many years ago and we have an unclear understanding of the events associated with the installation of the windows. Thus, without an extensive forensic and legal investigation paid for on an hourly basis, the Finkel Firm has concluded they would not agree to a representation. Such an investigation would require an assessment of all owners and a majority vote of owners would be required to approve such a levy for the investigation. If the Association went to a different firm, the legal expenses (NOT INCLUDING attorney fees) are still estimated to be $15,000 - $20,000 over the next two years and the forensic investigation originally estimated to be between $10,000 and $30,000 might be three times that amount since every window would have to be studied!

III. The problems with the windows in Buildings A and B are different from the problems with Buildings C and D



which were constructed only a few years ago and where all owners are affected by those problems which are clearly systemic. With Buildings A and B, only thirty (30%) percent of the unit owners reported window problems.

It should be noted that at least one owner has retained a lawyer putting the Board on notice and alleging that the responsibility for window repairs falls upon the Board and the Association. If a suit is brought against the Association, we will be seeking an assessment to cover legal expenses to defend the suit.

We advise all owners to have their windows inspected and repaired if needed. The Board has instructed KAD and Bobby Warner, Property Supervisor, to solicit bids for the needed window repairs, hoping to secure a lower bulk rate. They will be in contact with you concerning the estimates and proposals for repairs.

While the Master Deed makes the windows the responsibility of the individual owners, please remember that each unit owner must obtain written authorization for "any addition, improvement, structural modification or alteration" to a unit. This requirement would include repair of the window frames. The Association needs to make sure that the appearance of the units remains consistent. No alteration, modification, painting or repair of the Common Elements is to be undertaken by an individual Co-Owner.

We trust that you will agree with our position in this matter and will continue to cooperate and remain patient as the current litigation progresses.

r the Board of Directors

C. Leon Jennings, Jr.

C. Leon Jennings, Jr., MD
President

SHIPYARD VILLAGE
Council of Co-Owners, Inc.

March 28, 2003

Ms. Carol Murray
405 Ridgewood Dr.
Monroe, NC 28112

RE: A 28

Dear Ms. Murray:

It has been determined that during a hard rain, water flows under the threshold of your sliding glass door and leaks onto the unit below. The sliding doors are the owner's responsibility to maintain and thus, we are requesting that you take action to correct this problem. This has happened at a few units in Shipyard in the past, and Bobby Warner, Property Manager, (843-385-0421) would be happy to further explain the situation to you.

Thank you for your prompt attention to this matter and please don't hesitate to contact us if you have any questions.

Sincerely,

FOR THE BOARD OF DIRECTORS

Kellie A. Diehl, PCAM
Managing Agent

CC: Shipyard Board

POST OFFICE BOX 2537 • MURRELLS INLET, SOUTH CAROLINA 29576
TELEPHONE (843) 357-9888 • FAX: (843) 357-9890

From: Gumless@aol.com
To: bshaffner@triad.rr.com
Cc: JANJOB@aol.com, BandMMcCoy@aol.com, HenryJobe@msn.com, gagagracie@juno.com, PDWILE7@aol.com
Date: Fri, 28 Mar 2003 11:20:42 EST
Subject: Re: New SYV information

Hi Bob:

You are correct that the owners are responsible for window repairs due to age, leaks, breakage,etc., and that is covered in the Master Deed. The real kicker is whether
McGee, David Diehl and our attorneys are correct in saying that the leakage many units have experienced is due to improper windows incorrectly sized and installed. That may make it an Association liability issue and force us to take action - or at least, have the owners make the decision. It's certainly put us in a difficult position.
Incidentally, the Master Deed specifically states that the owners are responsible for the window *frames* , so one could argue either way.

I'm forwarding your email to the other Directors for their consideration. Thank you for always being so prompt and thoughtful with your replies.

Leon



SHIPYARD VILLAGE
Council of Co-Owners, Inc.

July 6, 2006

Dear Shipyard Village Owners:

We would like to take this opportunity to update you on some issues as well as remind you of some important rules that must be adhered to.

Amendment to Master Deed: The proposed amendment to the master deed making windows the responsibility of the association has passed. We are in the process of getting the amendment officially recorded. In summary, window replacement (under normal wear & tear conditions) is the responsibility of the association. This includes patio sliding glass doors but does not include window screens or sliding door screens. The Board will be meeting within the next month to begin to formulate a plan for windows in the A and B building. We will be reviewing proposals from engineering companies to do a thorough evaluation of windows and surrounding stucco in both buildings, prioritizing necessary replacement by stack. We will then get prices to do the recommended work and put an immediate as well as a long range plan together. We will keep you posted.

Electrical problems in A and B: Over the past couple of months, there have been two fires in units due to faulty wiring and a short identified in another that could have led to a fire. In addition, several problems with the common area wiring in these two buildings have been identified and repaired. Therefore, **the Board is mandating that all owners in the A and B building have a certified electrician inspect your electrical box, breakers, wiring, etc. as soon as possible. Each owner is required to send a report from the electrician to the management office by September 1, 2006. Any faulty material MUST be replaced immediately. We request that the entire electric service be replaced if there is a failure in 3 or more breakers. Hamilton Electric is familiar with the electrical set up in these units and has given a price of $60 per unit for the initial inspection, provided they get at least 4 units.** You can use a certified electrician of your choice as this is an owner expense responsibility. If the management office does not receive a copy of your electrical report by September 1, the association will have Hamilton Electric perform the inspection and bill you. Hamilton Electric's phone number is 843-237-8885.

Repair work on C and D: We are happy to report that the majority of the repair work on C and D is complete. There are still some punch list items the contractor needs to address and the Board will not authorize the final payment until all items are complete. Overall, we are pleased with the outcome of the total project. We will be issued our 10 year warranty on the buildings shortly.

Stucco work on A and B: the Board has authorized Perkins Waterproofing (contractor who did work on C and D through ProTec) to do some stucco repairs on the A and B building. These are

obvious repairs that are much needed to prevent further deterioration and water penetration. These repairs will not have to be re-done as a result of any window work and/or items identified by the engineer to be hired to evaluate the buildings. The work is tentatively scheduled to start the week of July 10 and will all be done from the exterior of the building.

IMPORTANT SUMMER REMINDERS:

- Beach tents must be removed each day. Tents are not permitted on the beach from sundown to sun up. The staff has been authorized to remove tents and charge fines to any one who does not comply with this rule.
- Pool bracelets MUST be worn at all times when at the pool. Anyone without a bracelet will be asked to leave the pool area. We have found that this procedure has cut down on the number of people staying at other regimes using our pool. Additional tags may be purchased from Richard Bennett, on site, 843-385-1643 for $1.00 per bracelet.
- Towels and other items are not permitted to hang over the balconies. Also, please remember that most of you have balconies beneath yours – be considerate of your neighbors and do not throw things over the balcony.
- RENTAL AGENTS: trash bags are not permitted to be placed in the corridors. Your cleaning crew must dispose of all trash in the appropriate dumpster and not leave it in the corridor. And, please remove your laundry bags immediately – do not store them in the corridors for a later pick up.

SCHNEIDER AND ASSOCIATES
ARCHITECTS
CHARLESTON, SOUTH CAROLINA

February 7, 2007

Kellie A. Diehl, PCAM
Richard Bennett
Shipyard Village Council of Co-Owners
PO Box 2537
Murrells Inlet, SC 29576

Re: Shipyard Village A&B
Up-grading the window-walls

Kellie & Richard

Dear ~~Ms. Diehl and Mr. Bennett~~,

Schneider and Associates' (S&A) recent and ongoing investigations of the window-wall systems at Shipyard A&B have revealed not-so-surprising conditions, relating to the behaviors of the building envelopes. With the exception of the doors and windows that are near the end of their life expectancy and considering that the buildings are now going on thirty (30) years old, I observe better than average building envelope performance. These buildings are the proud homesteaders of the Litchfield Front Beach Community. Generally, the buildings' architecture is uniquely expressed in the thin-shell concrete "egg crate" style of their era, made famous by the **Bauhaus** in its development of glass-and-concrete architecture.

Shipyard A&B are constructed of reinforced concrete masonry with "tube-slab" floor and roof systems and "curtain wall" window systems. These building systems were leading design elements at the time of A&B's construction. We have confirmed the composition of the wall systems through some recent destructive testing and have related the cause/effect conditions of the building envelopes' behavior. The destructive testing was necessary simply because no Architectural or Structural plans exist today. We have been able, through our destructive testing, to verify the Architectural and Structural systems as described to us by Joe Hiller, AIA, son of the original Architect, with whom I spoke some months ago. Joe still maintains his father's practice and, as a young apprentice, had worked on the Shipyard project.

During the destructive window testing on Ben and Katie Morrow's unit, B-28, we discovered the "stack" of units was leaking from top-to-bottom at the jamb and sill terminations. The existing conditions rely on the window-wall's frame configuration to "turn" the water to the exterior. The spandrel, formed by the slab edge, is insufficient to accomplish this alone. Expanding the vertical dimension of the spandrel will allow space

3690 Bohicket Road, Suite 1-D • John's Island, South Carolina 29455 • (843)768-1333 • (800)522-7863 • FAX (843)768-1716

EXHIBIT 4

for separate flashing assemblies; thus, the "knee-wall" concept. It is not only a functional solution, but also allows for a fresh look and less expensive maintenance costs.

In the mid-80's, "curtain walls" were an up-and-coming leading-edge technology for high-rise buildings; these "curtain walls" were employed in your two buildings and featured large expanses of glass. Glass has many advantages, but also has some disadvantages. Glass readily conducts solar heat; so, on cold days, standing in front of a sunny window is a pleasant experience. On the front beach in August, we may choose to close our blinds in order to assist the windows in reflecting the unwanted heat and take the load off our air conditioning systems. Another advantage of the window-walls is the view. On the beach, we would naturally seek to optimize our visual experience of the views we invested in.

The windows that we are proposing to replace those existing in your buildings are of much higher technology, in that they contain thermal breaks and insulated laminated glass, engineered to resist hurricane-force winds and flying debris. These are also much more energy efficient and stronger to withstand the hurricane-force winds. We considered replacing the window-walls in the bedroom stacks with a "look-a-like", but after studying the problem architecturally, we are proposing to construct a "knee-wall", which is a simple exterior wall that is about knee-high, and then set the window on top of the low wall. Please see the sketch attached. The window-wall construction proposed would consist of a "band" of sliding windows below which will be a low "band" of fixed stuccoed wall. This architecturally produces a much more upscale look. It is far more hurricane resistant; it is far more energy efficient, and it is far more waterproof. It is easy to build and easy to flash; it is easier to integrate into the existing building systems, costs far less to construct than replacing all of the existing windows with a "curtain wall", and less expensive to maintain.

Since the mid-80's, Building Code restrictions have increased significantly, making code-compliant construction more expensive to replicate. The Building Code mandates that all window replacements, not just Shipyard A&B's, must conform to the Code. The new construction proposed will bring these windows into Code compliance. Although we have not concluded that the window design on the ocean-side be changed in this manner, we believe that the windows on the land-side (Courtyard) should employ the "knee-wall" design. They will be far safer and your insurance rates should be favorably impacted. Additionally, this configuration will provide privacy and a low wall space for furniture.

Insurance premiums along all our coasts continue to sky-rocket because of losses due to hurricane damage. Condominium Regimes and other building owners will see significant savings in insurance premiums if the buildings are Code compliant. It is my belief that non-code-compliant condominiums and other multi-family structures along the coasts of Texas, Mississippi, Louisiana, Alabama, Georgia, Florida, South Carolina, North Carolina, and even up as far north as New Jersey, will continue to see higher and higher rates, which will eventually force them to modify their façades to bring the building envelopes into Code compliance.

Architecturally speaking, the reconfiguration of the window stacks in the Courtyards will give the buildings a new look and tie them into the renovations, which have just been completed at Shipyard C&D and will enhance all the property values at Shipyard.

Sincerely,
SCHNEIDER & ASSOCIATES, INC

Kenneth G. Schneider, Jr., AIA, NCARB, RRC

Jim Poag

From: Kellie Diehl [kadiehl@sccoast.net]

Sent: Tuesday, September 18, 2007 9:18 AM

To: JJeblin@aol.com; tshirt@carolina.rr.com; tmcassidy@optonline.net; Gumless@aol.com; DBRAY@SBAAL.com; gagagracie@juno.com; wclcarter@verizon.net; 'Richard Bennett'

Subject: update

Hello all:

1. Richard is working on leaks in A & B from the recent rains. Please understand that many, many of these units were leaking previously and because windows were the owner's responsibility, the issue was thrown back at the owners who most ended up doing nothing and now that this is the assoc. responsibility, owners are impatient – especially Karen Davis, who handles many multiple owner units – we know she is being hit from all sides and wants a resolution but she must be patient and go through the process. If anyone wants more specifics on this, please call Richard. Most of you were not on the board to remember but I tried to bring this up after I was here for a while and I got my hand slapped big time by Bobby Warner and some board members because this was an owner responsibility. (Bobby Warner only did cosmetic stucco repairs to these buidlgings for 20 + years and kept pushing back to the owners – who clearly could not handle and needed help.
2. Owner's Rep: Richard is in touch with Eddie Porter and is setting up times to meet with him. It is my understanding that it is up to Eddie how and who to move forward with – current architect & contractor under review by Eddie – Anyone from the Board can call Richard and be a part of these meetings..... Email from Eddie with some dates to follow – RICHARD – PLEASE UPDATE THE BOARD AFTER THESE MEETINGS..... Some one from the Board should be Eddie's contact (along with Richard for decisions, etc.) I certainly can send out any correspondence to owners, contractor, etc.
3. We need to schedule a board meeting – mainly for budget- sometime the week of Oct. 29 – who will be here and who will be on conference call?

Thanks all – Please get with Richard if you have questions.
Kellie



Corporate Office: (843)399-8918 Fax: (843)399-8928
PO Box 4466
North Myrtle Beach S.C. 29597-4466
Email: fkennington@proconglobal.com

Florida Office: (407)841-7095 Fax: (407)841-7098
4704 L.B. McLeod Rd., Ste. B
Orlando, FL 32811-6408
Website: www.proconglobal.com

October 22, 2007

Eddie Stokes
P.O. Box 15758
Surfside Beach, SC 29587

Re: SHIPYARD VILLAGE CONDOMINIUMS
Buildings A & B
Litchfield By The Sea, South Carolina

Subject: Preliminary Concrete Inspection

Dear Mr. Stokes,

Per our agreement, Procon & Associates, Inc. (Procon) has conducted a preliminary inspection of the elevated exterior concrete walkways and private balcony decks associated with the Shipyard Buildings A & B.

A) INTRODUCTION:

The purpose of this inspection was to assist the Shipyard Condominium Homeowners Association with a better understanding of the following items:

1) The extent of concrete distress which has occurred in the form of visible cracks occurring in the concrete and visible spall locations which have also formed.
2) Potential causes of the identified concrete distress and spalling concrete.
3) Preliminary or possible repair options, based on this preliminary inspection and observations of the typical concrete distress locations using International Concrete Repair Institute (ICRI) standards as the guidelines for repairs.
5) Prepare a rough "ball park" budget estimate outlining the possible cost of repairs for the known or visible areas of concrete distress which were quantified during our time at the site. It is important to note that Procon's inspection and estimated quantities are based only on visible observations. Based on our condition survey and repair of other concrete structures of similar type construction and oceanfront exposure, we would expect to find numerous other concrete distress locations under the corridor and balcony outdoor carpet and layers of carpet glue. We would also expect to find multiple other areas of concrete distress under the heavy stucco texture, multiple layers of caulking and paint which have been applied over the years to the exposed concrete members such as the cantilevered saddle beams which support the precast floor panels. Other possible areas of hidden concrete damage may be occurring under the corridors and balcony ceiling texture and paint areas. We also observed numerous old concrete repairs which were disbonding and/or installed improperly and should be replaced.

B) DISCUSSION:

During our time at the site, Procon walked around every exterior walkway and accessed every private balcony deck using a 60' man lift. After accessing each area, our personnel used a method known as "sounding the concrete" to aid in identification of distressed concrete locations.

Based on our visible observations, our team of inspectors documented approximate quantities to be used for determining a cost budget to perform the needed repairs. These quantities are to be used for cost budget information only as the actual final quantities can only be determined once all required repair areas are uncovered and identified.

BUILDINGS:	A	B
Exterior Balconies/Parking Level		
LF Concrete Cracking @ Decks	385 LF	209 LF
Repair Concrete Spalls	551 Sq. Ft.	429 Sq. Ft.
Repair Handrail Pockets	280 EA.	280 EA.
Remove carpet/glue @ balconies	5200 Sq. Ft.	5200 Sq. Ft.
Prep/Install Deck Coating @ balconies	5200 Sq. Ft.	5200 Sq. Ft.
Exterior Corridors/Walkways		
Concrete Cracks @ Corridor Panels	298 LF	438 LF
Concrete Repair, Spalls @ Ceiling Panels	1481 Sq. Ft.	2430 Sq. Ft.
Repair Concrete Saddle Beams	3114 Sq. Ft.	3114 Sq. Ft.
Repair Concrete Beams @ Outer Edge	2479 Sq. Ft.	3943 Sq. Ft.
Repair Concrete Stair Landing	200 Sq. Ft.	200 Sq. Ft
Repair Concrete Stair Stringers & Steps	20 Sq. Ft.	10 Sq. Ft.
Repair Exposed Steel Chairs	24 EA.	8 EA.
Repair Concrete Light Boxes	35 EA.	35 EA.
Repair Handrail Pockets	988 EA.	988 EA.
Remove carpet & glue @ walkways	11988 Sq.Ft.	11988 Sq.Ft.
Repair Control Joints @ Walkways	317 LF	317 LF
Prep/Install Deck Coating @ Walkways	11988 Sq. Ft.	11988 Sq. Ft.

Before discussing the potential causes of concrete distress, it is important to acknowledge the type of concrete systems which were utilized in the design and original construction of the two original Shipyard buildings. While our team has not reviewed the original structural plan sheets, we have noted from our field observations that the Shipyard(s) concrete superstructure appears to be cast-in-place concrete for all of the vertical and horizontal beams including the exposed saddle beams which support a second type of concrete system which are the exterior precast concrete floor panels. The cast-in-place concrete members contain carbon steel reinforcing rebar of various dimensions while the precast concrete floor panels contain carbon steel cable or strands of wire wound together. During the inspection process, our team observed moderate to heavy rust and corrosion on both the carbon steel reinforcing and carbon steel cables to the extent that a significant cross section of the steel had been lost due to long term corrosion problems.

Based on Procon's observations at the site along with mapping the locations of each visible concrete distress location, our inspection leads our team to summarize the following conclusions:

Multiple cracks have developed in many of the precast floor panels. Most of the cracks run parallel or the length of each panel. Cracks were also observed extending from every aluminum rail stanchion pocket through to the exterior face or front edge of each precast

member. Rainwater which blows onto the open walkways and balconies is being held by the outdoor carpet. Bulk water and moisture are penetrating through the cracks in the precast floor panels and all of the aluminum handrail stanchions and is migrating down the bottom of the panel where it comes into contact with the carbon steel cable.

Because these structures are located in an oceanfront environment, salt which is deposited on the structure as well as in the carpet is being carried into the concrete with the rainwater through the cracks in the concrete and then coming into contact with the steel cables. This water/salt chloride combination is corroding/rusting the steel. As the steel rusts, it expands in the concrete to the point where the pressure of the expanding steel actually forces the surrounding concrete to separate from the steel thus creating a spall in the underside or ends of the precast floor panels. Spalls may be occurring in the top side of the floor panels but our inspection was not able to identify these areas due to the carpet and multiple layers of glue still being in place.

The inspection also found moderate to severe concrete spalls occurring in the concrete saddle beams which sit directly under each location where two (2) precast floor panels abut from above. Again, rainwater and moisture are blowing onto each walkway and balcony. The water is then migrating down between the two ends of the floor panels and sitting on top of the cast-in-place saddle beams. On the balconies, the water appears to be entering through cracks along the outside face or end of each panel and also migrating down to sit on top of the saddle beam.

C) SUMMARY:

Bulk water and moisture have been entering between the floor panel butt joints for a long period of time; perhaps since the structure was built.

Over the years, the saddle beams directly below each floor panel butt joint have slowly deteriorated and may have even deflected to some degree. The deterioration of the saddle beams which hold and support the floor panels has most likely contributed to movement, stress and cracks occurring in the floor panels. This deterioration of the saddle beams along with the age of the structure as well as original construction shrinkage and some settlement are possibly the primary reasons the precast floor panels have sustained cracking.

Conclusions & Recommendations:

The preliminary investigation was important to help identify the quantity, cause and effect of the concrete distress locations, there are some additional areas of the inspection which should be considered:

1. A corrosion engineer should be considered to evaluate the level of chloride contamination in the concrete, extent of corrosion on the steel reinforcing and remaining life span of the cast-in-place structure and precast floor panels.
2. It is recommended that all carpet and carpet glue be removed from all walkways and balconies to help identify areas of concrete distress. It is recommended that all ceiling texture and paint be removed and that all heavy stucco finishes be removed from all cantilevered saddle beams, again to help identify areas of concrete distress.

3. A structural engineer is recommended to evaluate the concrete repairs to ensure that the structural integrity is returned to the effected members. Shoring diagrams may also be needed before repair work starts on the saddle beams.
4. Final concrete repair requirements will need to be developed in accordance with ICRI standards by a structural engineer, corrosion engineer (if engaged) and product manufacturer. Sika Corporation who manufactures specialty product lines for concrete repair problems, has been to the site and assisted Procon in the preliminary inspection process.
5. Exterior walkway and balcony waterproof deck coating systems with special "butt end" joint details such as mechanical joint systems are recommended in conjunction with the concrete repair systems to prevent further water penetration from the top side of the precast floor panels.

D) CLOSING:

In general concrete repairs and the application of waterproof deck coatings are intended to correct the physical concrete damage which has occurred to the structure as well as aiding or slowing the time to corrosion process. These repairs and waterproof systems alone will not stop the corrosion process. More spalls will occur over time. The only way to significantly reduce the time to corrosion process is through some means of cathoditic protection. This is the reason that Procon has listed a corrosion engineer as one possible team member who should inspect the buildings and provide his opinions and options for protecting the structure through other means other than just waterproofing systems.

As part of Procon's inspection process our company was asked to provide a ball park cost as to what the anticipated cost of repairs might be. Please keep in mind that structural or corrosion engineers have not looked at the buildings. The following budget range is solely dependent on what we know to date, based on our visual observations. The work scope would include the cost for removing the existing carpet, carpet glue and applying a deck coating system and general concrete repairs based on the areas and quantities documented. Based on this qualification, we would expect the repair cost to range from $ 2,000,000.00 to $ 2,900,000.00 for both buildings again based solely in regards to what has been observed to date. Please note that there are still a lot of potential hidden damages and work scope which may be required once the engineers inspect the site. It is always recommended that the owner's project budget carry allowances and contingencies to cover potential hidden or unforeseen conditions, even after the Engineer develops the final repair scope documents.

Budget Qualifications/Exclusions

No shoring of structure is included in budget
No splicing or adding of reinforcing steel is included
No cathodtic protection of any kind is included
No epoxy injection in cracks is included
No replacement of floor panels is included
No floor panel to superstructure clip/attachments are included
No full depth repairs are included
No removal/replacement of existing or new handrails is included
No replacement of outdoor carpet is included

No carbon wrap/concrete strengthening applications are included
No entire slab/column corrosion inhibitors are included
No painting or finishing of the "repaired areas" is included

This completes our preliminary concrete inspection and report of findings. Please call should you have any questions.

Sincerely,

Bob Gallagher
President

Attachment:
Plan Floor Sheets Per Floor Per Building A & B

RG:jep

BID COST ESTIMATE

SHIPYARD VILLAGE CONDOMINIUMS - BLDGS. "A" & "B"

Litchfield By The Sea

Litchfield, SC

DATE: 10/23/07

ITEM:	QTY:	UNIT:	MAT'L UNIT COST	LABOR UNIT COST	SUB BID COST	TOTAL COST
MOBILIZATION:						
Permit						
Scaffolding Freight-In & Freight-Out	12,000	Sq.ft.			$ 2.00	$ 24,000.00
Swing Stage Freight -In & Freight-Out	4	Ea.			$ 700.00	$ 2,800.00
Safety Devices / Barricades	1	LS				$ 5,000.00
Dumpster Delivery	2	Ea.			$ 150.00	$ 300.00
			Total Mobilization Cost ----------			$ 32,100.00
DEMOLITION:						
Demo carpet & glue at balconies	11,700	Sq.ft.			$ 4.00	$ 46,800.00
Demo carpet & glue at walkways	23,976	Sq.ft.			$ 4.00	$ 95,904.00
			Total Demolition Cost ----------			$ 142,704.00
CONCRETE / STUCCO REPAIR:						
Remove/repair cracks at conc.panels (overhead)	1,330	LF				
Remove/repair conc. Spalls at conc. panels (overhead)	4,891	Sq.ft.			$ 95.00	$ 464,645.00
Remove/repair conc. Saddle beams (overhead)	6,228	Sq.ft.			$ 95.00	$ 591,660.00
Remove/repair conc. Beams at outer edge of walkways	6,422	Sq.ft.			$ 95.00	$ 610,090.00
Remove/repair conc. Stair landings	400	Sq.ft.			$ 9.50	$ 3,800.00
Remove/repair conc. Stair stringer & steps	30	Sq.ft.			$ 35.00	$ 1,050.00
Repair exposed steel chairs at landings (overhead)	32	Ea.			$ 35.00	$ 1,120.00
Repair conc. Light boxes at handrails	70	Ea.			$ 250.00	$ 17,500.00
Repair/fill handrail pockets	1,976	Ea.			$ 20.00	$ 39,520.00
Repair control joints at walkways	634	LF			$ 4.75	$ 3,011.50
Repair stucco under buildings	400	Sq.ft.			$ 35.00	$ 14,000.00
			Total Concrete/Stucco Repair Cost ----			$ 1,746,396.50

BOB GALLAGHER'S AFFIDAVIT 27

1334

ITEM:	QTY:	UNIT:	MAT'L UNIT COST	LABOR UNIT COST	SUB BID COST	TOTAL COST
DECK COATINGS:						
Prep/Install new Deck Coating at balconies (5,850 sf per bldg)	11,700	Sq.ft.			$ 5.50	$ 64,350.00
Prep/Install Deck Coating at walkways	23,976	Sq.ft.			$ 5.50	$ 131,868.00
			Total Deck Coating Cost			$ 196,218.00
GENERAL REQUIREMENTS:						
Scaffold Rental ($.50 per sq.ft. per month @ 8 mos)($6000 per mo.)	8	mos.			$ 6,000.00	$ 48,000.00
Swing-Stage Rental (4 each)	8	mos.			$ 7,200.00	$ 57,600.00
Dumpster Rental	8	mos.			$ 200.00	$ 1,600.00
Waste Hauling	8	mos.			$ 3,500.00	$ 28,000.00
Tools & Equipment	8	mos.			$ 1,000.00	$ 8,000.00
Travel	8	mos.			$ 800.00	$ 6,400.00
Project Manager	8	mos.			$ 2,000.00	$ 16,000.00
Superintendent	8	mos.			$ 5,000.00	$ 40,000.00
Assist. Superintendent	8	mos.			$ 4,000.00	$ 32,000.00
Temporary Labor (2-men @ $32.40 per hour = $1296/wk or $5184/mo.	8	mos.			$ 5,184.00	$ 41,472.00
Port-O-Jon	8	mos.			$ 95.00	$ 760.00
Telephones	8	mos.			$ 300.00	$ 2,400.00
Lull Rental	8	mos.			$ 2,500.00	$ 20,000.00
Final Cleaning	1	LS			$ 4,000.00	$ 4,000.00
Demobilization	1	LS			$ 4,000.00	$ 4,000.00
			Total General Requirements Cost			$ 310,232.00
			Sub-Total All Items			$ 2,427,650.50
			Contractor's Overhead (10%)			$ 242,765.05
			Sub-Total			$ 2,670,415.55
			Contractor's Mark-Up (10%)			$ 267,041.56
			Total Budget Cost Estimate			$ 2,937,457.11

SHIPYARD VILLAGE

Council of Co-Owners, Inc.



September 26, 2007

Dear Shipyard Village Owners,

We would like to update you on some issues that are currently before the Board of Directors.

BOARD ACTIONS TAKEN TO REMEDY WATER INTRUSION IN A&B BUILDINGS:

As has been previously reported to you in past updates the Board commissioned Schneider and Associates in September of 2006 to conduct a full evaluation of the A and B buildings in regard to water intrusion in those buildings. The Schneider firm was also to develop plans and specifications for remedial action. We have been very disappointed in the time it has taken to receive those things from Mr. Schneider's firm. Earlier this year a mock-up of deck waterproofing and sliding door replacement was done in the A 14 and the A 55 unit. Those units were chosen because of the immediacy of needed remedial action (the entire sliding door wall of A 55 could be moved three to four inches.) From those two mock-ups the Schneider firm was to furnish plans and bid specifications so that action on future stacks could be put out for bid as finances allowed. Also it was determined that the B 8 stack would be used as a mock-up for courtyard window replacement and application of the Dow All Guard product (that was used on the C and D buildings.) The Schneider firm submitted a price quote for that work which was to have begun in October 2007. The Board had some serious concerns about this project, and as a result of those concerns the Board commissioned Mr. Eddie Stokes, owner of MEC Engineering Services, Inc. to act as owner's representative on the B 8 stack mock-up. Mr. Stokes' engineering background and knowledge of water intrusion problems associated with beach front property led the Board to select him to oversee and manage the B 8 project and future A and B building projects. The Board sincerely hopes that Mr. Stokes can not only help the Board to be good stewards of association money, but also bring the B 8 project to a satisfactory, timely conclusion.

11524 HIGHWAY 17 BYPASS • MURRELLS INLET, SOUTH CAROLINA 29576
TELEPHONE (843) 357-9888 • FAX (843) 357-9890

OUTLOOK FOR FUTURE REMEDIAL ACTION:

Because of the restrictive nature of Association by-laws the Board is very limited in its ability to secure the funds that are necessary for the repairs and maintenance of the buildings. Therefore any future repairs, as things stand right now, must be done as finances allow. In other words the remedial action that is necessary to correct the water intrusion will need to be done on a stack by stack basis, with priority determined by urgency of need based on sound engineering findings. Doing the doors and windows a stack at a time is probably the most costly and least efficient manner to complete our project. The additional expense of staging and cleanup done multiple times, renting lifts and scaffolding cannot be seen as efficient. In addition, at the rate of one to three stacks a year the project could take well over six years or more. In a perfect world the whole A and B correction would be done all at once, but unless the need for an assessment is approved by a majority of the owners unfortunately this is not the case. We expect to discuss bringing this matter before the owners for consideration at our next meeting. We ask for your patience as this unfolds in the future. The Board wishes to remind you that even though the Association assumed responsibility of door and window replacement in July 2006 the problems the A and B buildings are currently experiencing didn't just happen last year--they have been developing over the time when the owners were responsible for their doors and windows. Those buildings were built well over twenty years ago. Studies have shown that repairs made in past years did not really address the water intrusion issue, but were more cosmetic in nature. We trust the owners will support the recommendation by the Board once Mr. Stokes has completed his analysis

WATER PROBLEMS ASSOCIATED WITH THE RECENT RAINS;

The Board has been made aware of acute water leaks into the interior of some of the A and B units during recent rains. The question has been raised as to who is responsible for the interiors of the units. Please refer to Article II, Section 5 © of the amended Master Deed, a copy of which is attached.

This document explains that only the sliding glass doors and the windows are the responsibility of the association. The rest of the unit is the responsibility of the owner and/or the maintenance company hired by the owner, and not the on-site management staff. The Board hopes this clarifies the matter.

In regard to the door locks, your Board requested that storage closet doors be painted and door knobs changed to a sturdier, more appealing look. The new door knobs are stainless steel and will hold up better in this environment. The On Site Manager, Richard Bennett, will be contacting owners to arrange how to get keys.

ON SITE MANAGEMENT STAFF:

The Board is appreciative of Mr. Richard Bennett and his staff in their efforts to keep our property clean and well ordered. Mr. Bennett has been innovative and hard working during his tenure as on-site manager. He has put the day to day workings of Shipyard on a much more organized and business-like manner than it had been in the past before his arrival. As to inter-personal relations, there are two extremes; there are those that would go to any length to avoid confrontation and please their fellow man, and on the other end of the spectrum there are those who can never get along with anyone. Mr. Bennett, like the vast majority of the rest of us, is somewhere between those two extremes. Mr. Bennett is aware of the Board's desire for a smooth, harmonious relationship between owners and management.

In summary the Board wishes for you to know that we are doing our best to work through the problems that frustrate us all, and that we will continue to do our best to arrive at solutions that we can all live with and afford. Please bear with us during this time.

Sincerely,

THE SHIPYARD BOARD OF DIRECTORS

Enc.

Section 5. Unit Boundaries. Each Unit in Phase III is composed of the interior cubic space, fixtures, appliances, furnishings, walls, floors, ceilings, and building material enclosed within the following boundaries:

a. The upper boundaries of the Unit shall extend to the unfinished interior surfaces of the unfinished sheetrock or other ceiling material. The lower boundaries of the Unit shall extend to the unfinished surface of the structural concrete slab constituting the floor.

b. The perimetrical boundaries of the Unit shall extend to the unfinished interior surfaces of the perimeter walls of the Unit excluding load bearing structural interior walls or components.

c. Each Unit shall also encompass and include, and each Owner shall be responsible for maintenance and repair of the following whether located within or without the boundaries described in (a) and (b) above: (i) the doorways, windows, vents and other non-structural elements in the walls, floor, and ceilings of the Unit which are regarded as enclosures of space; (ii) the doors (including any screen doors) opening into the Unit and into any storage area integral to the Unit, including the frames, casings, hinges, handles and other fixtures which are part of the doors; (iii) the sliding-glass doors, if any, opening from each Unit to said Unit's balcony, (iv) the window glasses, screens, frames, and casings which are part of the window openings of the Unit; (v) the plumbing, wiring, and mechanical vents that exclusively serve the Unit; (vi) the appliances, air conditioning, and heating units, (including the condenser and all piping, wiring and attachments), hot water heaters, lavatories, bath tubs, toilets, carpeting, floor covering, trim finished surface of ceilings and walls, wiring, insulation, and other fixtures, furnishings, and building materials which are part of the Unit when delivered to the initial Owner and which exclusively serve the Unit; and (vii) all appurtenances which are integral and exclusive to the Unit, including, but not limited to, lamps attached to the exterior of the Unit and water and sewer pipes within the Unit and exclusively serving the Unit.

Jim Poag

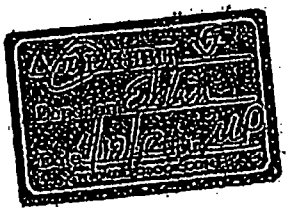
From: Katie Morrow [km@jbenmorrow.com]
Sent: Monday, January 28, 2008 12:50 PM
To: JJeblin@aol.com
Subject: Re: Shipyard Village

Good morning, Thanks for the e-mail. Very interesting that they admit water intrusion began when A & B were built but the association did not take responsibility until a year and a half ago. Where doen it say in our by-laws that water intrusion is the individuals responsibility. We were only responsible for the windows and frames not the structure. I think the board failed to review the issue from the beginning. Oh well, the price we pay for condo ownership.

----- Original Message -----
From: JJeblin@aol.com
To: Fletcher00@aol.com
Cc: patgarrett@juno.com ; DBRAY@SBAAL.com ; wdcarter@verizon.net ; tmcassidy@optonline.net ; Gumless@aol.com ; tshirt@carolina.rr.com ; vbkgal@sccoast.net ; rbligh1@sccoast.net ; marlar@sccoast.net ; eddiemeco@yahoo.com
Sent: Friday, January 25, 2008 12:38 PM
Subject: Re: Shipyard Village

Dear Ms. Fletcher,
I have spoken to Vicki Gallagher at KA Diehl and she said that your request for contact information has been addressed and the list has been sent to you.
Your observation that the windows have not been replaced since the HOA took responsibility is absolutely correct, however I must take exception to the statement that nothing has been done to remedy the problems. The Board in fact has been very diligent in trying to investigate all the issues in the A and B buildings that pertain to structural integrity and water intrusion. Again you are correct when you say that there is more to the project than just replacing the windows. Unfortunately we lost a lot of valuable time in our dealings with our first hire, a very well recommended Forensic Architect. The Board is confidant that our current Owners Representative, Mr. Eddie Stokes PE is making a thorough study of the issues involved and is close to having enough fact finding done to put the project out for bid. A comprehensive report will be given at the annual HOA meeting on April 19, 2008.
[illegible] HOA took responsibility one and a half years ago. Please be patient and realize that we are working as hard as we can to arrive at a repair solution that satisfies us all.
Jack C. Eblin, D.D.S.

Who's never won? Biggest Grammy Award surprises of all time on AOL Music.



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M. EDWIN HINDS, JR.
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*CERTIFIED SPECIALIST IN TAXATION LAW
**FELLOW OF THE AMERICAN ACADEMY OF MATRIMONIAL LAWYERS
***ALSO MEMBER OF NORTH CAROLINA BAR
****CERTIFIED MEDIATOR

June 9, 2008

BOARD OF DIRECTORS
SHIPYARD VILLAGE COUNCIL
OF CO-OWNERS, INC.
C/O K. A. Diehl & Associates, Inc., Managing Agent
P.O. Box 2537
Murrells Inlet, SC 29576

Re: Proposed Special Assessment Related to Buildings A & B, Shipyard Village HPR

Dear Board of Directors:

Our firm has been engaged by several owners of condominium units in Buildings C & D of Shipyard Village Horizontal Property Regime ("Regime"). The purpose of this engagement is to assist them in evaluating the propriety of the proposed special assessment for work on Buildings A & B of the Regime. The hope is that it will be possible to work with the Board and all Members of Shipyard Village Council of Co-Owners, Inc. (the "Association") to reach a more reasonable resolution of the issues facing the Regime than the proposal currently under consideration. With that goal in mind, we request that the Board, and/or its legal representatives, meet with us to explore alternatives. We understand that an informational meeting to discuss these matters is planned for June 20, 2008, which will certainly provide a forum for discussion by all interested Members. However, it may be more productive, either before or after said meeting, to discuss the issues with the Board directly. In order to begin the discussion process, a brief outline of our understanding and evaluation of the issues at hand is set forth below.

We have reviewed the March 31, 2008 letter from the Board to the Members, along with a portion of the report from MEC Engineering Services, Inc. ("Engineer") that was included with this letter. We have also reviewed the Master Deed for Shipyard Village HPR, the First and Second Amendments thereto submitting Buildings C & D, the 2006 Amendment purporting to amend the description of the Units and Limited Common Elements, as well as correspondence from the Regime to the owners going back several years. This review leads us to conclude that the proposed assessment would be invalid or at least partially invalid. The preliminary reasoning behind this conclusion is summarized as follows:



2006 Amendment: At a minimum, any portion of the proposed work that relates to replacement of windows in the buildings is the responsibility of the individual owners of the units, not the Association. Again, without the full report or construction bids, it's impossible for us to know exactly what portion of the total cost these items represent, but based on prior estimates provided in correspondence from the Board, it appears to be a significant portion if not the major portion. The proposed assessment seeks to force all Members to contribute to these costs, in clear violation of the Master Deed.

The Amendment to the Master Deed of Shipyard Village Horizontal Property Regime dated September 26, 2006, and recorded in Deed Book 235, Page 5, records of Georgetown County, South Carolina ("2006 Amendment") was not properly approved and is not binding on the Regime or the Owners. The amendment purported to rewrite the definition of Units within the Regime to exclude "the window glasses, screens, frames and casings which are part of the window openings of the Unit" and to designate these items as Limited Common Elements. However, the amendment failed to pass at the only meeting that was held to vote on the matter, the April 15, 2006, annual meeting. Thereafter, the Board and management agent solicited proxies from various members to "re-vote" on the amendment. Thereafter, in a letter dated July 6, 2006, the Board announced that the amendment had passed with no further explanation. Setting aside for now issues with the information or misinformation apparently given to solicit the proxies from members, no meeting was held to vote on the matter. No such procedure is authorized in the governing documents or corporate law. The By-Laws, Section 1.4, provide that Owners may vote in person or by proxy at any meetings of the Association, and Section 1.3 provides that votes may only be cast at meetings. The only procedure for taking action without a meeting is set forth in Section 1.5, which states that "Any action which may be taken by a vote of the Co-owners may also be taken by written consent to such action signed by all Co-owners entitle to vote, or, in the case of Units owned by two or more Co-owners, by the designated voting member." (emphasis added). All Co-owners did not consent in writing to adopt the 2006 Amendment, and no meeting was held at which a vote could have been taken. The end result is that the 2006 Amendment was not properly adopted, leaving the window glasses, screens, frames, casings and sliding glass doors as part of each Unit, not common elements, and therefore replacement or repair is the responsibility of each individual owner.

Improvement versus Repair: We believe that the extent of the work contemplated by the Board goes beyond necessary repairs, and in fact are improvements to the buildings. The Board, in its April 30, 2008 memorandum to the Owners, has stated that no possible "Plan B" is even being considered, stating that its "Plan B" would be to continue to push the special assessment for adoption. Based upon the extraordinary cost being considered, we find it hard to believe that all the proposed work constitutes necessary repairs. Again, the Board has not provided the full report and recommendations of the Engineer for inspection or for review by other qualified engineers, so it's impossible to determine what portions of the work would fall into the category of necessary repairs and what portions would be improvements.

As to the portions of the work that are really improvements versus repairs, the Board only has authority to assess an Owner up to 1% of the value of the Owner's Unit, unless a higher amount is approved by a 2/3 vote of the Owners.

Repairs Responsibility of Individual Owners: The portion of the work that constitutes repairs to Common Elements is the responsibility of the Owners affected by such repairs for various reasons.

First, as stated in correspondence from the Board, such repairs are necessitated at least partially due to water intrusion through window openings and sliding glass doors that are a part of each Unit, not common elements. Even if the 2006 Amendment were effective, these items were not common elements prior to said amendment when most of the intrusion occurred. Such intrusion is a direct result of a failure to maintain or repair such items. Section 4.3 of the Master Deed, and Section 6.2 of the By-laws, place the responsibility of maintaining a Unit on the Owner. Section 6.4 of the By-laws state that expenses for repair and replacement of Common Elements is a Common Expense, except that when such expenses are not reimbursed by insurance and are necessitated by (1) failure of an Owner to maintain his Unit or (2) the neglect of an Owner, they shall be charged to such Owner as an Individual Assessment. Therefore, the costs are the responsibility of the Owners of Units within Buildings A & B.

Alternatively, Section 260 of the Horizontal Property Act (Section 27-31-260 of the South Carolina Code of Laws (1976), as amended), mandates that in the event of damage where insurance proceeds are unavailable or inadequate, the costs of reconstruction shall be paid by the co-owners directly affected by the damage, not all of the co-owners as contemplated by the Board. We are not aware that any insurance coverage will apply, so by statute this cost is the responsibility of the Owners in Buildings A & B.

Failure to Build Reserves: Finally, Shipyard Village Horizontal Property Regime is somewhat unusual in that two of the buildings (A & B in 1982) were constructed much earlier than the other two buildings (C & D in 1998). The older buildings are 25+ years old, an age where one would expect capital improvements would be needed to continue the life of the buildings. The Owners within C & D were not part of the Regime for the first 60% of its existence, and had no say in the management during that time. The failure of the Owners and past Boards (prior to C & D joining) to properly manage the Regime by ensuring proper maintenance and building reserves for future capital improvements, is one of the causes of the current situation. While the documents and law do not allow the Regime to burden the C & D Owners for the reasons already stated, we further do not believe that such action will be allowed by principles of equity.

Since Buildings C & D joined the Regime, the Board and management acted appropriately in identifying problems with said buildings, resulting in a lawsuit that obtained funds for the Regime to alleviate future problems with those two buildings. This action prevented C & D from becoming a burden to the A & B Owners and we commend the Board at that time for taking such action. The Board has also set aside at least a portion of the settlement as reserves to be used for C & D when sealing and other maintenance will be required (though we question, in light of the current issues, the right or authority of the Association to

utilize any of those funds for improvements to A & B), thus further protecting the A & B Owners from being unduly burdened by the C & D Buildings. Now, however, the Board and A & B Owners are seeking to burden the C & D Owners for the failure of the Owners in Buildings A & B, through their past Boards, to properly administer the Regime for the first 16+ years. The Regime during that time failed to accumulate reserves in anticipation of future capital improvement needs as required by good property management practices and Section 5.2 of the Master Deed. The consequences of these actions, or non-actions, cannot be equitably placed upon the Owners within Buildings C & D.

The points raised above do not represent all potential causes of action related to these matters. While there are other potential theories of liability which may be applicable, we do not feel it is necessary to discuss them at this time. As initially stated, our clients are interested in working with the Board and the Building A & B Owners to arrive at a mutually agreeable solution. Every Owner is interested in protecting their investment, and working together is in everyone's best interest. We are willing to sit down with the appropriate parties to work through the issues. If you desire we are willing to enter into mediation discussions with a qualified, mutually agreeable mediator to assist in the process. Especially since, if litigation were to ensue, most likely a mediation process would be mandated by the court. Please understand, however, that if the assessment as proposed is put to a vote, we will be forced to initiate litigation to protect the interests of the C & D Owners.

Thank you, and please contact me to discuss the matter and the format for future discussions.

Sincerely,
Bellamy, Rutenberg, Copeland,
Epps, Gravely & Bowers, P.A.

Jeffrey W. King

CC:

Dr. Jack C. Eblin, President
124 Midvale Dr.
Huntington, WV 25705

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June 12, 2008

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1000 29th Avenue North
P.O. Box 357
Myrtle Beach, South Carolina 29578

Re: Proposed Special Assessment Related to Buildings A & B, Shipyard Village

Dear Jeffrey

Thank you for your analysis and proposal to the Board of Directors of Shipyard Village representing the Owners of Buildings C and D. I believe the analysis is comprehensive with the information at your disposal and the proposal reasonable. We (Don and Linda Johnston D-11) have submitted our portion of the legal fees ($500.00) for services rendered. However, this payment for legal fees does not constitute an agreement to continue incurring legal fees in the event the Board does not accept the proposal and additional legal action is required.

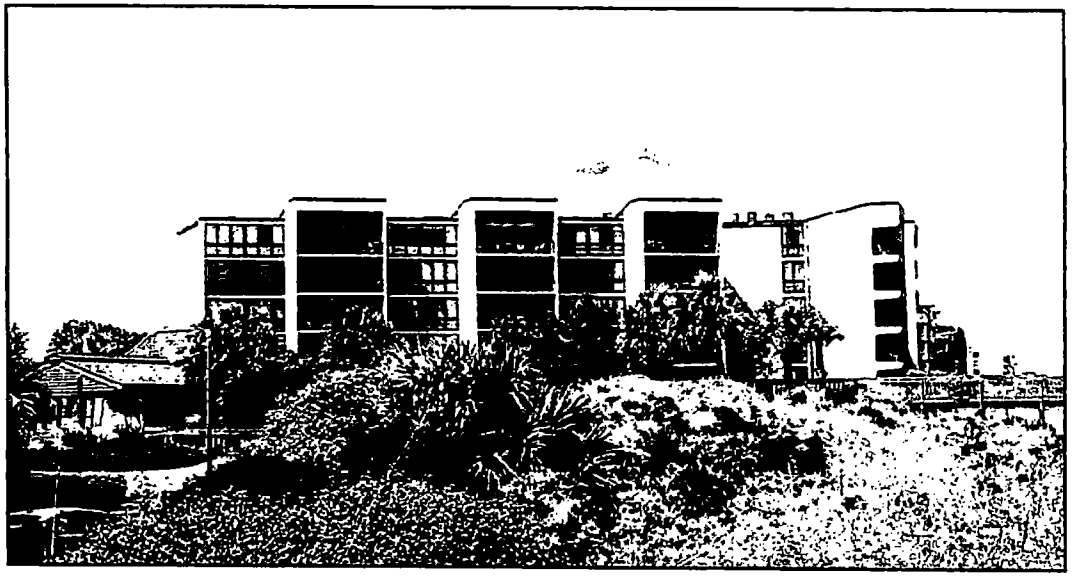
Sincerely,

Linda S. Johnston

Don and Linda Johnston
371 S. Dunes Drive D-11
Pawleys Island, South Carolina 29585

Shipyard Village Council of Co-Owners Meeting

July 19, 2008



Shipyard Village Condominiums Repair
Pawley's Island, SC

HICAPS

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

AGENDA:

- Description of Problem – 30 Minutes
- Scope of Work – 10 Minutes
- Schedule – 5 Minutes
- Budget Review – 5 Minutes
- Project Expectations – 5 Minutes
- Questions

HICAPS

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of the Problem

HICAPS

Shipyard Village Council of Co-Owners Meeting
July 19, 2008

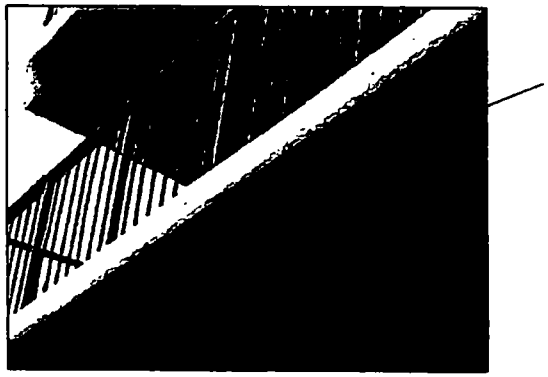
Description of Problem

- **Structural Concrete Failing**
- **Building Envelope Not Weather Tight**
  - **Window System Failing**
  - **Rotting Walls (around windows and sliders)**
  - **Exterior Walls Need to be Recoated**

1. Structural Concrete Failing
   a) Over the years there has been water and salt intrusion in the concrete
      1) Salt, from ocean spray, has slowly worked its way into the concrete. The salt has reached the reinforcing steel. The concrete has high levels of chlorides. This is a permanent condition.
   b) The reinforcing steel has corroded
      1) Reinforcing Steel (rebar) has expanded causing concrete to pop off (spalling).
      2) Prestressed concrete stands have lost adhesion to concrete.
2. Building envelope not weather tight
   a) Allows water to enter the structure
   b) Window systems are failing
      1) At the end of their service life
   c) Causes wood to rot in walls framing windows and sliders
   d) Any paint/sealer is at the end of its lifespan

Shipyard Village Council of Co-Owners Meeting
July 19, 2008

Description of Problem – Structural Concrete Failing



1. Brief description of the building construction
   a) Cast in Place concrete columns and beams
      1) Concrete handles compression forces (pushing) well. Does not handle tension forces (pulling) well
      2) Reinforcing steel is added to handle tension forces
      3) Together the steel and concrete act together to hold up the building. It is important for the concrete and steel to be bonded together to transfer loads back and forth.
   b) Precast panels for floors and ceilings
      a) The panels have prestressed steel cables. During manufacturing, the cables are streched and the concrete is poured around them. Think stretching a rubber band and pouring concrete around them. Once the concrete hardens the ends of the cables are released and the cables pull the concrete together. This is why such a thin panel can be used.
2. Here is a picture of a precast panel at a balcony. The hairline crack indicates the steel cable is rusting. It is no longer bonded to the concrete. The cable is not properly supporting the thin layer of concrete. If nothing is done the panel will fail.

Shipyard Village Council of Co-Owners Meeting
July 19, 2008

Description of Problem – Structural Concrete Failing

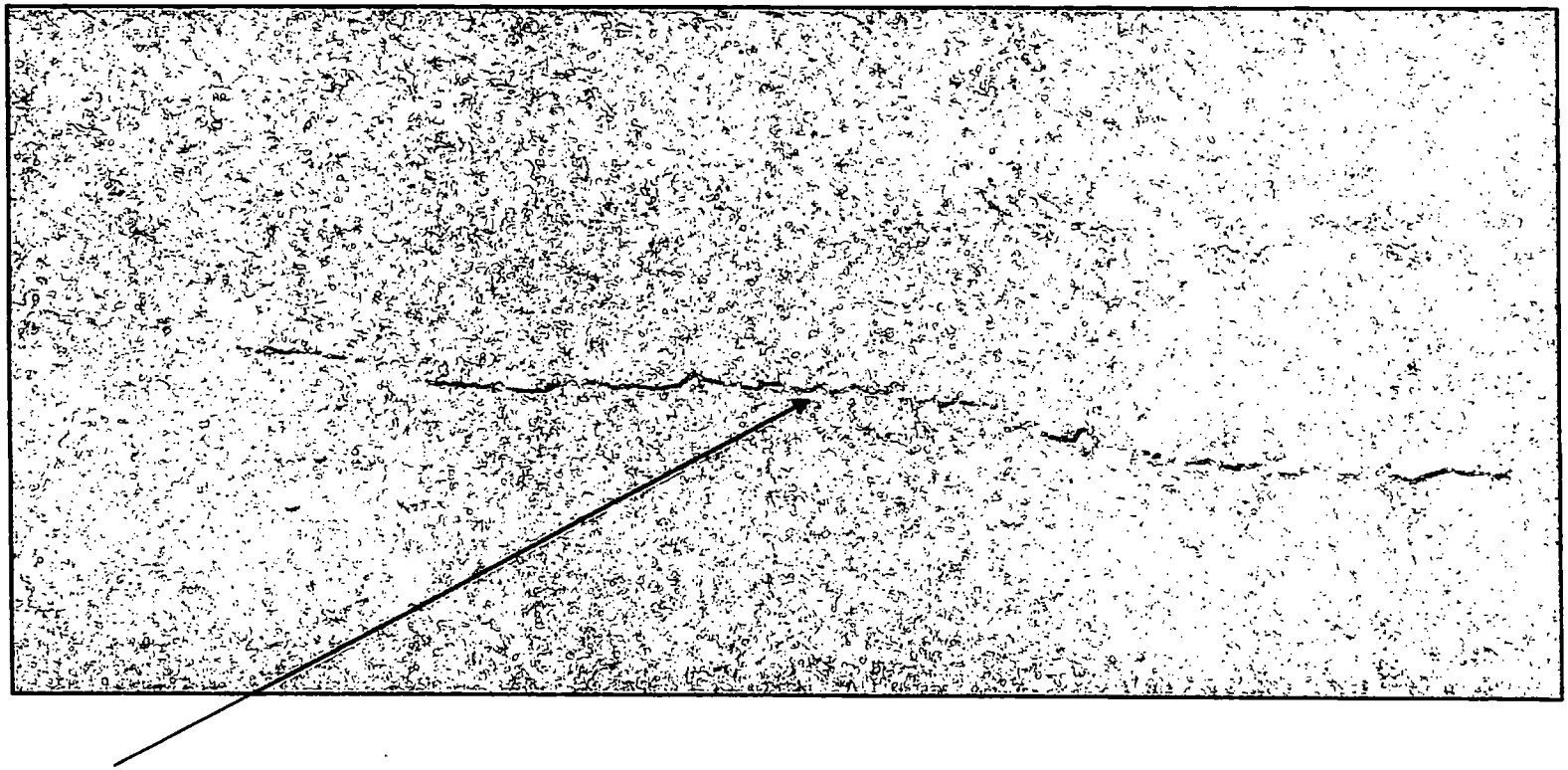


1. Here is a hairline crack in a beam in the walkway. It indicates the reinforcing steel is beginning to corrode.
    a) It is an example of the early stages of corrosion

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Structural Concrete Failing

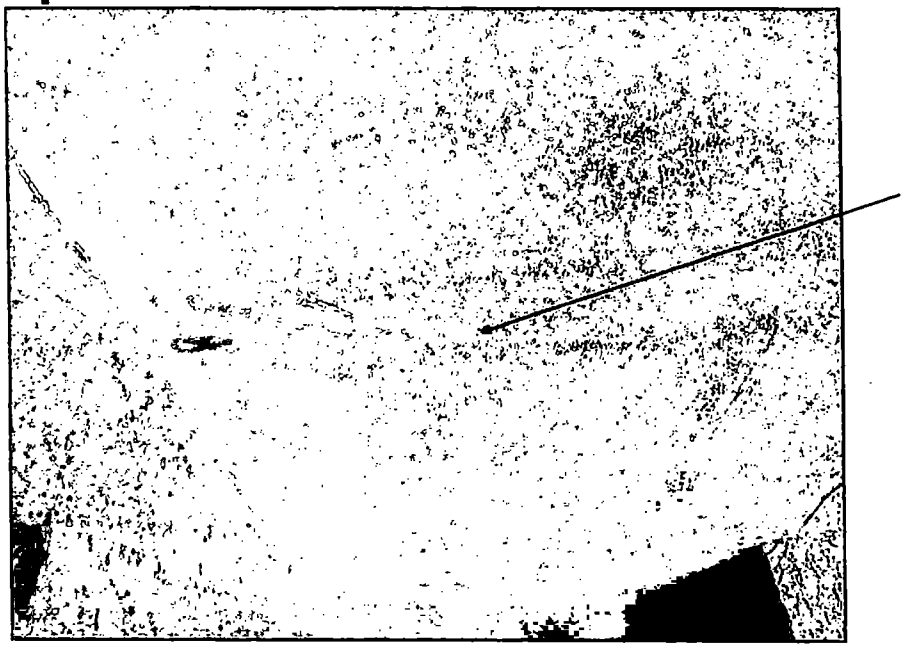


Hear is a close up shot of the hairline crack

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Structural Concrete Failing

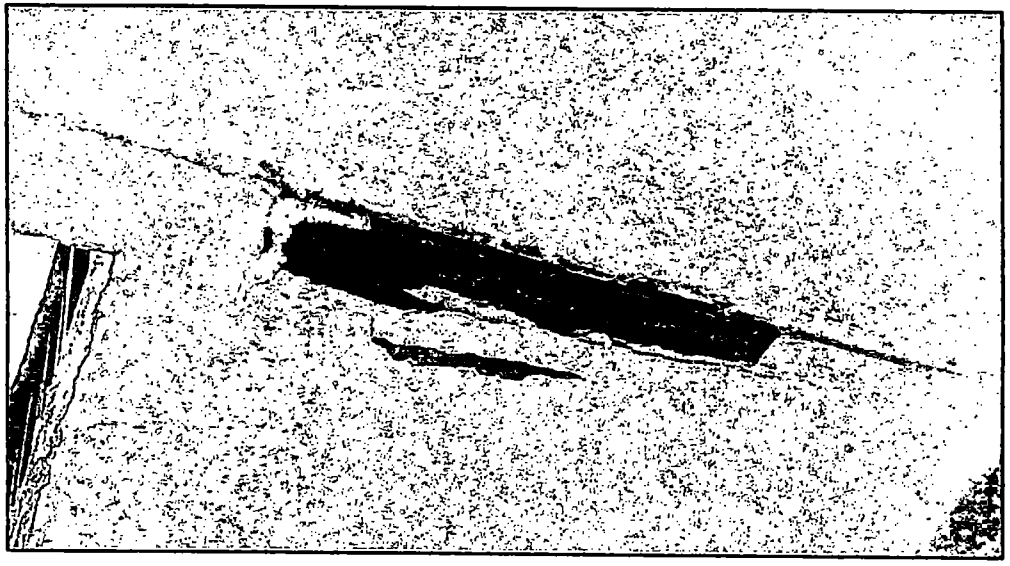


1. Here is an example of water in the slab.
   a) The steel has started corroding
   b) The stucco has started to fall off

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Structural Concrete Failing

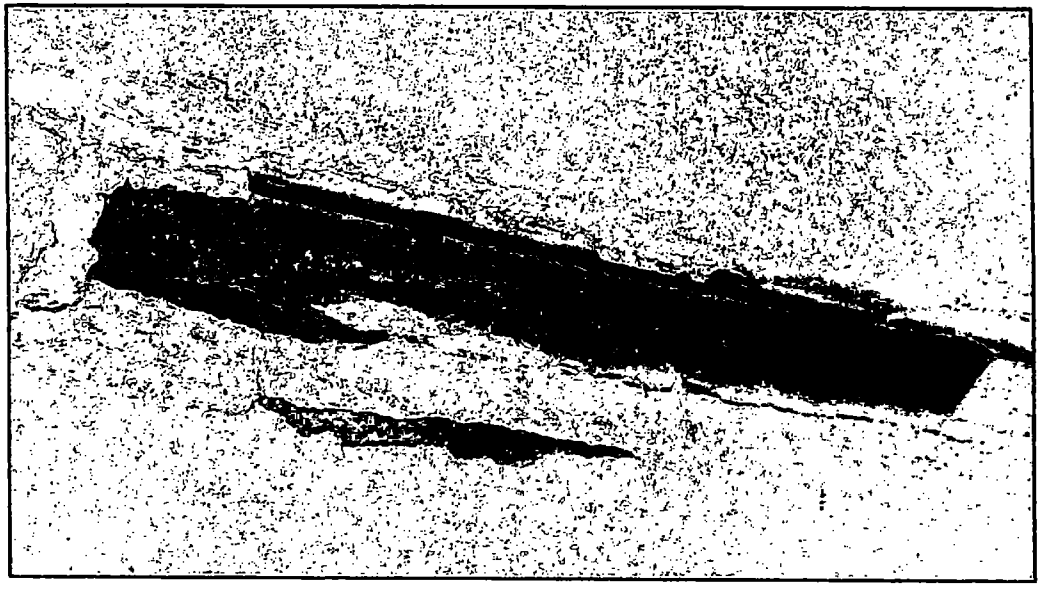


1. Here is a picture of a concrete beam corroding. It shows what happens when the corrosion becomes more severe
   a) The rebar expands and the concrete starts to pop off (spalling)
   b) Chunks of concreted falling off building is a hazard/liability/risk for the HOA

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Structural Concrete Failing



1 Here is a close up of the corrosion

2 Notice how the corrosion started in the center of the picture and is now expanding to the sides

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Structural Concrete Failing



1. Here is another example. The reinforcing steel has started corroding. It has swelled and the concrete is spalling.

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Structural Concrete Failing



1 Here is another example. Notice how the rust has made the rebar much thicker.

Shipyard Village Council of Co-Owners Meeting
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Description of Problem – Structural Concrete Failing

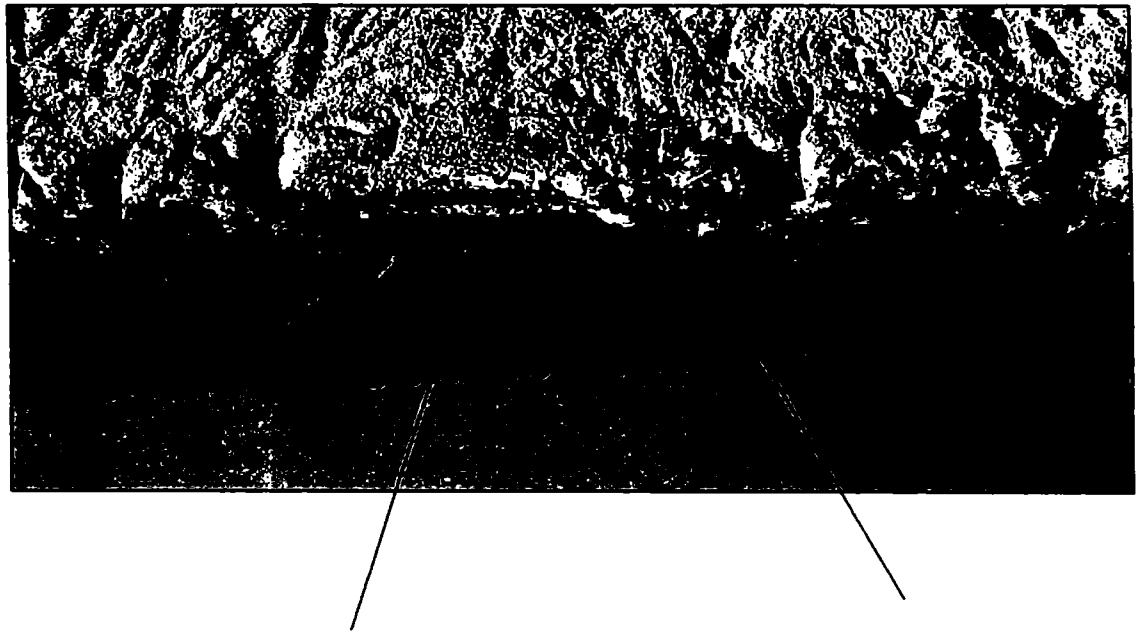


1. Here is a picture taken during the engineering investigation of the A building first floor.
    a) The worker is removing the concrete to determine the extent of the corrosion
    b) This is very similar to what will be done during the repair. The contractor will expose all the corroded rebar and remove spalled concrete until they reach sound concrete.

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Structural Concrete Failing

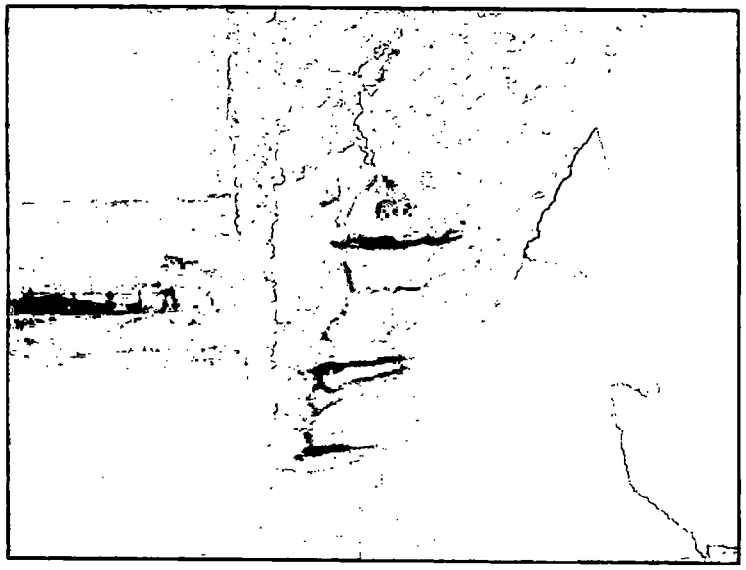


1. Here is a picture of where someone has tried to patch the stucco.
    a) This is purely cosmetic. Remember, the steel and the concrete must be bonded together to transfer compressive and tensile forces. The patch does not structurally bond to the concrete or to the steel. This patch makes the area look pretty but it doesn't stop the corrosion or fix the structure.

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Structural Concrete Failing



1. Here is a picture taken from the parking structure looking up at the first floor of building A (Ocean Front).
    a) Originally the rebar saddles corroded and spalled the concrete. Now the long pieces of rebar are corroding causing the concrete to pop off down the length of the beam.

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Structural Concrete Failing

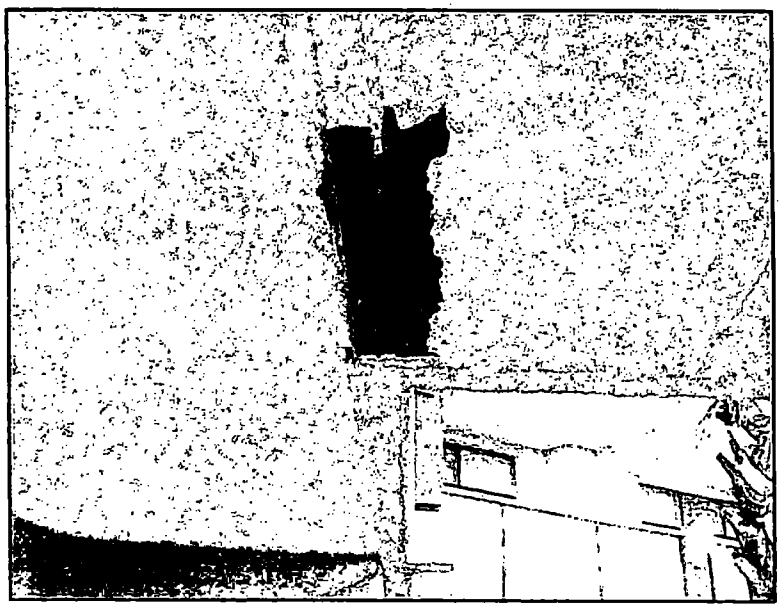


1. Here is a rusty prestressed cable in a floor panel.
   a) Where there is rust, the cable is no longer bonded to the concrete.
   b) Notice how the worker is measuring the diameter of the cable. If the cable is so rusted that it will no longer support the load, then we will have to add additional steel reinforcing. This condition exists and we have a structural fix specified in the contract

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Structural Concrete Failing



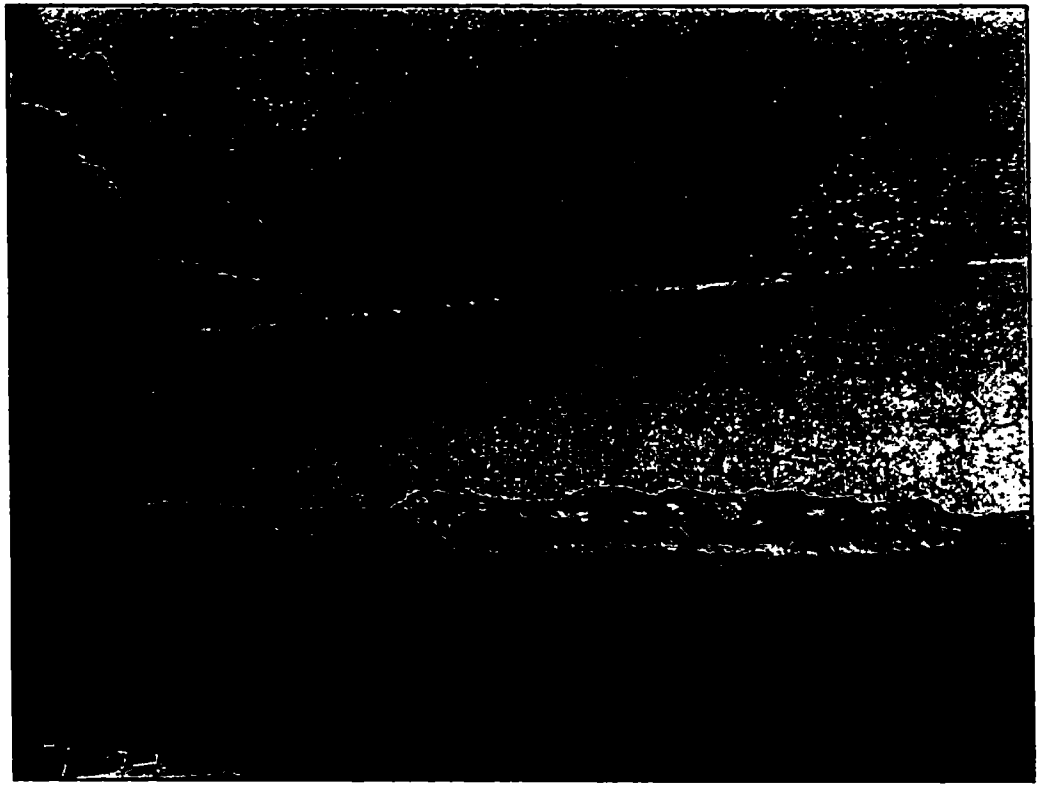
Here is a picture of the beam on a walkway corroding

1. Here is a picture of the beam on a walkway corroding

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Structural Concrete Failing



Here is a picture of a beam and a precast panel corroding in a walkway

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Structural Concrete Failing



Here is a picture of a beam and panel failing at the walkway

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July 19, 2008

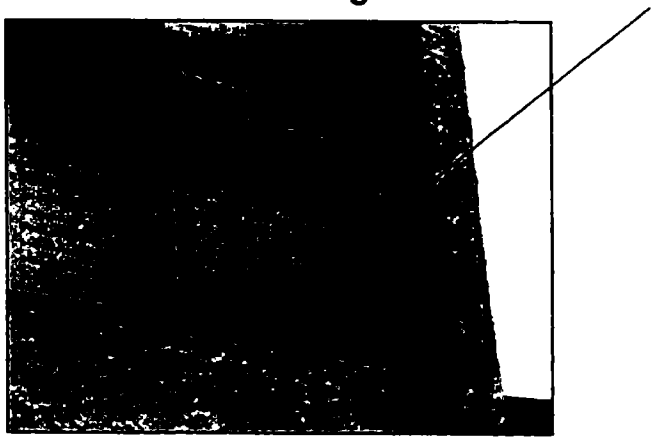
Description of Problem – Structural Concrete Failing



Picture of corrosion at connector at building A

Shipyard Village Council of Co-Owners Meeting
July 19, 2008

Description of Problem – Building Envelope Not Weather Tight

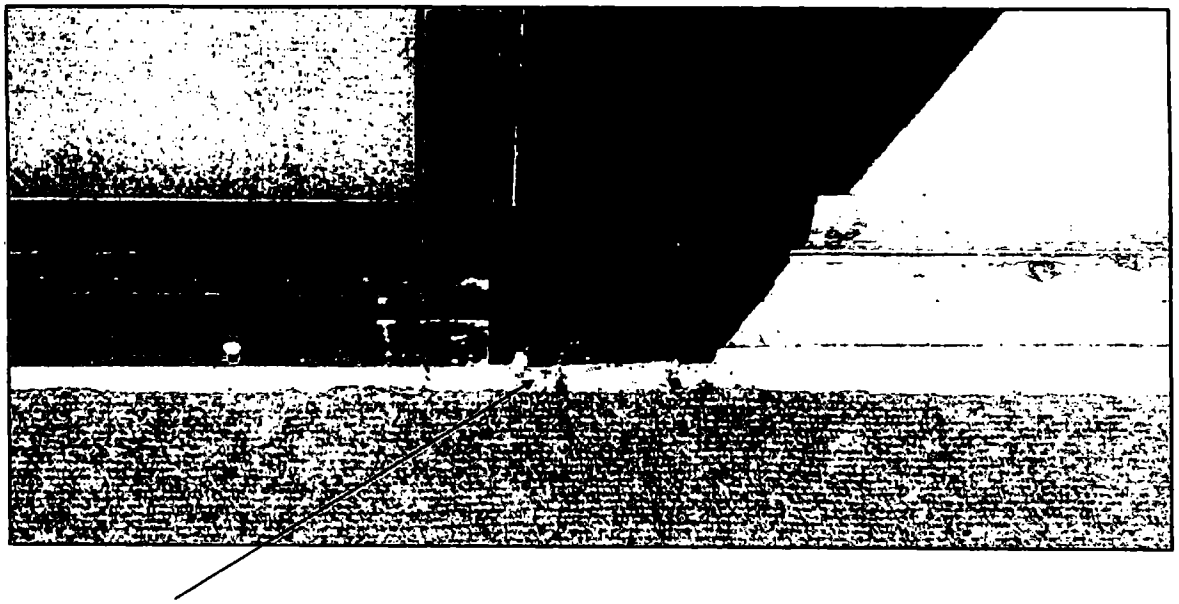


1. We discussed how the structure was put together, now we need to discuss the building envelope.
    a) A large percentage of the building shell is glass. Either windows or sliding glass doors.
    b) The windows and doors are supported by wood framing.
    c) The structure is covered in stucco or EIFS (on the end of the buildings)
2. Water has penetrated the envelope of the building. The window systems are the main source of water intrusion.
3. The leaks have allowed water to enter the walls which is causing the wood framing to rot. Note: in the contract, the wood walls are being replaced with metal stud walls.
4. If also has allowed water to get into the concrete which is causing the corrosion.
5. The picture is from a bedroom window unit. Note the moisture in the stucco.

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Building Envelope Not Weather Tight



1 This is a picture looking at the base of a slider (from the patio side.)

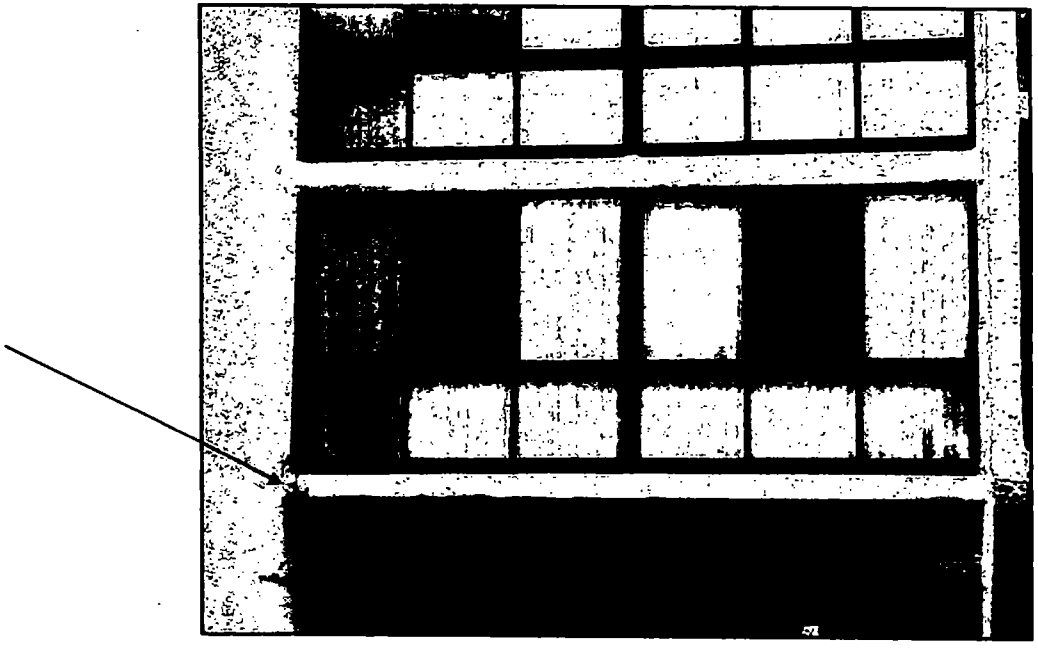
2 Moisture is entering the slider unit and showing up at the bottom.

3 The water is entering the concrete and leaking into the unit below.

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Building Envelope Not Weather Tight

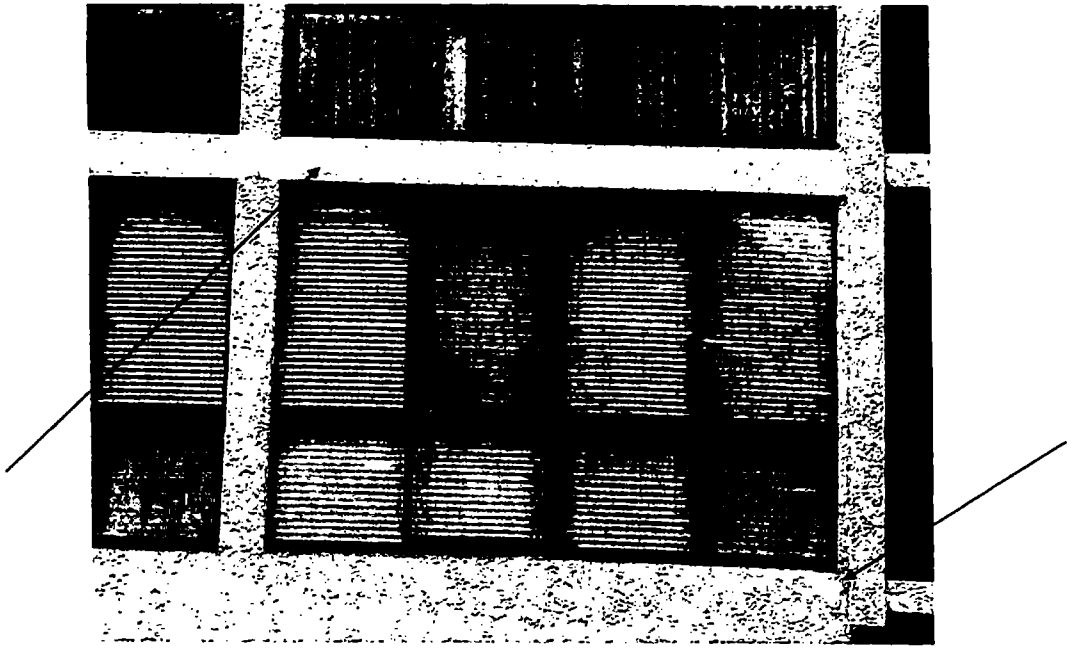


1. Here is a picture of a bedroom window. Notice the dark spots indicating moisture.

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Building Envelope Not Weather Tight

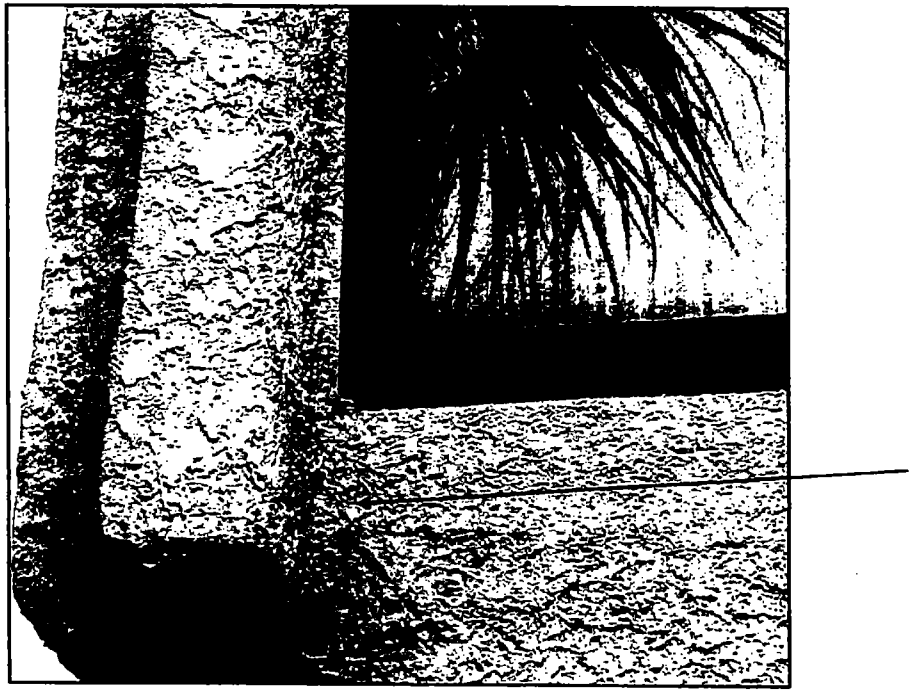


1. More evidence of moisture in the stucco at a bedroom window in building A.
2. Water enters thru the window system. It goes into the structure at the bottom and sides. Here you see dark spots at the bottom and corner of the window systems. Moisture that is in the walls and panels is seeping out at the dark spots.

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Building Envelope Not Weather Tight



1. Moisture at the corner of a window unit.

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Building Envelope Not Weather Tight

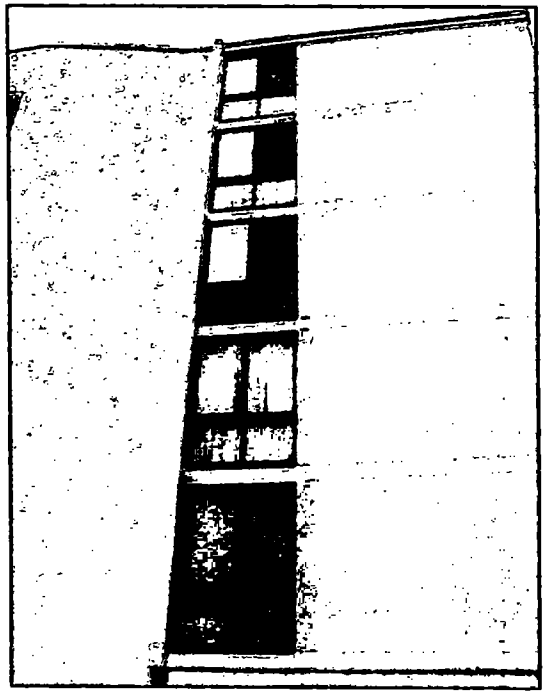


1. Moisture in the precast panel below the bedroom windows.

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Building Envelope Not Weather Tight



1. Moisture in the EIFS at the end of the building

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Building Envelope Not Weather Tight



1. Close-up of the moisture in the EIFS at the end of the building

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Building Envelope Not Weather Tight



1. Picture taken from inside the living room of a unit at the sliding glass door.
2. There are not many pictures of this condition in the presentation, but many Owners have experienced this problem. Some have installed a tile border at the windows/door to keep moisture away from the carpet.

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Description of Problem – Building Envelope Not Weather Tight



1. Picture from inside the unit showing seal failure of leaking window system.

Shipyard Village Council of Co-Owners Meeting
July 19, 2008

Project Scope of Work

HICAPS

1. Now that the problem has been reviewed, let's move to the design solution.

2. There are two components:
   a) Making the buildings structurally sound
   b) And making the buildings weather tight.

3. We will also discuss the railing system replacement

Shipyard Village Council of Co-Owners Meeting
July 19, 2008

Project Scope of Work: Structural Repairs

- **Remove all spalling back to sound concrete**
- **Remove all corrosion from reinforcing steel**
- **Repair/replace any reinforcing steel that is so corroded that the structural integrity is compromised**
- **Install cathodic protection system for reinforcing steel**
- **Patch concrete with structural grout system**

HICAPS

1. The fist area to be addressed is the structural repairs. We will:
   a) Remove all spalling back to sound concrete
      1) Any loose concrete, or concrete that has lost its bond with the reinforcing steel will be removed. Remember the picture of the Worker doing the investigation.
   b) Remove all corrosion from reinforcing steel
      1) This involves sandblasting the steel to remove rust
   c) Repair any reinforcing steel that is so corroded that the structural integrity is compromised
      1) The diameter of the cleaned rebar will be measured. When the diameter is too small, additional reinforcing steel is added
   d) Install cathodic protection system for reinforcing steel
      1) Details for the cathodic protection system will be provided on the next page
   e) Patch concrete with structural grout system
      1) This is not a cosmetic patch
      2) The structural grout is injected into the form. It will bond with the steel and the concrete. It will transfer loads between the steel and the concrete

Shipyard Village Council of Co-Owners Meeting
July 19, 2008

Project Scope of Work: Structural Repairs

- **Remove all spalling back to sound concrete**
- **Remove all corrosion from reinforcing steel**
- **Repair/replace any reinforcing steel that is so corroded that the structural integrity is compromised**
- **Install cathodic protection system for reinforcing steel**
- **Patch concrete with structural grout system**

HICAPS

1. A cathodic protection system drastically slows down the rusting of reinforcing steel in concrete suffering from salt intrusion. Remember, the salt in the concrete cannot be removed, it must be managed.
2. In the rusting process, electrons in the steel migrate to the iron oxide (rust). A cathodic protection system sets up a counter current.
   a) Sacrificial anodes are attached to the steel. This sets up a week current to counteract the oxidation. The anodes (made out of zinc) corrode instead of the steel.
   b) The cathodic protection system protects the steel for a long period of time (It comes with a 25-year warranty).
   c) The cathodic protection protects steel that is physically connected to an anode. So the protection isn't just around the anode but travels down the steel. Over 5,000 anodes will be installed in the project.
3. Cathodic Protection Systems are now quite common for structures in coastal environments or in areas where there is heavy salt (for example, in the northeastern part of the US where salt is used on the roads in the winter.)

Shipyard Village Council of Co-Owners Meeting
July 19, 2008

Project Scope of Work: Make the Building Envelope Weather Tight

- **Replace windows and doors with windows/doors that meet current standards for hurricanes**
- **Replace exterior wood walls with metal framed walls structurally designed to support the windows and walls**
- **Replace/repair the building stucco and EIFS**
- **Recoat the exterior of the building**

HICAPS

1. The next part of the work will be to make the building weather tight
   a) Replace windows and doors with windows/doors that meet current standards for hurricanes
      1) The windows/doors will be designed to modern standards for wind and projectiles
   b) Replace exterior wood walls with metal framed walls structurally designed to support the windows and walls
      1) The Structural Engineer has selected the shapes, thickness of metal and connections to ensure the walls will support the windows and doors
   c) Replace/repair the building stucco and EIFS at the window/door openings
   d) Recoat the exterior of the building
      1) A system will be used similar to that which was used on buildings C and D.
      2) All horizontal and vertical surfaces will be coated. Including walkways and ceilings.

Shipyard Village Council of Co-Owners Meeting
July 19, 2008

Project Scope of Work

Replace Exterior Railing

- **Replace exterior railing with railing that meets current building code safety standards**

HICAPS

1. The project calls for the railings to be replaced.
   a) The railings have to be removed to make the structural repairs, to install the windows and doors and to coat the building.
   b) The current railings do not meet current safety standards under the international building code.

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Project Status

HICAPS

Shipyard Village Council of Co-Owners Meeting
July 19, 2008

Project Status

- **Design is Complete**
- **Bids have been Solicited and Received**
- **Contractor Selected (Procon – Successful Bidder)**
- **Waiting to award contract**

HICAPS

1. We have a design.
    a) Thorough site investigation has been done.
    b) A comprehensive repair plan has been developed
    c) Plans and specifications have been developed that show quantities and specific work required.
2. The project has been bid to highly-qualified contractors.
    1. They have reviewed the plans and specs and have walked the site.
    2. They provided a fixed price to do the work called for.
3. A contractor has been selected by the Board (Procon)
4. Waiting to award (need to have funding in place).

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Proposed Schedule

HICAPS

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Proposed Schedule

Activity	Date
Bids Due	Received
Review of Bids	Complete
Board Selection of Contractor	Complete
HOA Informational Meeting	July 19, 2008
Special Member's Meeting (vote)	August 18, 2008
Award Contract	September 1, 2008
Submittals / Window Fabrication	September 2008 – November 2008
Home Owners Move Out of Buildings	November 30, 2008
Begin Construction	December 1, 2008
Project Complete	September 30, 2009
Turnover to HOA	October 1, 2009

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Budget Review

HICAPS

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Previous design cost	**$**	**216,662**
Current Design Fees	**$**	**242,437**
Construction Cost Estimate	**$**	**10,664,442**
Project Management Fees (4.7%)	**$**	**645,080**
Testing Fees (Window Systems)	**$**	**25,000**
Contingency (12.6%)	**$**	**1,706,379**
Total	**$**	**13,500,000**

Most items are self-explanatory.

One unusual item: Testing Fees. We will have an independent testing lab conducting negative pressure tests to ensure the envelope is weather tight. The lab will set up a partial vacuum on the inside of a sample of the window and door systems. They will then spray water on the outside and try to draw it through the window and connecting wall. It is the best way to test to ensure the installation of the window system, caulking and flashing is done correctly.

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Project Expectations

HICAPS

Shipyard Village Council of Co-Owners Meeting
July 19, 2008

Project Expectations

- Structurally Sound Building
- Weather-tight Building Envelope
  - New window units – will meet hurricane and energy standards
  - Failing walls replaced
  - Building recoated and certified
- Rails Replaced (Replacement rails will meet IBC standard)

Structurally Sound and Weather Tight: This is the key to any repair. In any project (new construction, renovation, repair) you need to have a framework that will not fall down and a building shell that is water tight. It does not make sense to make a building weather tight is the structure is failing. It also does not make sense to fix a structure and then allow water to enter the walls and start attacking the structure. Any plan has to be evaluated by the following standard:

1. Is the building now structurally sound.
2. Is the building now weather tight

The proposed plan meets this standard

Shipyard Village Council of Co-Owners Meeting
July 19, 2008

Project Expectations: When units are turned over to the Contractor

- Remove all personal effects from unit
- Remove all non furniture items from work areas
  - Remove from unit or place in room not receiving repairs (Contractor will provide lock for door to room)
  - Remove window treatments.
- Furniture will be moved and protected by Contractor

1. The Owner should remove all personal items from the unit.
2. Non-furniture items can be placed in the room not receiving any work. The contractor will provide a lock for the door to that room.
3. Please take down window treatments.
4. The furniture will be moved by the Contractor. He is responsible for protecting it.

Shipyard Village Council of Co-Owners Meeting

July 19, 2008

Project Expectations: When units are returned to the Owner

- Interior of Units ready for minor renovation around windows
  - Walls around openings rebuilt and prime painted
  - Damage to ceiling's popcorn finish completely repaired
  - Carpet pulled away from windows (but not reattached)
  - Any tile and wood floor around windows removed to install systems but not repaired

1. After the work is complete the unit will be turned over to the Owners ready for minor renovation. The new metal stud walls will have finished sheetrock which will be prime painted.
2. Any damage to the ceilings will be completely repaired.
3. Carpet that was pulled away from the windows / doors will be laid back down but not reattached.
4. Any tile and wood floors around the windows / doors will be removed to do the repair work but the tile/wood floors will not be replaced.

SKA CONSULTING ENGINEERS

Sutton-Kennerly & Associates, Inc.
300 Pomona Drive
Greensboro, NC 27407-1620

Telephone: (336) 855 0993
Fax: (336) 855 6066
www.suttonkennerly.com

March 27, 2009

Board of Directors of the Shipyard Village Council of Co-Owners
c/o: K. A. Diehl & Associates, Inc.; Managing Agent
P. O. Box 2537
11740 Hwy 17S Bypass
Murrells Inlet, South Carolina 29576

Attention: Ms. Vicki Gallagher, CMCA, AMS (vicki.gallagher@kadiehl.com)
Vice President
K. A. Diehl & Associates, Inc.

Reference: **Safety Concerns at Building A and Building B**
Shipyard Village Condominiums at Litchfield by the Sea
Pawley's Island, South Carolina
SKA Job No. 080489.2

Dear Ms. Gallagher:

During the course of a recent walking and binocular survey of exterior components at Shipyard Village Building A and Building B, Sutton-Kennerly & Associates, Inc. (SKA) observed three potential safety conditions that we are compelled to bring to the attention of the Board of Directors at Shipyard Village Condominiums. The conditions are as follows:

1. Reduction in capacity of a number of structural concrete components:

   A number of structural prestressed concrete hollow core slab components and reinforced concrete beam elements both at walkways and balconies are exhibiting significant deterioration from corrosion of embedded steel. This has manifested as cracking and spalling parallel to slab reinforcing steel and apparent reduction in a cross-sectional area of portions of the embedded steel resulting in a reduction in structural capacity. The reduced structural capacity potentially could be below that required to resist full factored code applied loads. At several locations, the distress at hollow core slabs occurs in several adjacent strands and/or along adjacent strands, leading to significant reduction in structural capacity. Several reinforced concrete beams are exhibiting distress at areas of structural concern. Walkway beams connecting cantilever beams outside units at Stack 4 and Stack 5 are apparently doweled into the cantilever beams. Observed distress is sufficient to question the integrity of these areas. Previous repairs potentially covering significant distress were observed at some reinforced beam and prestressed hollow core elements. SKA recommends that the areas shown in Figure 1 and Figure 2 be shored to retain adequate structural capacity and provide safe occupancy conditions. A description of locations is provided in Table 1. Note that the areas identified are those that need shored. Depending on design of shoring, multiple levels below that indicated might require support as well. Several components noted in Table 1 can either be further inspected after loose concrete is removed and small test pits are made to observe conditions per Recommendation #2 below, or can alternatively be shored as a precautionary measure. Each of the general areas is described below:

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Vice President
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Table 1. Shoring Locations

Building	ID	Location
A	A-1	Walkway cantilever beam free end Levels 1-5
	A-2	Walkway cantilever beam free end/ hanging beam interface Levels 1-5
	A-3	Walkway cantilever beam free end/ hanging beam interface Levels 1-5
	A-4	Balcony floor panel at A14
	A-5	Balcony floor panel at A24
	A-6	Balcony floor panel at A44
	A-7	Cantilever beam supporting balcony A45
	A-8	Cantilever beam supporting balcony A55
	A-9	Beam under unit A11 (Possible; to review after small test pit)
	A-10	Balcony floor panel at A16 (Possible; to review after small test pit)
	A-11	Balcony floor panel at A15 (Possible; to review after small test pit)
B	B-1	Walkway cantilever beam free end Levels 1-5
	B-2	Walkway cantilever beam free end/ hanging beam interface Levels 1-5
	B-3	Walkway cantilever beam free end/ hanging beam interface Levels 1-5
	B-4	Walkway panel Level 2 (Possible; to review after small test pit)
	B-5	Walkway panel Level 2 (Possible; to review after small test pit)
	B-6	Walkway panel Level 5
	B-7	Balcony floor panel at B11
	B-8	Cantilever beam supporting balcony B34
	B-9	Balcony floor panel at B34
	B-10	Balcony floor panel at B25

2. Falling hazards from distress at concrete components:

Delaminated and displaced stucco and concrete from corrosion of the reinforcing steel presents a safety hazard due to the potential for falling objects. Various prestressed hollow core slabs, reinforced concrete beams and other components have 'impending spalls'. 'Impending spall' is a term used to describe cracked or delaminated concrete or stucco that could potentially separate and fall in the near future and injure an occupant below. In addition to the safety concerns, impending spalls can increase the rate of deterioration due to accumulation of water. Impending spalls are easily identified through visual inspection for large connected or close cracks and by tapping the surface and listening for hollow sounds. After a hollow sound is heard or an area with significant visual distress is observed, the surface can be struck with medium to high force with a typical brick hammer to remove loose components. Care should be taken to ensure that passersby are not harmed during the process. Concrete removed in this manner offers no significant structural benefit. SKA recommends that all loose concrete and stucco be removed in the manner described above. After concrete is removed, additional areas might be identified as deficient and could require shoring. Subsequent to removal, shoring recommendations and the site should be reviewed to determine if additional shoring is needed. Areas observed on site with loose concrete or stucco included, but are not necessarily limited to cantilever beams, hollow core panels, light post bases and balcony edge beams.

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3. Loose railings:

SKA did not conduct a comprehensive review of railings at all balconies, but did observe several balconies from within the unit and noted that some railing connections were deficient as a result of deficient grout pockets. Specifically, we observed several rail post pockets that were partially filled with grout and others that had cracked or otherwise distressed grout. Some railings could be easily shifted with minimal to medium hand force. This indicates a reduced safe railing load and can compromise safety. SKA recommends that all balcony and walkway railing base connections be inspected to identify deficient connections. SKA recommends that the conditions be corrected to provide adequate railing support. As a minimum, all grout pockets that are not filled with grout to the top of the floor slab should be filled with an appropriate grout material. Additionally, all loose or otherwise distressed grout should be removed and replaced with an appropriate grout material to the top of the floor slab. Additional safety concerns may be uncovered during the removal of loose concrete at the railing bases as part of Recommendation #2 above. This could require additional temporary safety measures.

Please let us know if we may provide additional information.

Sincerely,

SUTTON-KENNERLY & ASSOCIATES, INC.

Stephen P. Robinson, P.E.
Building Investigation and Diagnostic Dept.

Charles L. Ernest Jr., P.E.
Building Investigation and Diagnostic Dept.

cc: SKA –cle, dgt, thn, spr, file

3. Loose railings:

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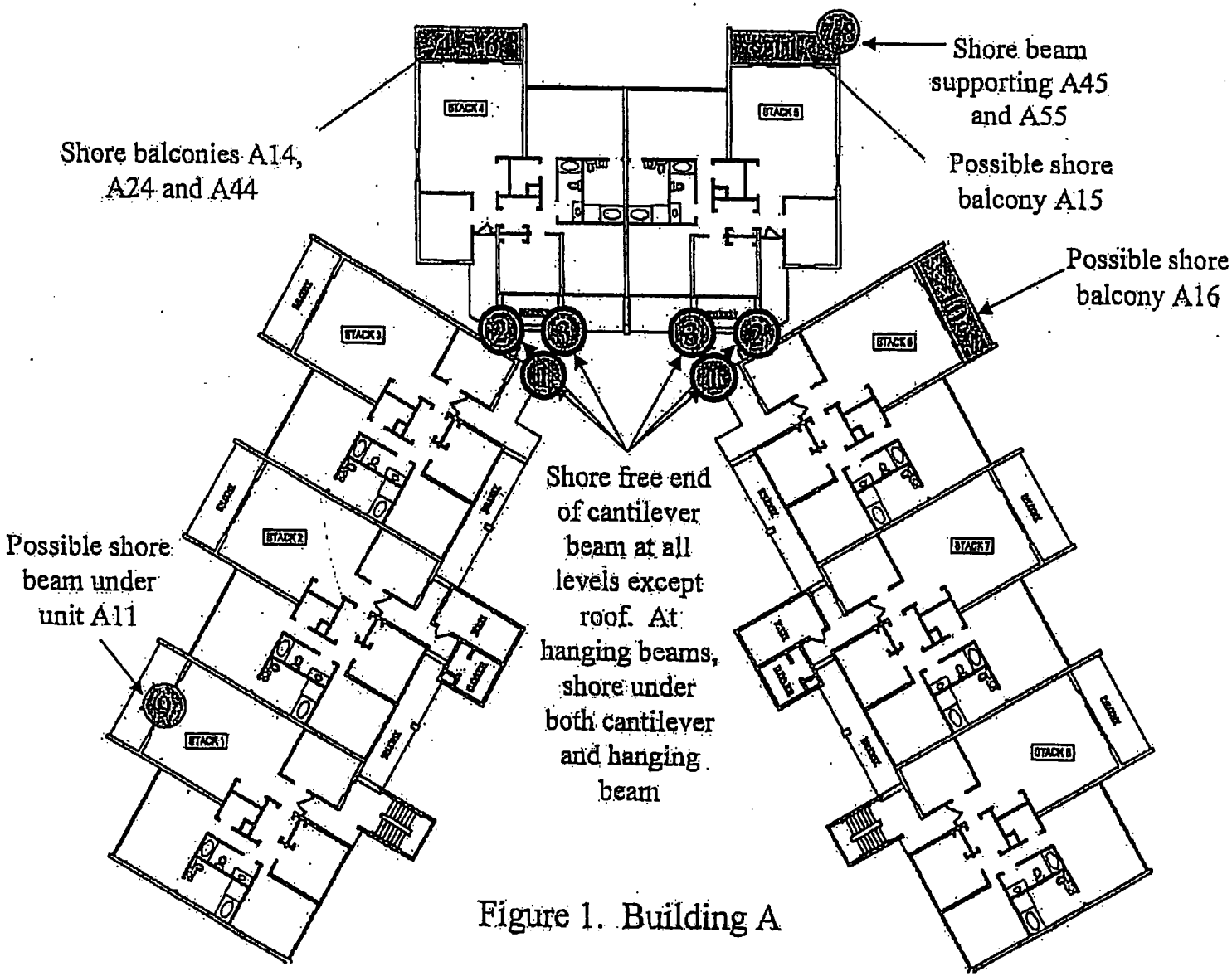


Figure 1. Building A

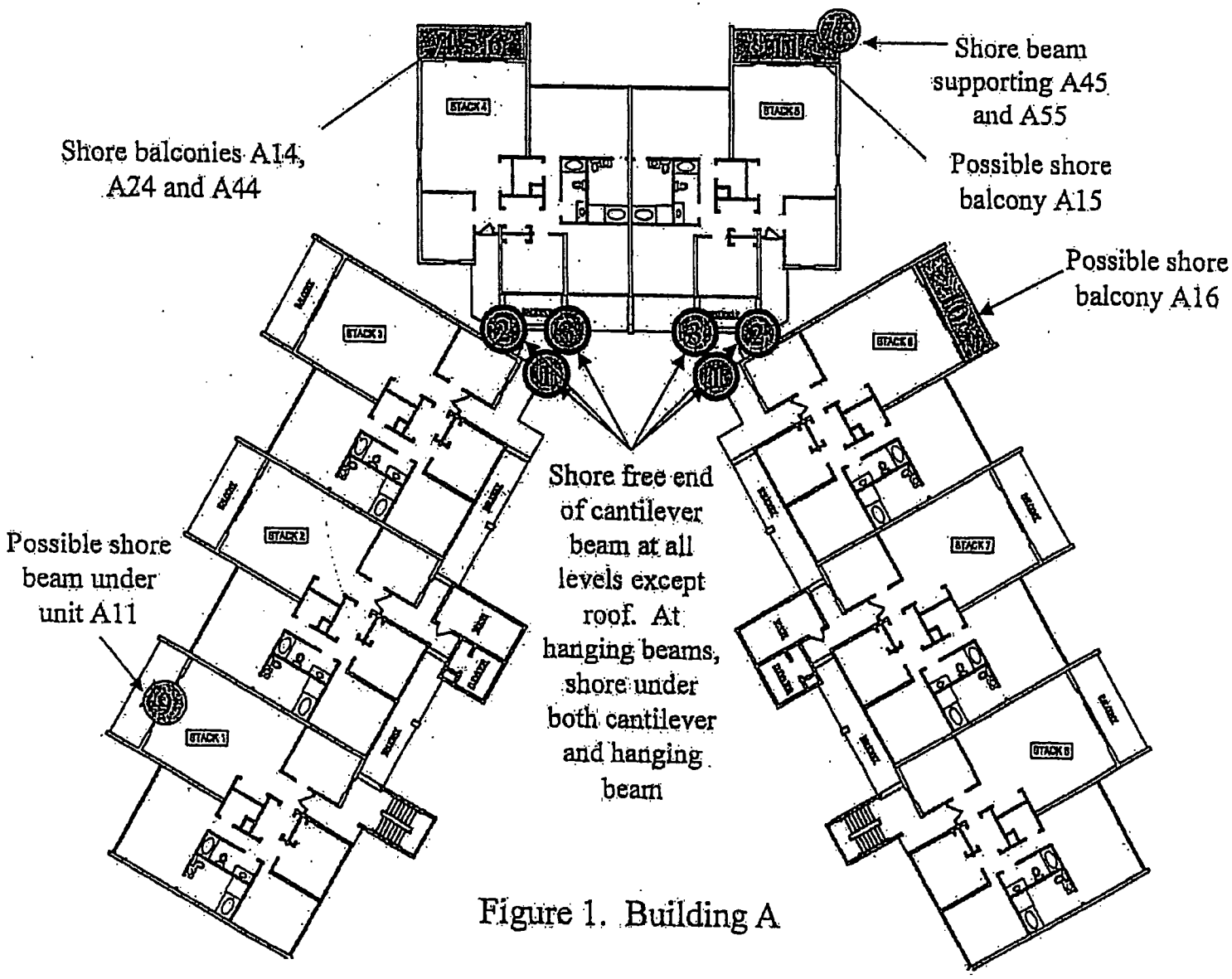


Figure 1. Building A

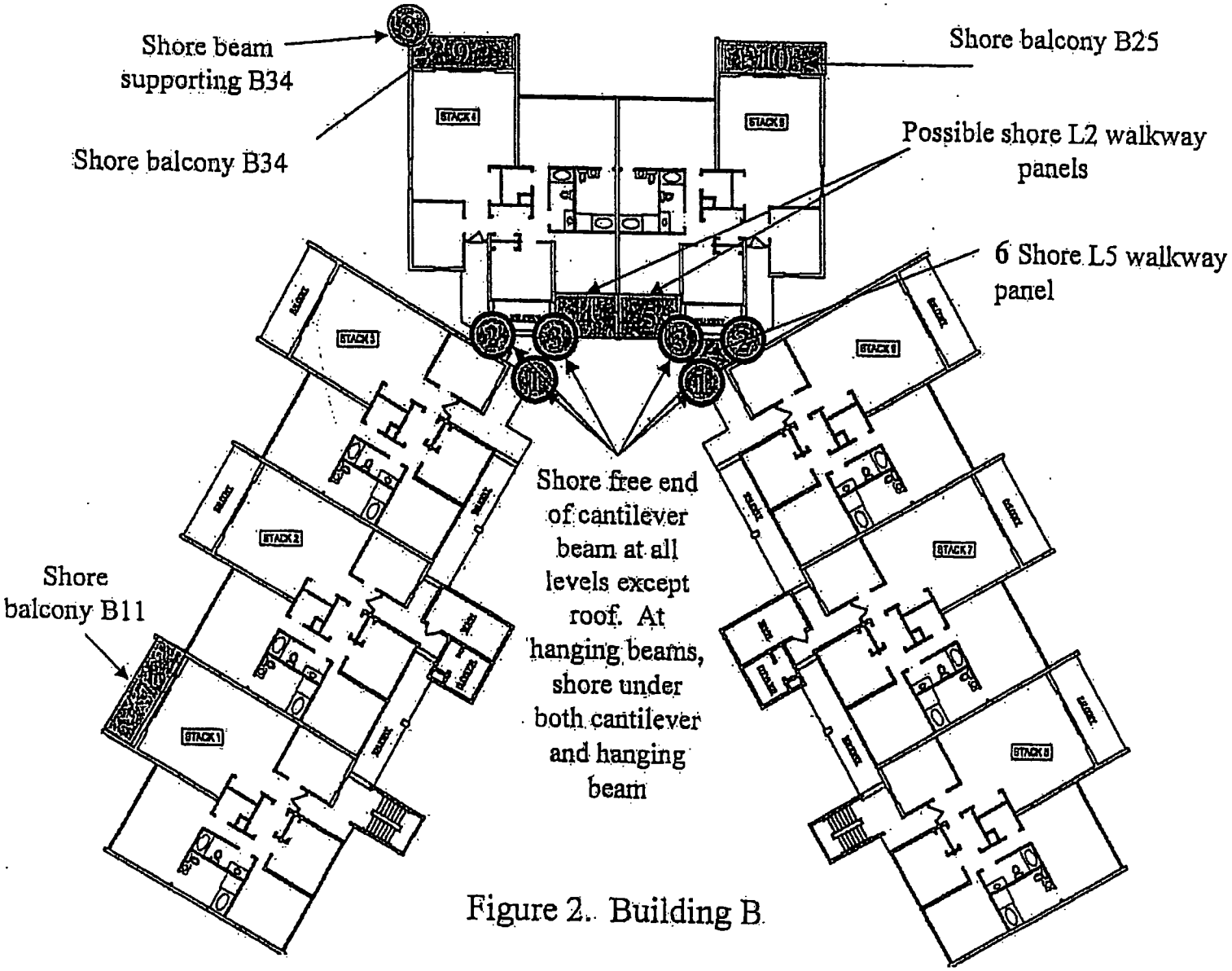


Figure 2.. Building B

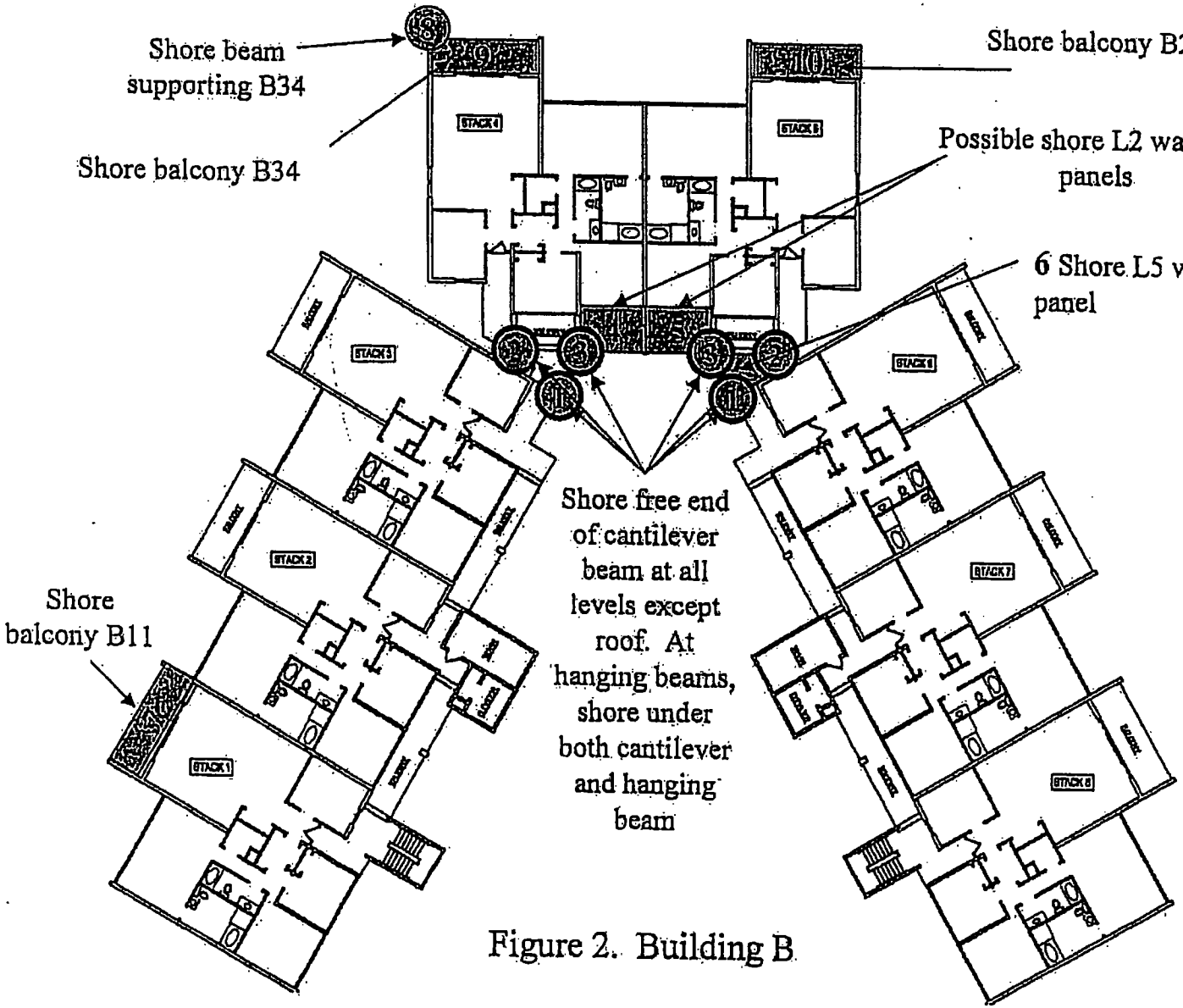


Figure 2. Building B

SHIPYARD VILLAGE

Council of Co-Owners, Inc.

SPECIAL MEMBERS' MEETING

AUGUST 1, 2009

AGENDA

I. CALL TO ORDER

II. INTRODUCTION

III. OPENING STATEMENTS

- A. VERIFICATION OF QUORUM
- B. PROOF OF NOTICE

IV. BUILDINGS A & B REPAIR METHODOLOGY

- A. QUESTIONS AND ANSWERS SESSION

V. BOARD OF DIRECTORS

- A. QUESTIONS AND ANSWERS SESSION

VI. VOTE ON PROPOSED SPECIAL ASSESSMENT

VII. ADJOURNMENT



YES	44.26125%
NO	43.2486 %
TOTAL	91.012

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Shipyard Village - Litchfield by the Sea
Pawley's Island, South Carolina
Phase 1 (Building B): September 2009 to May 2010
Phase 2 (Building A): September 2010 to May 2011
Opinion of Construction Costs

	Cost
Replace or Protect Slabs and Beams(includes replacement/arc spraying of roof panels, roofing replacement at new roof panels, arc spraying of panels to remain, partial replacement of floor panels replaced)	$1,865,520
New Windows and Doors (includes replacement of all windows and sliding doors)	$2,459,000
Wall Systems (includes new balcony walls)	$156,000
Stucco and Flashings (includes EIFS on balcony walls and misc bands and repairs)	$100,000
Waterproofing and Coatings (includes balcony, walkway, and exterior walls)	$497,000
New Handrails (includes replacement of all rails)	$352,500
Other Concrete Repairs (includes replacement of slab edges and miscellaneous spall repairs)	$379,000
Interior Finishes and Temporary Walls(includes demising walls and interior finishes)	$326,000
Miscellaneous Repairs	$82,500
General Conditions (includes mobilizations, scaffolding, superintendent, site facilities, dumpsters, port-a-johns, etc.)	$1,365,000
Overhead and Profit (~10%)	$758,252
Construction Subtotal:	**$8,340,772**
Engineering: Design Fees	$131,000
Engineering: Contract Admin. Fees	$415,000
Engineering + Construction Subtotal:	**$8,886,772**
Contingency (15% of Construction Subtotal)	$1,251,116
Reimbursement to Reserves for Repair Investigation Expenses	$628,726
Shoring expense	$146,722
KA Diehl & Associates	$30,000
Total	**$10,943,336**

SHIPYARD VILLAGE

Council of Co-Owners, Inc.



January 26, 2010

Dear Shipyard Village Unit Owner:

The Shipyard Village Board of Directors sends greetings and best wishes for the New Year. The turning of the calendar also presents your Board with an opportunity to continue its long-standing commitment to keeping you well informed as to developments within our community which directly impact you.

First, as your Board previously reported in the February 26, 2009 Notice of Special Members Meeting, four (4) owners of units in the C and D Buildings, purporting to speak on behalf of "all persons situated who own units in Buildings C and D", filed a lawsuit (Case 1) in January 2009 challenging the Association's 2006 amendment of the Master Deed. You will recall the 2006 amendment amended the Master Deed to provide that the maintenance and repair responsibility for windows, sliding glass doors, and their components would be the responsibility of the Association as opposed to individual unit owners. You will further recall that in the face of that challenge to the 2006 amendment, in July 2009 your Board proposed a special assessment to pay for the badly needed repairs of Buildings A and B as recommended by our engineers. At the Special Members meeting on August 1, 2009, the proposed special assessment did not pass. Faced with the prospect of two badly distressed, unsafe, and arguably uninhabitable buildings in our regime, your Board instructed the General Contractor to move forward with the repairs to be funded as a component of the 2010 and 2011 Operating Budgets. Monthly payments and prepayments were calculated such that only A and B owners bear the costs of door and window repairs.

In the interest of a prompt resolution of Case 1, the Association's counsel filed a motion for summary judgment requesting that the Court rule on the case at the pre-trial stage. Counsel for the Plaintiffs also requested summary judgment. At an October 29, 2009 hearing, the Judge declined to award either side summary judgment and the matter will now proceed to trial.

In the meantime, also in October 2009, these same Plaintiffs, again purporting to speak on behalf of all Building C and D owners, filed a second lawsuit (Case 2) against the Association alleging that the conditions of the A and B Buildings requiring repair are the fault of the Association. These Plaintiffs seek to recover from the Association "direct, consequential and punitive damages" allegedly suffered by these Plaintiffs as well as injunctive relief. Counsel for the Board filed an Answer to Case 2 raising a number of defenses and strictly denying any responsibility or legal liability for these Plaintiffs' claims.

The filing of this second lawsuit by these four owners is a profoundly disappointing development, especially in light of your Board's diligent efforts to hire qualified engineers and architects, set a course of remediation for

11740 Highway 17 Bypass South/Murrells Inlet/SC/29576
(843) 357-9888/(843) 357-9890 (fax)

We appreciate your continued support and trust you will contact any of us with questions.

Sincerely,

Board of Directors
Shipyard Village Council of Co-Owners, Inc.

cc: K. A. Diehl & Associates, Inc.
Managing Agent for Shipyard Village

11740 Highway 17 Bypass South/Murrells Inlet/SC/29576
(843) 357-9888/(843) 357-9890 (fax)

STATE OF SOUTH CAROLINA	)	IN THE COURT OF COMMON PLEAS
	)	FIFTEENTH JUDICIAL CIRCUIT
COUNTY OF GEORGETOWN	)	C/A NO. 2009-CP-22-01655
	)	
Richard Fisher, *et al.*,	)	
	)	
Plaintiffs,	)	
	)	
vs.	)	
	)	
Shipyard Village Council of Co-Owners, Inc.,	)	
	)	
Defendant.	)	
	)	

EXCERPTS FROM
DEPOSITION OF MICHAEL R. PARADES, PCAM
DATED APRIL 24, 2012

BY ATTORNEY HOWELL V. BELLAMY, III:

p. 242, lines 21-25

Q. Let me read something to you. And then after I read it to you, I'm going to ask you a question.

This is the – what I am referring to is Paragraph Number 2, and it's the second sentence

p. 243, lines 1-25

from the bottom. It says "Faced with the prospect of two badly distressed, unsafe and arguable uninhabitable buildings in our regime, your board instructed the general contractor to move forward with repairs to be funded as a component of the 2010 and 2011 operating budgets."

A. Uh-huh, yeah, that just confirms what we all know.

Q. And that's the board's definition as far as describing the building[s] sic.

p. 243, lines 1-25
(*Cont'd*)

A. There's no question. And I'm sorry, I guess I didn't realize what you were looking at. The description of the buildings ---

p. 243, lines 1-25
(*Cont'd*)

Q. My question is, the way the board has described the building[s] sic, that's their definition, is that evidence that the board, the past board, the current board or the past – as far as all boards, from the inception in 1982 to present date, have properly maintained and repaired Buildings A and B and set aside adequate reserves for future maintenance and repair?

MR. MILLS: Objection.

THE DEPONENT: It supports, –the condition of the buildings at the time this letter went out is just the result of the

p. 244, lines 1-25

fact that all of the boards, going back, were not putting enough money in reserves and implementing a long-term maintenance program and/or when given recommendations to hire design professionals and look at obvious problems of water intrusion into the buildings, they didn't do any of that; they just ignored it. They breached their fiduciary responsibility. And the ultimate result is the description of the buildings at the time this letter went out and the need to do the much more extensive repairs than would have been needed to be done back in the '94, '95 time frame.

BY MR. HOWELL BELLAMY:

Q. My next question is would you expect buildings to be in that state of disrepair

p. 244, lines 1-25

if they had properly – referring to A and B, if they had properly been maintained, repaired and looked after?

A. I would not expect them to be in that condition. They were not – they did not have a long-term maintenance plan that they were in a position to follow. They never developed a long-term maintenance plan, and they never funded

p. 245, lines 1-19

what monies would be needed to do a long term maintenance plan.

They ignored signs of water intrusion into the buildings which allowed the further deterioration of the buildings to ultimately wind up in the condition that is described here. And that started from the very first board all the way through in this approximate time frame.

Q. Mr. Parades, when was the first time that the Council of Co-Owners received proper advice as far as how to prepare a long-term maintenance plan?

A. As I recall, the Miller Dodson reserve study was done in late 2007, using 2008 as a base year, and that's the first time there's ever been – what I would consider a properly done reserve study by qualified professionals.

MR. HOWELL BELLAMY: Thank you. I have no further questions.

EXAMINATION

STATE OF SOUTH CAROLINA

COURT OF COMMON PLEAS

COUNTY OF GEORGETOWN

Richard A. Fisher, Platte B. Moring, Jr., Trustee of the Platte B. Moring, Jr. Living Trust dated March 13, 2001; Marianne Kochanski, and Jim H. Markley, III, Individually, and in a Representative Capacity on Behalf of All Persons Similarly Situated Who Own Units in Buildings C and D of the Shipyard Village Horizontal Property Regime; Robert A. Wright, Mary Beth C. Wright, H. Allen Wright, Joyce Y. Wright and Carolyn L. Wright; Carmen J. Savoca, Ann D. Savoca, William John Savoca and Donna S. Strom; James T. Hunter and Mary D. Hunter; Dwain C. Andrews; WWS, LLC, a South Carolina Limited Liability Company; Donald L. Henson and Sandra L. Henson; Allen

COPY

(CONTINUED)

DEPOSITION OF: **MICHAEL R. PARADES, PCAM**

DATE: Tuesday, April 24, 2012

TIME: 8:40 a.m. through 3:13 p.m.

LOCATION: McNAIR LAW FIRM
11019 Ocean Highway
Pawleys Island, South Carolina

TAKEN BY: Attorneys for the Defendant(s)

COURT REPORTER: MADONNA M. PERKINS
Registered Professional Reporter
Certified Livenote Reporter



M. Funk; Norman J. Rish and Mary T. Rish; Angela M. Markley; Walter C. Worsham and Carolyn W. Worsham; Enrico S. Piraino and Giusto Piraino; Otis T. Harrison and Rose C. Harrison; James E. Newman, Jr.; Brenda E. Fisher and Joseph R. Canning and Kathleen B. Canning; James D. Reynolds, Jr.; Fuller Family, LLC; Richard T. White and Rory L. White; Propst and Dawson, LLC; Litchfield Quarters, LLC, and Larry O. Snider and Paula D. Snider; William C. Hammond, Jr., Living Trust and the Shawn S. Hammond Living Trust; GAB IV, LLC, a Virginia Limited Liability Company; Robert C. McBride and Susan R. McBride, Trustees of the Robert C. McBride Family Trust u/d/t July 24, 2008 and Susan R. McBride and Robert C. McBride, Trustees of the Susan R. McBride Family Trust u/d/t July 24, 2008; Evelyn J. Valuska; Barbara W. Beymer; Montrose Associates, LLC; Harry L. Belk and Jan C. Belk; Dennis E. Barrett and Wilma J. Barrett; First Family Properties, Inc., Cynthia L. Jones, Sandra D. Huggins and Margaret S. Dover, Thomas Franklin Huggins, Frank S. Krouse and Barbara T. Krouse, Judith W. Mill, William Mill and Susan Mill, Gene R. Riley and Patricia C. Riley, Harold LeMaster and Patti LeMaster; Joseph P. Heaton and Frances H. Heaton; Robert N. Kelly; H.S. Keeter and Sandra C. Keeter; Linda A. Mendicino; Captains Quarters D-24 Association of Owners, Inc., Michael H. Sanders and Rebecca H. Sanders, Ruth Gray Wheliss, David B. Shivell and Nicki M. Shivell, Debra B. Leeke, Joseph Alan Capobianco and Lara Serro, Sharon Gibson Daniel, Gary C. Andes and Andrea W. Andes, Jay Hendler and Laura Hendler, Joy P. McConnell, Charles W. Fortner, Judith C. Woodson, Warren W. Riggs and Charles G. Martin, Riggs Ventures, LLC and SGS Beach Partners, LLC; Morgan J. Mann and Angela M. Mann; Michael

Cameron Foster, Sr. And Laura Lee Foster; Captains Quarters Unit D-31 Association of Multiple Ownerships, Inc., Evelyn Gail Earnest, Francis G. Thomson and Arleen S. Thomson, Robert W. Dalton, Red Oak Limited Partnership, William R. McKeown and Margaret A. McKeown, Norman K. Moon and Barbara W. Moon, David T. McGill and Carol G. McGill, Rick L. Bledsoe and Susan H. Bledsoe, Geoffrey A. Wienke and Pamela L. Wienke, A. Donald Ross, III and Nancy Kay Ross, Dennis J. Straw and Roxanne B. Straw, and Resort Investments of Litchfield, LLC; Georgia M. Pruitt and Howard M. Pruitt, Jr.; Jean T. Blaylock; William C. Covington, Jr. and Donna C. Covington; Litchfield Captain's Quarters, LLC; James A. Schubert and Laraine C. Schubert; Daniel P. Duvall and Mary Lynn Duvall; Victor A. Medina and Melinda Leigh Medina; Judy P. Hamer; Boyce F. Miller and Carole L. Miller, Raymond A. Shingler and Louise O. Shingler, Paul Larry Barnette and Carol Jane Barnette, James R. Walker and Erika T. Walker, Kathy W. Underwood, Andrew J. Wingo, Jr. And Susan A. Wingo, Melanie S. Franklin, Lois E. Cooley, Trustee of the Lois E. Cooley Living Trust, B. Lee Smith and Margaret H. Smith, Jason A. Underwood and Camilla J. Wilson; Stewart South, LLC; Quarter South, LLC; Steven H. Frame and Kay B. Frame,

Plaintiff(s),

vs.

CIVIL ACTION NO. 2009-CP-22-01655

Shipyard Village Council of Co-Owners, Inc.,

Defendant(s).

APPEARANCES OF COUNSEL

REPRESENTING THE PLAINTIFF:

BELLAMY LAW FIRM
BY: HOWELL V. BELLAMY, III, ESQUIRE
AND: HOWELL VAUGHT BELLAMY, JR., ESQUIRE
1000 29th Avenue North
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REPRESENTING THE DEFENDANT:

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BY: DAVID MILLS, ESQUIRE
11019 Ocean Highway
Post Office Box 1469
Pawleys Island, SC 29585
Office: (843) 235-4100
Fax: (843) 235-4101
E-mail: DMills@mcnair.net

now consolidated, what we're doing. I think that's what this is.

Q. All right. Let me -- also in the first paragraph, well let me refer you to the second to last sentence, if you would take a minute to re-read that and comment on it. 03:04PM

A. You said second paragraph, right?

Q. Yeah, this paragraph, second sentence from the bottom of Paragraph 2.

A. Okay. 03:04PM

Q. Okay.

A. Basically this is saying the special assessment failed. Based on the need to move forward, the board instructed the general contractor to get started, and that they're going to fund the repairs with a component of the 2010 and 2011 operating budgets. Basically take the money that was needed and as hindsight's happened, roughly $5 million in the 2010 budget and $5 million in the 2011 budget. 03:04PM 03:05PM

Q. Let me read something to you. And then after I read it to you, I'm going to ask you a question.

This is the -- what I am referring to is Paragraph Number 2, and it's the second sentence 03:05PM

from the bottom. It says, "Faced with the prospect of two badly distressed, unsafe and arguably uninhabitable buildings in our regime, your board instructed the general contractor to move forward with repairs to be funded as a component of the 2010 and 2011 operating budgets." 03:05PM

A. Uh-huh, yeah, that just confirms what we all know.

Q. And that's the board's definition as far as describing the building. 03:05PM

A. There's no question. And I'm sorry, I guess I didn't realize what you were looking at. The description of the buildings --

Q. My question is, the way the board has described the building, that's their definition, is that evidence that the board, the past board, the current board or the past -- as far as all boards, from the inception in 1982 to present date, have properly maintained and repaired Buildings A and B and set aside adequate reserves for future maintenance and repair? 03:06PM 03:06PM

MR. MILLS: Objection.

THE DEPONENT: It supports -- the condition of the buildings at the time this letter went out is just the result of the 03:06PM

fact that all of the boards, going back, were not putting enough money in reserves and implementing a long-term maintenance program and/or when given recommendations to hire design professionals and look at obvious problems of water intrusion into the buildings, they didn't do any of that; they just ignored it. They breached their fiduciary responsibility. And the ultimate result is the description of the buildings at the time this letter went out and the need to do the much more extensive repairs than would have been needed to be done back in the '94, '95 time frame. 03:06PM 03:06PM

BY MR. HOWELL BELLAMY: 03:07PM

Q. My next question is, would you expect buildings to be in that state of disrepair if they had properly -- referring to A and B, if they had properly been maintained, repaired and looked after? 03:07PM

A. I would not expect them to be in that condition. They were not -- they did not have a long-term maintenance plan that they were in a position to follow. They never developed a long-term maintenance plan, and they never funded 03:07PM

what monies would be needed to do a long-term maintenance plan.

They ignored signs of water intrusion into the buildings which allowed the further deterioration of the buildings to ultimately wind up in the condition that is described here. And that started from the very first board all the way through in this approximate time frame. 03:07PM

Q. Mr. Parades, when was the first time that the Council of Co-Owners received proper advice as far as how to prepare a long-term maintenance plan? 03:07PM

A. As I recall, the Miller Dodson reserve study was done in late 2007, using 2008 as a base year, and that's the first time there's ever been -- what I would consider a properly done reserve study by qualified professionals. 03:08PM

MR. HOWELL BELLAMY: Thank you. I have no further questions.

EXAMINATION

BY MR. MILLS: 03:08PM

Q. Mr. Parades, Exhibit 5 is still there in front of you.

A. Yes, sir.

Q. At the end of Page 1 of Exhibit 5, do you see the words "set a course of remediation for"? 03:08PM

CERTIFICATE OF REPORTER

I, Madonna M. Perkins, Registered Professional Reporter and Notary Public in and for the State of South Carolina, do hereby certify that the deponent, MICHAEL R. PARADES, PCAM, was duly sworn by me to testify to the truth, and that the above deposition, Pages 1 through 252, inclusive, was recorded stenographically by me and transcribed through computer-aided transcription by me to the best of my ability.

I FURTHER CERTIFY that the foregoing transcript is a true and correct transcript of the testimony given by the said witness at the time and place specified.

I FURTHER CERTIFY that I am neither attorney or counsel for, nor related to or employed by any of the parties to the action in which this deposition is taken, or financially interested in this action.

IN WITNESS WHEREOF, I have set my hand and seal this 27th of April, 2012.

Madonna Perkins

Madonna M. Perkins
Registered Professional Reporter
Notary Public
My commission expires
September 19, 2015

STATE OF SOUTH CAROLINA	)	IN THE COURT OF COMMON PLEAS
	)	FIFTEENTH JUDICIAL CIRCUIT
COUNTY OF GEORGETOWN	)	C/A NO. 2009-CP-22-01655
	)	
Richard Fisher, *et al.*,	)	
	)	
Plaintiffs,	)	
	)	
vs.	)	
	)	
Shipyard Village Council of Co-Owners, Inc.,	)	
	)	
Defendant.	)	
	)	

EXCERPTS FROM
DEPOSITION OF ROBERT GALLAGHER
DATED JULY 15, 2011

BY ATTORNEY DAVID J. MILLS:

p. 15, line 5 – p. 16, line 2

A. . . .

Q. Are you, Robert Gallagher, a licensed general contractor?

A. I am.

Q. Tell me about the license or licenses you hold, please, sir.

A. I hold an Unlimited General Contractor's License in the State of North Carolina, South Carolina–I'm having to think through the list of states because we work in multiple states, but other individuals in the office hold some of those licenses.

Q. You're free to reference your CV if it will be helpful, but I just – just your best recollection as we sit here now.

p. 15, line 5 – p. 16, line 2
(Cont'd)

A. I hold those two states, Alabama and Louisiana. The other states are held by other individuals in the company.

Q. Do the licenses that you hold, are they in good standing?

A. Yes.

Q. Okay. Ever been revoked or suspended by any regulatory authority?

A. No.

p. 85, lines 18-25

Q. Okay. Let me tell you why I ask, because earlier in your testimony, and I don't mean to mischaracterize it, but you said words to the effect of you would be offering an opinion on the amount of damages that could have been saved. And let me just lay it out for you; I don't see that in here in the Paragraph 7 series. It may be and you may be able to explain that to me, but is

p. 86, lines 1-25

testimony, or excuse me, opinions regarding the amount of damages that could have been saved contained within Paragraph 7 of your Affidavit?

A. Yes, because if the owners had acted on the advice that I was trying to provide, I believe that they could have mitigated damages to the structures. And there's obviously a dollar value that I believe could have been mitigated based on ultimately what was spent through the Sutton-Kennerly work scope.

Q. Sure.

p. 86, lines 1-25
(Cont'd)

And do you have an opinion as to what damages could have been mitigated, whether it's on a percentage basis, a dollar basis or any other basis?

A. I do, based upon a dollar value.

Q. And what is that opinion, sir?

A. I believe that if the owners had implemented and acted on the advice that I was trying to offer in 1993 and 1994, I believe that the owners could have avoided at least $2 million of damages to the structural elements of the buildings.

And I believe that that is a conservative number because I have not had the opportunity to go through all of the Sutton-Kennerly and

p. 87, lines 1-25

Structural Preservation System's numbers to see, in the end, ultimately how much money was spent to correct structural damages in both the Shipyard buildings.

So, in essence, I've taken – I know at least what was in the bid documents for the Sutton-Kennerly scope. In the base bids documents, I know they were replacing all of the balcony floor panels and that there were other concrete repair considerations in those bid documents. And in my estimation, that was – and these are very approximate number – they were approximately $3 million worth of concrete repairs.

Q. That's the balcony decks and what else?

A. Concrete repairs.

Q. Okay

p. 87, lines 1-25
(Cont'd)

A. So Sutton-Kennerly, in the initial bid documents, had about $3 million worth of – even in their own budgets, they had about $3 million worth of dollar – you know, money set aside to correct the failing concrete floor panels and concrete repairs in the super structure.

Now, what they ultimately ended up, you know, paying, I don't know because there was a large contingency set aside and I don't know how much of the contingency was used to correct

p. 88, lines 1-25

concrete damage – damages, excuse me.

Q. Okay. Is the $2 million figure you just gave reflected in your Affidavit?

A. No, sir.

Q. Okay. In rendering the opinions that you rendered in your Affidavit there in Exhibit l, Mr. Gallagher, did you find yourself referring back to any building codes or maintenance standard or guidelines?

A. There were a few guidelines in the Tourney Consulting Group reports that were relevant. And there was one guideline outlined in the Sutton-Kennerly report that was also relevant.

Q. Tell me what in the Tourney Consulting report was relevant to your analysis.

MR. BELLAMY: Do you have a copy of that or --

MR. MILLS: He's got it.

MR. BELLAMY: Oh, he's got it, yes.

p. 88, lines 1-25
(*Cont'd*)

BY MR. MILLS:

Q. I show it as Exhibit 6.6 to your Affidavit?

A. It's actually 6.7 to the actual report.

Q. Very well, thank you.

A. It's on Page 16. I think it's marked as 2452 on the same.

p. 89, lines 1-25

Q. I'm with you. Thank you.

A. Very last paragraph.

Q. I see you have it highlighted in you version.

A. Yes. I have highlighted the entire paragraph, but the component that I'd like to point out is – starts with the second sentence in that paragraph: "This additional corrosion protection could have been accomplished during initial construction by techniques such as increased concrete cover, higher quality concrete, epoxy-coated reinforcing, corrosion-inhibiting admixtures, or" – and the key component here or the key working is "barrier coatings." The barrier coatings is a critical element and is what I was trying to get the Shipyard board of directors to understand back in 1993/'94, that they needed to protect the horizontal walking surfaces of the structures. They were never protected. And when I say "protected," I mean, some sort of a membrane to keep the water and the salt from penetrating that concrete.

When I was there in nineteen–when we were there in 1990 performing the contract work, they were not protected. I recommended that they

p. 90, lines 1-6

protect them in '93 and '94. And when I came back in 2007 still nothing had been done to protect the horizontal concrete surfaces of the A and B buildings. And the barrier coating, if it had been utilized, would have helped to protect the reinforcing strands in those panels.

p. 119, lines 13-25

Q. Did you ever review the project with an engineer?

A. I was never contacted after this letter. When we go on to the next exhibit, in 1994, I was called again to look at, specifically, problems with the horizontal walking surfaces. So apparently somebody within the association either knew they had a problem or were concerned that they had a problem because they not only called me back in 1994 to evaluate it again.

Q. We'll get to that one, but do you know that the same person who called you in '93 has called

p. 120, lines 1-25

you in '94? The '94 letter we are going to talk about is 6.15.

A. Thank you.

Q. Yes, sir.

A. It's the same property management company but a different individual.

Q. Okay. You read for me earlier the concluding sentence in the first paragraph of your April 9, 1993 letter, and it's referenced to "a waterproof membrane to avoid future concrete problems." Do you see that?

A. Yes.

p. 120, lines 1-25
(*Cont'd*)

Q. Did, in fact, Pro-Con Waterproofing, Inc. go on to install a waterproof membrane?

A. No. The – in fact, when I visited the property in 2007, there were no waterproofing membranes that had ever been applied to those horizontal surfaces. And, in fact, it wasn't until the Sutton-Kennerly work scope came out in 2009, was the first time that somebody finally got the owners to understand that they needed a waterproof membrane on their horizontal surfaces. And it was in and has been done in the – or at least the bid documents contained that component of construction. They put horizontal waterproofing membrane on all

p. 121, lines 1-8

the horizontal walking surfaces.

Q. Mr. Gallagher, you can look at a horizontal walking surface in 2007 and determine that there has been no membrane placed for the intervening 14 years?

A. Yes, sir.

Q. It's that obvious, you would know?

A. Oh, yes.

p. 133, lines 1-25

Q. And as of March 9, 1994, you weren't particularly concerned about the spalling of the concrete, were you?

A. No, I was more concerned about the cracks that were developing in the cantilever beams and the ends of the panel, the floor panels.

p. 133, lines 1-25
(cont'd)

Q. Okay. At the Bottom of the page, the paragraph beginning "Additional preventive maintenance," do you see that?

A. I do.

Q. You again make reference to the "the application of a protective waterproof deck coating material," right?

A. Yes.

Q. Okay, that is – and that was exactly the kind of work that Pro-Con did, wasn't it?

A. Well, yes. I mean, it's a function; it's an application that is intended to help protect concrete members and protect the structure from water penetration.

Regardless of whether Pro-Con did it or another contractor was engaged to do it is not the point here. The point is, I was trying to get this association to understand that – I'm trying– if you back up in the letter, I'm trying to help them

p. 134, lines 1-25

establish a maintenance program to address maintenance and maintaining of all the assemblies, not just the ones that I've worked on but all of them.

So the recommendation, as in '93 is the same in '94. I'm not trying to sell these people anything. I'm trying to get them to understand that there are distresses beginning to occur in these cantilever beams and in these hollow core floor planks. And I'm trying to get them to engage in design professionals who are much more knowledgeable about building stresses and building loads than I am. I'm certainly not

qualified to look at that and come up with a

p. 134, lines 1-25
(cont'd)

repair scope. So I'm trying to steer them in that direction. I'm not trying to sell these people anything. A waterproofing membrane, in my opinion would have gone a long way in protecting those pre-cast floor panels and those beams underneath to the point where they would not have sustained the type of damage that they just had to deal with. In fact, when I went back out there in 2007 and then again in 2009 to bid the Sutton-Kennerly work scope, none of these issues had been addressed. They never addressed these issues.

p. 139, lines 15-25

Q. Okay, I'm curious, I recognize that it's been some 16, 17 years, but looking at these documents now, do these refresh your recollection as to whether – when you went back out there in May of 1994 – you said anything to anyone, any owner, any board member, any representative of Waccamaw Management about, Hey, guys, what about my letter?

A. Well, you know, it's interesting that they called me to go do these evaluations. I give them the information in '93 and then they call me back

p. 140, lines 1-25

out there again in '94 to do another evaluation and, you know, and I'm being directed, or I'm being told I communicate through Waccamaw Management. I never went to a board meeting. I never got in front of the board, addressed the board, never did any of that. My direction was - always came through and went back through Waccamaw Management Company. And I'm sure I probably had that conversation with them,

p. 140, lines 1-25
(Cont'd)

hey, what's up with the letter, you know, why didn't - but, you know, I put my findings in writing; I sent it through the appropriate channels that I was directed to send it to. Why they didn't respond? I don't know.

Q. And you have no specific recollection of that issue being addressed? And by way of example, I mean did Mr. Crocker or somebody else at Waccamaw Management Company say, Bob, I got you letter but....

A. I don't recall that whole conversation, but I do know through the documents that Mr. Bellamy provided me, that that letter that we just reviewed was attached to a board meeting minutes. So if it was attached to – and, in fact, I read the minutes, and it makes reference to my letter in there. So sitting here today, I feel like the

p. 141, lines 1-9

board received it, the board read it, they discussed it briefly, but then they tabled the discussion according to their own minutes, and I've never heard another word from them.

I didn't get another call about this property until 2007 when MEC Engineering calls me to ask me to come evaluate the very same things I was evaluating in 1993 and 1994, the exact same areas.

p. 146, lines 23-25

Q. And this is – tell me the date on 6.24.

p. 146, lines 23-25
(cont'd)

A. August 11, 1994.

Q. All right. Now, what triggered this letter?

p. 147, lines 1-25

Were you called back out?

A. I was called back out. There were leaks showing up inside some of the apartments over near the balconies, not when you come up onto the building in those exterior corridors. These were leaks that were occurring on the private balconies. So Mr. Crocker calls; I go back out there.

Now, remember, keep in mind, the only work that we performed in 1990 on those balconies was that – we refer to it as a wall to slab caulking. In other words, if this desk represents the deck that you stand on, the private balcony that you stand on – those balconies have a wall here and wall over here and a guardrail out there. The slider door is here (indicating).

Q. And the wall separates you from the guy next door with a balcony?

A. Exactly.

Q. Okay.

A. Part of the scope that we performed in 1990 was, we rolled the carpets back, we removed the caulking – or excuse me – we removed the carpet glue on the floor slab right where the wall intersects the floor slab. And we put a bead of sealant in there to try to help prevent water from

p. 148, lines 1-25

migrating down – you know, water is going in on

p. 148, lines 1-25
(Cont'd)

those decks standing there, it's migrating. We were trying to prevent water from migrating down because those panels are tied into that. That's a load-bearing wall, and we are trying to prevent moisture from penetrating that joint – that juncture. That's the only scope that we did on those balconies in 1990's.

So the things – you know, so he's seeing leaks inside the units near these balconies. So he says, "Hey, Bob, come out, you know, try to help me figure out what's going on."

So I go out there and I look at it. The sealant that we had put in place in 1990 was doing fine; there was no failures. You know, when sealant fails, it reverts – or it releases from the substrate, didn't see any of that in all the balconies that we walked that day, didn't see any of that.

So what my inspection lead me to believe was that water – remember, these surfaces have not been sealed, and I'm trying to get them to understand that sealing these surfaces on the balconies and walkways is a critical component to maintaining the building and keeping the water out.

p. 149, lines 1-25

So I'm looking at these decks. We have got unsealed decks; there's nothing here to keep the moisture out. We have got carpet that compounds the problem because it hold the moisture. And then you've got all these cracks that are developing out along the edge where we have that slab edge beam out there where the handrails are anchored into.

p. 149, lines 1-25
(Cont'd)

The post pocket in those beams, where the rail stanchion comes in, were short-filled. They're – you know, they've got water standing in them 2 and 3 inches. You've got cracks in these balcony floors. And then you have got these thresholds that set right on the slab that are not sealed.

And so based on my investigation, the water was running– you know, coming in through the unprotected slabs or at the perimeter of the slab and then migrating back to the interior.

And then one of the important things that we learned when --

MR. BELLAMY: Schneider.

THE DEPONENT: – Schneider – thank you – Schneider was out there and did that mockup on one of those balconies, a

p. 150, lines 1-25

construction joint fell right underneath the sliding glass door from original construction. You had – the interior floor panels were 8 inches thick. The exterior balcony floor panels and the walkway panels are 6 inches thick. They both have a topping slab on them. but right where those two panels abutted on the balcony side, the slider door sat right there. So any water – and this was all pointed out by Schneider later on. None of us knew it at this time.

But what happened was the water blows on to the balcony. It's now migrating, you know, back because some of those decks were actually negatively sloped, meaning they weren't sloped to run the water to the exterior away from

p. 150, lines 1-25
(Cont'd)

the structure. They had the negative slope which caused the water to run back towards the door.

So you have got water running back towards the door going underneath the threshold, and then you have that construction joint right there. And once it's at that point, it's dropping down into the unit below.

p. 151, lines 1-18

And so that's kind of my summary of what I see out there, not in that detail, I admit. But I wrote this letter, sent it to Tom, and we never heard another word from him until I got the call from MEC Engineering in 2007 to come look at the exact same problems.

BY MR. MILLS:

Q. You were never asked to price a repair of the balcony wing walls?

A. No. In fact, I even said it again in the repair recommendations; it should include the application of a waterproof deck coating. That's consistent with my recommendation in the other two letters in trying to get them to understand that you've got to treat these horizontal surfaces as you would a vertical surface. You've got to stop the water intrusion.

p. 184, lines 6-16

Q. Okay. You don't know whether the deteriorated conditions in the concrete were visible to the naked eye in 1999, do you?

A. Many of those distresses had to be visible because they patched them, somebody patched them. I can't sit here today and say that

p. 184, lines 6-16
(*Cont'd*)

Henderson patched them all. Somebody made an attempt to patch them. It was a poor attempt, in my opinion. But yes, in 1999, those spalls in some locations were to that extent (indicating). I mean, there were some pretty bad areas.

p. 208, lines 21-25

Q. So those conditions didn't rise to the level of defects in 1993 or 1994?

MR. BELLAMY: Can I – I guess, Dave, where are you trying to go with this? Because --

p. 209, lines 1-25

MR. MILLS: Let's just see if the Deponent can answer.

MR. BELLAMY: Okay.

THE DEPONENT: Well, the way I was going to answer it was the board never hired the engineer to find out what defects were out there.

When I read through the Larry Elkin report and I read through the Steve Geiger report, the first professional and design professional the ever came to this site, I believe, was – as far as the documents I have – was Spectrum Engineering in November 7, 2008.

Well, in that same time frame, I think Tourney and MEC – I think everybody was involved in at that point. But to my knowledge, this association never once had a qualified design person visit the property, assess the buildings and advise them on how to proceed with maintaining and preserving their buildings.

And I even read in some of the meeting minutes in Mr. Geiger's report where some of the owners challenged the board and said--

p. 210, lines 1-25

in 1999, before they paid the two-hundred-and-some-thousand-dollars to have the buildings repaired – there's a few owners who raised the question, hey, shouldn't we have the properties evaluated by a design professional before we go off and spend two- hundred-and-some-thousand dollars. I think the board actually wanted to spend $300,000. And, yet, they failed to do it.

The first real design team experts or people who I consider – and I do this for a living, I repair buildings every day–the first qualified person from a design standpoint that ever stepped foot on this property was either 2007 or 2008.

BY MR. MILLS:

Q. And your recollection, from reviewing Mr. Geiger's materials or the material appended to his report or the conclusions contained therein, was that property owners were complaining as early as 1999, that the board had not hired qualified professionals to assess the building condition?

A. Yes.

Q. Whether in your capacity as an expert

p. 211, lines 1-19

witness in this case or as a licensed general contractor or as a member of the property owner's association board yourself, do you have an opinion as to whether the Shipyard Village Council of Co-Owners, Inc. was negligent?

p. 211, lines 1-19
(Cont'd)

A. Based on my experience with – working for condominium associations and being on a board, I feel that the board was negligent in the fact that they did nothing when I wrote them two different letters and made some recommendations and advised them to hire a competent person to come look at the buildings. They tabled the discussion and never did anything about it. And that was evident when I returned to the property in 2007. They didn't even address the simple things that I advised them to address.

Q. Did the negligence occur, in your estimation, Mr. Gallagher, in 93 or 94 or both?

A. I think both.

p. 230, lines 15-25

BY MR. BELLAMY:

Q. In your opinion, had the board failed to plan for the necessary repairs and maintenance to Buildings A and B since their inception?

A. Yes.

Q. Okay. And what are you basing that on?

A. I'm basing that on the letters that I wrote in 1993, '94, the follow-up investigation that I performed in 2007, and then reading back through Mr. Geiger's report of all of the meeting minutes that took place that he had referenced in his document about the problems that just – apparently

p. 231, lines 1-25

just kept compounding and compounding and were never really adequately addressed.

p. 231, lines 1-25
(cont'd)

I also base it on Mr. Elkin's report who provides an outline of things that occurred in a time line fashion.

And then finally, just the fact that if you look at the magnitude of the work scope that had to be performed by Sutton-Kennerly at those properties, somebody failed to act along the way. It just didn't get that way on its own.

Q. My final question, Mr. Gallagher, in your opinion, did the majority of damages to Building C and D, water intrusion damage, concrete damages, occur before 1999?

A. Yes sir.

Q. Okay, And what are you basing you opinion on?

A. I'm basing my opinion upon the fact that I was there on the site, doing investigations in 1993, also in 1994; then I came back in 2007, and the conditions had gotten extreme. Things were really in bad condition.

MR BELLAMY: Okay. That's all I've got, David.

(Off the record conference)

p. 232, lines 1-25

EXAMINATION

BY MR. DAVID J. MILLS:

Q. Mr. Gallagher, just to follow-up to Mr. Bellamy's last question. It is your opinion that the majority of damages to Buildings C and D, water intrusion damage, concrete damage, occurred before 1999?

MR. BELLAMY: Buildings A and B.

p. 232, lines 1-25
(*cont'd*)

MR. MILLS: I'm sorry, thank you. Let me restate that.

BY MR. MILLS:

Q. It's your opinion that the majority of damages to Buildings A and B, water intrusion damage and concrete damage, occurred before 1999?

A. Yes.

Q. You're prepared to testify to a reasonable degree of certainty in your field that by the time you left the project in 1994, that the degree of degradation in the buildings had reached more than 50 percent by 1999?

A. When you say "50 percent," what are you making reference to?

Q. The majority that Mr. Bellamy used in his question.

p. 233, lines 1-21

A. Yes. And I base that answer upon the fact that when I came back in 2007 to investigate these same areas, there were patches that had been made. Those patches were not there when I was there in '93, '94.

According to Larry Elkin's record, the next major work that was done at the property was done in 1999. So therefore, those patches, I assume, had to have been made in 1999, the ones that were failing and that we could easily take apart. They were everywhere on the cantilever beams and on the underside of the panels.

So that's why I make the statement that majority of the damage, you know, now, granted, yes, damages were continuing beyond 1999, but the bulk, I think, had already occurred, because somebody attempted to try to patch it.

p. 233, lines 1-21
(*Cont'd*)

Q. Okay.

MR. MILLS: Thank you, Mr. Gallagher.

MR. BELLAMY: Thank you.

(The deposition concluded at 4:42 p.m.)

STATE OF SOUTH CAROLINA

COURT OF COMMON PLEAS

COUNTY OF GEORGETOWN

RICHARD A. FISHER, ET AL.,
Plaintiff(s),

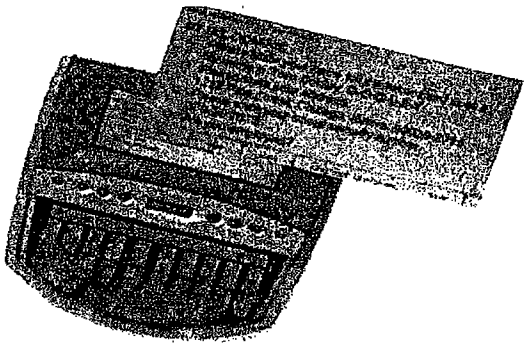
vs.

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.
Defendant(s).

Deposition of: ROBERT 110715gallagher

Date: July 15, 2011

Volume: 1



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STATE OF SOUTH CAROLINA

COURT OF COMMON PLEAS

COUNTY OF GEORGETOWN

Richard A. Fisher, Platte B. Moring, Jr., Trustee of the Platte B. Moring, Jr. Living Trust dated March 13, 2001; Marianne Kochanski, and Jim H. Markley, III, Individually, and in a Representative Capacity on Behalf of All Persons Similarly Situated Who Own Units in Buildings C and D of the Shipyard Village Horizontal Property) Regime; Robert A. Wright, Mary Beth C. Wright, H. Allen Wright, Joyce Y. Wright and Carolyn L. Wright; Carmen J. Savoca, Ann D. Savoca, William John Savoca and Donna S. Strom; James T. Hunter and Mary D. Hunter; Dwain C. Andrews; WWS, LLC, a South Carolina Limited Liability Company; Donald L. Henson and Sandra L. Henson; Allen M. Funk; Norman J. Rish and Mary T. Rish; Angela M. Markley; Walter C. Worsham and Carolyn W. Worsham; Enrico S. Piraino and Giusto Piraino; Otis T. Harrison and Rose C. Harrison; James E. Newman, Jr.; Brenda E. Fisher and Joseph R. Canning and Kathleen B. Canning; James D. Reynolds, Jr.; Fuller Family, LLC; Richard T. White and Rory L. White; Propst and Dawson, LLC; Litchfield Quarters, LLC, and Larry O. Schneider and Paula D. Schneider; William C. Hammond, Jr., Living Trust and the Shawn S. Hammond Living Trust; GAB IV, LLC, a Virginia Limited Liability Company; Robert C. McBride and Susan R. McBride, Trustees of the Robert C. McBride Family Trust u/d/t July 24, 2008 and Susan R. McBride and Robert C. McBride, Trustees of the Susan R. McBride Family Trust u/d/t July 24, 2008; Evelyn J. Valuska; Barbara W. Beymer; Montrose Associates, LLC; Harry L. Belk and Jan C. Belk; Dennis E. Barrett and Wilma J. Barrett; First

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James R. Walker and Erika T. Walker, Kathy W. Underwood, Andrew J. Wingo, Jr. And Susan A. Wingo, Melanie S. Franklin, Lois E. Cooley, Trustee of the Lois E. Cooley Living Trust, B. Lee Smith and Margaret H. Smith, Jason A. Underwood and Camilla J. Wilson; Stewart South, LLC; Quarter South, LLC; Steven H. Frame and Kay B. Frame,

Plaintiff(s),

vs. CIVIL ACTION NO. 2009-CP-22-01655

Shipyard Village Council of Co-Owners, Inc.,

Defendant(s).

DEPOSITION OF: ROBERT ALLEN GALLAGHER
DATE: Friday, July 15, 2011
TIME: 10:00 a.m. through 4:42 p.m.
LOCATION: McNAIR LAW FIRM
14361 Ocean Highway, 3rd Floor
Pawleys Island, South Carolina
TAKEN BY: Attorneys for the Defendant(s)
COURT REPORTER: MADONNA M. PERKINS
Registered Professional Reporter
Certified Livenote Reporter

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STIPULATION: It is stipulated by and between Counsel that this deposition is being taken in accordance with the South Carolina Rules of Civil Procedure; and that the deponent does not waive reading and signing of this deposition.

* * * * * * * * * * * * * * * * *

ROBERT ALLEN GALLAGHER, being first duly sworn, testified as follows:

EXAMINATION

BY MR. MILLS:

Q. The witness has been sworn and we are ready to proceed. Mr. Gallagher, we've met off the record, but for the record, my name is David Mills. I represent the Defendant in a lawsuit that's been brought against the Shipyard Village Council of Co-Owners, Inc. I represent the Shipyard Village Council of Co-Owners, Inc. You've met Mr. Bellamy, of course. He represents the group of Plaintiffs that has brought the lawsuit and has asked you to serve as a witness.

Rule 30 of the South Carolina Rules requires me to give you a couple of ground rules. And those include, if you have a question about my question, something is unclear, I use a term that you're

unsure about, if you would, please direct the question to me instead of Mr. Bellamy, I would appreciate that and I'll try to clarify it for you.

I've already told you if at any point you need a break, this is not an endurance contest, I'll be glad to accommodate you there. If you will please speak clearly, it will assist the court reporter.

And with that, I will ask you to state your name for the record.

A. Robert Allen Gallagher.

Q. All right, sir. Mr. Gallagher, have you been deposed before like I'm asking you questions now?

A. Yes, sir.

Q. How many times, would you say?

A. Approximately 50.

Q. Okay. Can you tell me, please, sir, what you did in preparation for your deposition here today?

A. I read through these exhibits that are in my notebook here.

Q. Well, that reminds me right out of the box, we have on the table in front of us a couple of notebooks, one of which I'll refer to, one of which

I'll have you refer to. Let's have the court reporter mark as Exhibit 1 to your deposition the actual Affidavit with the appended exhibits that Mr. Bellamy was kind enough to provide us in conjunction with your service as an expert. I'll have her mark that as Exhibit 1. And we have tabbed the exhibits to your Affidavit in accordance with how they're referred to in the Affidavit itself.

And I believe, from our discussion prior to convening your deposition, that the notebook is entirely consistent with the notebook you have. I will put Exhibit 1 in front of you, but you're welcome to cross reference if you like, if you have notes or something on yours. All right?

A. All right.

(DFT. EXH. 1, Robert Allen Gallagher's Affidavit with attachments, was marked for identification.)

BY MR. MILLS:

Q. And just as a matter of housekeeping, Mr. Gallagher, I'm going to ask you please to take a look of Exhibit 1 and let's make sure it's consistent with the notebook you have in front of you. I believe it is, but I want to hear that from

what is the largest general contracting environmental/demolition, or interior contracting that you just mentioned, project that PROCON has ever been involved in?
A. Under one single contract?
Q. Yes, sir.
A. Approximately 10 to 12 million.
Q. Okay. Was that in the State of South Carolina?
A. No, sir, that was in Philadelphia, Pennsylvania.
Q. Commercial project?
A. Yes.
Q. Where do you physically reside, Mr. Gallagher?
A. Myrtle Beach.
Q. Okay. And when you go to work in the morning -- I imagine you have a lot of site work -- but if you report to the office, you go to Little River?
A. I do.
Q. Okay. A little bit more about you, sir. Your educational background. Did you finish high school?
A. I finished high school.

Q. Okay. Any graduate or postgraduate degrees?
A. No.
Q. College degree?
A. No.
Q. Are you, Robert Gallagher, a licensed general contractor?
A. I am.
Q. Tell me about the license or licenses you hold, please, sir.
A. I hold an Unlimited General Contractor's License in the State of North Carolina, South Carolina -- I'm having to think through the list of states because we work in multiple states, but other individuals in the office hold some of those licenses.
Q. You're free to reference your CV if it will be helpful, but I just -- just your best recollection as we sit here now.
A. I hold those two states, Alabama and Louisiana. The other states are held by other individuals in the company.
Q. Do the licenses that you hold, are they in good standing?
A. Yes.
Q. Okay. Ever been revoked or suspended by any

regulatory authority?
A. No.
Q. Okay. Before I leave the subject of the work you were describing that you do with forensic architects and engineers, I want to go back to that just a moment, please, sir.
Does that work often entail a legal claim?
A. Occasionally.
Q. Okay. Somebody is suing somebody, is what I mean by a legal claim, or is contemplating suing somebody?
A. Occasionally that arises.
Q. Okay. But not exclusively?
A. But not exclusively.
Q. Okay. Mr. Gallagher, are you licensed in any discipline of engineering?
A. No.
Q. Do you have any legal training?
A. No.
Q. How about any certifications with regard to property management?
A. I serve -- I don't hold any accreditations. I've served on the board of a POA for the last four years, and I'm currently the president of the board. I'm familiar with how boards function and

operate because in my 20-plus years of construction experience, I have worked with a lot of condominium associations. I've attended a lot of board meetings. So that's sort of my background and experience in with working with condominiums.
Also, out of the 50 or 60 cases that I have listed in my CV report, all of those are construction defect related, and the large percentage of those cases are condominium cases.
Q. Okay. And any of those 50 to 60 cases which we will discuss in some detail, appended to your CV, did any of them involve a situation where you opined that a board of an association deviated from the standard of care?
A. No, sir.
Q. Are they typically scenarios where you are bringing your education, training and experience to bear on a set of construction issues and advising the board on remediation?
A. If you would, break that question a little.
Q. Glad to. In the majority of situations in which you have interacted with the homeowner's association that you just testified, do those involve you investigating a defective building condition and advising the board on possible

ocean. They went through the documents. And then there was a walk-through of the project afterwards.
Q. Who led that meeting for SKA?
A. Steven...
MR. BELLAMY: Robinson.
THE DEPONENT: Robinson, thank you.
MR. MILLS: Okay.
BY MR. MILLS:
Q. All right. And how long did that last?
A. I want to say it was over 1:00, 2:00 in the afternoon. It started that morning.
Q. I see. Several hours?
A. Yes.
Q. When you left the property that day, went back to PROCON & Associates or wherever you went, have you been back since?
A. We turned the project over to one of our senior project managers for actually compiling the bid, meeting with subcontractors on the site. So PROCON as an entity was back out there, my staff was back out there.
I don't believe I went back out to the property.
Q. Okay.
A. And I've not been back out there since then.

Q. Okay. Mr. Gallagher, who or which entity got the bid that PROCON & Associates was bidding on in 2009?
A. A company out of Baltimore called Structural Preservation Systems.
Q. Can we refer to them as SPS going forward?
A. Sure.
Q. All right. Have you compared SPS's bid documents with PROCON's bid documents?
A. I have not.
Q. Okay. Generally in the construction industry, are the bids -- let me back up. I don't want to ask it generally; I want to ask it specifically to this project.
Are those bids blind?
A. I'm not sure I understand your terminology.
Q. Okay. Does SPS know what PROCON is bidding, and does PROCON know what SPS is bidding?
A. Are you talking about from a numbers standpoint?
Q. Yes, sir.
A. No.
Q. Okay.
A. I mean, we are all handed a set of documents.

Q. You submit your bid; SPS submits its?
A. Within the outline that the engineer has put together in the bid documents.
Q. Okay. Do you recall what PROCON & Associates' bid price was for this project?
A. Are you referring to the Sutton-Kennerly work scope?
Q. Yes, sir.
A. I believe our bid was somewhere in the neighborhood of $10 million.
Q. Would that have represented, had the bid been awarded to PROCON & Associates, a significant contract for PROCON?
A. It would have.
Q. Would it have been, in fact, one of the largest in the history of the company?
A. It would have.
Q. Would it have been the largest project ever undertaken by PROCON & Associates?
A. No, I think the Philadelphia project was larger.
Q. Okay. It would have been the second largest, to your knowledge?
A. That's fair.
Q. Okay. I've asked you extensively about

documents, Mr. Gallagher, but I haven't asked you about videos. Have you reviewed any videos of the Shipyard Village A and B buildings?
A. No.
Q. Turning, please, to your Affidavit again. As you might suspect, Mr. Gallagher -- do you have it there?
A. Yes.
Q. Okay. We'll go through this in some detail. But as I look at this, beginning at Page 9 of 11, specifically Paragraph 7, your opinions are set out in bold type at 7.1 through 7.4, correct?
A. Yes.
Q. Okay. Are you opinions regarding this case that you have been asked to render, or will render, captured within those paragraphs?
A. Yes, sir.
Q. Okay. Let me tell you why I ask, because earlier in your testimony, and I don't mean to mischaracterize it, but you said words to the effect of you would be offering an opinion on the amount of damages that could have been saved. And let me just lay it out for you; I don't see that in here in the Paragraph 7 series. It may be and you may be able to explain that to me, but is

testimony, or excuse me, opinions regarding the amount of damages that could have been saved contained within Paragraph 7 of your Affidavit?
A. Yes, because if the owners had acted on the advice that I was trying to provide, I believe that they could have mitigated damages to the structures. And there's obviously a dollar value that I believe could have been mitigated based on ultimately what was spent through the Sutton-Kennerly work scope.
Q. Sure.
And do you have an opinion as to what damages could have been mitigated, whether it's on a percentage basis, a dollar basis or any other basis?
A. I do, based upon a dollar value.
Q. And what is that opinion, sir?
A. I believe that if the owners had implemented and acted on the advice that I was trying to offer in 1993 and 1994, I believe that the owners could have avoided at least $2 million of damages to the structural elements of the buildings.
And I believe that that is a conservative number because I have not had the opportunity to go through all of the Sutton-Kennerly and Structural

Preservation System's numbers to see, in the end, ultimately how much money was spent to correct structural damages in both the Shipyard buildings.
So, in essence, I've taken -- I know at least what was in the bid documents for the Sutton-Kennerly scope. In the base bids documents, I know they were replacing all of the balcony floor panels and that there were other concrete repair considerations in those bid documents. And in my estimation, that was -- and these are very approximate numbers -- they were approximately $3 million worth of concrete repairs.
Q. That's the balcony decks and what else?
A. Concrete repairs.
Q. Okay.
A. So Sutton-Kennerly, in the initial bid documents, had about $3 million worth of -- even in their own budgets, they had about $3 million worth of dollar -- you know, money set aside to correct the failing concrete floor panels and concrete repairs in the super structure.
Now, what they ultimately ended up, you know, paying, I don't know because there was a large contingency set aside and I don't know how much of that contingency was used to correct

concrete damage -- damages, excuse me.
Q. Okay. Is the $2 million figure you just gave reflected in your Affidavit?
A. No, sir.
Q. Okay. In rendering the opinions that you rendered in your Affidavit there in Exhibit 1, Mr. Gallagher, did you find yourself referring back to any building codes or maintenance standards or guidelines?
A. There were a few guidelines in the Tourney Consulting Group reports that were relevant. And there was one guideline outlined in the Sutton-Kennerly report that was also relevant.
Q. Tell me what in the Tourney Consulting report was relevant to your analysis.
MR. BELLAMY: Do you have a copy of that or --
MR. MILLS: He's got it.
MR. BELLAMY: Oh, he's got it, yes.
BY MR. MILLS:
Q. I show it as Exhibit 6.6 to your Affidavit?
A. It's actually 6.7 to the actual report.
Q. Very well, thank you.
A. It's on Page 16. I think it's marked as 2452 on the same.

Q. I'm with you. Thank you.
A. Very last paragraph.
Q. I see you have it highlighted in your version.
A. Yes. I have highlighted the entire paragraph, but the component that I'd like to point out is -- starts with the second sentence in that paragraph: "This additional corrosion protection could have been accomplished during initial construction by techniques such as increased concrete cover, higher quality concrete, epoxy-coated reinforcing, corrosion-inhibiting admixtures, or" -- and the key component here or the key wording is "barrier coatings." The barrier coatings is a critical element and is what I was trying to get the Shipyard board of directors to understand back in 1993/'94, that they needed to protect the horizontal walking surfaces of the structures. They were never protected. And when I say "protected," I mean, some sort of a membrane to keep the water and the salt from penetrating that concrete.
When I was there in nineteen- -- when we were there in 1990 performing the contract work, they were not protected. I recommended that they

protect them in '93 and '94. And when I came back in 2007, still nothing had been done to protect the horizontal concrete surfaces of the A and B buildings. And the barrier coating, if it had been utilized, would have helped to protect the reinforcing strands in those panels.

Q. Okay, thank you. You referenced also one guideline in the SKA report?

A. Yes. And if you don't mind, can we back up to Tourney real quick?

Q. Absolutely.

A. Also, on the very next page, Page 17, second paragraph, the last sentence. Another way of helping to protect the concrete and this particular sentence reads, "A membrane or impermeable coating can also act as a barrier to stop passage of carbon dioxide and monoxide, thus halting the carbonation process." Again, that is relevant to what I was trying to get the board to understand.

If you go on to Page 18 of the Tourney Consulting report.

Q. I'm with you.

A. If you go to the second paragraph, it also states that, "Common barrier systems used for waterproofing concrete or masonry structures will

also reduce the build-up of airborne chlorides inside the concrete."

Again, I'm trying to get the board of directors to understand that they need to implement strategies to protect the structure. And these paragraphs of this information comes from other experts in the case, and these are ways that you can do that. And these are things that I was trying to get the board to understand back in '93/'94.

Q. We'll talk in some detail about your '93 and '94 reports, I appreciate that. We'll come back to that.

You were going to talk to me about the component -- are you through with Tourney?

A. I'm through with Tourney.

Q. Okay. Let's turn to SKA if you could, please. And if you will tell the court reporter what exhibit...

A. Exhibit 6.8. It would be Page 3 of 7. The very first paragraph at the top is Page 3 in the Sutton-Kennerly report, also states, "The American Concrete Institute recognizes that corrosion in prestressed members is a more critical problem than corrosion in conventional reinforced concrete. The

allowable limit for chlorides in new pre-stressed concrete (as established by ACI) is approximately 40% of the limit allowed for new conventional reinforced concrete."

I knew that salt chlorides were penetrating these unprotected horizontal walking surfaces, meaning the balconies and corridor walkways. I knew this. And, again, I was trying to get the board to understand that they had to protect those surfaces from this moisture and chloride penetration, thus, helping to protect the structures.

Q. All right, sir, thank you.

If you'll hold that thought, as I take you through your 1990 -- PROCON's 1990 and your 1993 and '94 letters, you may wish to cross-reference those during your testimony.

A. Okay.

Q. Thank you.

In your bid documents for the remediation project that you submitted in 2009, did they contain a warranty or a proposed warranty for the work?

A. That information is not contained in the bid documents. That information is outlined in the bid

project requirements that were developed by Sutton-Kennerly.

Q. And what were those requirements, do you recall?

A. I would have to go back through, because there's multiple components that address warranty.

Q. Let's focus in on the coatings, walkway coatings. PROCON does that type of work, don't they?

A. We do.

Q. What is the typical warranty for that type of product?

A. There are five-year warranty systems, and there are ten-year warranty systems available in the marketplace. And then there are means and methods of extending those warranties if owners follow a certain maintenance program once installed.

Q. And once installed, is the maintenance program a service that PROCON offers?

A. Yes.

Q. Okay. The five- or ten-year warranty, depending on the product, is that a manufacturer's warranty?

A. Yes.

keep the water out.
Q. Okay.
A. And, again, these horizontal surfaces did not have any protection on them and water -- I knew water was penetrating, and I could see the cracks and the concrete distress that was occurring, something structurally was going on with those cantilevered walkways and balconies.
And so I'm trying to get the owners to understand that they need a qualified person to come take a look at these things and give them some advice on how to proceed.
Q. Well, why could the large cracks and the cantilevered ceiling beams have been repaired in 1990 using an epoxy grout injection system, but not in 1993?
A. Well, you have to -- concrete problems are problems that develop over a period of time. It's not something that happens overnight. It's not something that happens over the course of a few years. Concrete problems, once they begin developing -- perhaps what Mr. Healy was looking at in '93, when he put that scope together was a few cracks. When I came -- excuse me, I apologize, in 1990, what Mr. Healy may have been looking at was a

few cracks that could have been addressed by epoxy injection that have not have been -- had progressed.
But by the time I visited the property in 1993, I felt that there was enough -- you know, there was enough reoccurrence of these types of cracks that warranted, you know, telling the owners, you need to hire somebody to come evaluate this. This is not a typical thing that happens with concrete or shouldn't be happening. You need to have it evaluated so it can be addressed properly.
Q. Did you ever review the project with an engineer?
A. I was never contacted after this letter. When we go on to the next exhibit, in 1994, I was called again to look at, specifically, problems with the horizontal walking surfaces. So apparently somebody within the association either knew they had a problem or were concerned that they had a problem because they not only called me in '93 to come look at it, but they also called me back in 1994 to evaluate it again.
Q. We'll get to that one, but do you know that the same person who called you in '93 has called

you in '94? The '94 letter we are going to talk about is 6.15.
A. Thank you.
Q. Yes, sir.
A. It's the same property management company but a different individual.
Q. Okay. You read for me earlier the concluding sentence in the first paragraph of your April 9, 1993 letter, and it's referenced to "a waterproof membrane to avoid future concrete problems." Do you see that?
A. Yes.
Q. Did, in fact, Pro-Con Waterproofing, Inc. go on to install a waterproof membrane?
A. No. The -- in fact, when I visited the property in 2007, there were no waterproofing membranes that had ever been applied to those horizontal surfaces. And, in fact, it wasn't until the Sutton-Kennerly work scope came out in 2009, was the first time that somebody finally got the owners to understand that they needed a waterproof membrane on their horizontal surfaces. And it was in and has been done in the -- or at least the bid documents contained that component of construction. They put horizontal waterproofing membrane on all

the horizontal walking surfaces.
Q. Mr. Gallagher, you can look at a horizontal walking surface in 2007 and determine that there has been no membrane placed for the intervening 14 years?
A. Yes, sir.
Q. It's that obvious, you would know?
A. Oh, yes.
Q. Okay. Well, then let's see what happens next sequentially with Pro-Con's work at Shipyard Village. And sequentially, I show document -- or Exhibit 6.21 to your Affidavit. Do you have that in front of you, sir?
MR. BELLAMY: Which one is that?
MR. MILLS: I have got 2/4/94, Proposal and Contract.
THE DEPONENT: Yes, I have that.
BY MR. MILLS:
Q. All right. Now, I take it this Proposal and Contract you have in front of you, Exhibit 6.21, has nothing to do with a waterproof membrane?
A. It has nothing to do with that.
Q. What's going on here, Mr. Gallagher?
A. The original construction of the A and B buildings included some wood sheets of T1-11 that

some other elevations of the building. And I made note of that in here.

But, in essence, it's a metal component. In this context of this paragraph, it's a metal component. They were hot-dipped galvanized. And when the applicators are actually applying the stucco to the wall surface, what can happen is the edge of their trowel will sometimes nick those accessories; and if you nick the galvanizing, you've exposed the carbon steel underneath and corrosion can begin at that location.

I think their problem was more related to electrolysis because the bead, that metal bead was right up abutting the window frame. So you have two different materials: You have aluminum windows and you have, you know, a carbon steel or a galvanized bead. And I think, to some extent, perhaps electrolysis was playing into the deterioration of those beads.

Q. The condition you just described with the two dissimilar abutting metals, to the best of your knowledge and information and belief, was that an original construction condition?

A. Yes, sir.

Q. Okay. Do you believe that to have been

designed to be that way by the architect who designed the building?

A. I don't know if he designed it that way, because I've never looked at the original construction documents for this property, but I can say that that condition was consistent at every opening and every window. So that leads me to believe that it was -- I don't know if it was designed that way but it was certainly built that way.

Q. Okay.

A. And I have no reason to believe that in 1994 that anybody had came through and changed that component from original construction. So my belief is it was done that way in original construction.

Q. Did that condition that you just described or that methodology of building, is that consistent with construction, in your experience, from the early 1980s?

A. I think that's a fair statement.

Q. Could we move, please, to the second page of 6.15, the middle paragraph and read along with me, if you would. "The next inspection area includes the structural concrete walkways and supporting beams. Observations of these areas found that the

overall condition of the concrete itself is in generally good condition with a few isolated problems at or near the beams which should be evaluated by a structural engineer."

Did I read that correctly, Mr. Gallagher?

A. You did.

Q. Okay. Now, we have moved from talking about the corridor walls, window units, concrete walkways and beams to the structural concrete walkways and supporting beams here, correct?

A. Yes.

Q. Okay. And you found them to be in generally good condition with a few isolated problems at or near the beams which should be evaluated by a structural engineer, right?

A. Yes. It's the same conditions that I observed in 1993 when I wrote that letter.

Q. Okay. You go on to say in the next paragraph that "Actual concrete spalling is minor at this time," correct?

A. I do.

Q. Okay. And "spalling" is a construction term for falling off, right?

A. Yes, concrete when it disbonds and breaks away from the member.

Q. And as of March 9, 1994, you weren't particularly concerned about the spalling of the concrete, were you?

A. No, I was more concerned about the cracks that were developing in the cantilever beams and the ends of the panels, the floor panels.

Q. Okay. At the bottom of the page, the paragraph beginning "Additional preventive maintenance," do you see that?

A. I do.

Q. You again make reference to "the application of a protective waterproof deck coating material," right?

A. Yes.

Q. Okay. That is -- and that was exactly the kind of work that Pro-Con did, wasn't it?

A. Well, yes. I mean, it's a function; it's an application that is intended to help protect concrete members and protect the structure from water penetration.

Regardless of whether Pro-Con did it or another contractor was engaged to do it is not the point here. The point is, I was trying to get this association to understand that -- I'm trying -- if you back up in the letter, I'm trying to help them

establish a maintenance program to address maintenance and maintaining of all the assemblies, not just the ones that I've worked on but all of them.

So the recommendation, as in '93, is the same in '94. I'm not trying to sell these people anything. I'm trying to get them to understand that there are distresses beginning to occur in these cantilever beams and in these hollow core floor planks. And I'm trying to get them to engage in design professionals who are much more knowledgeable about building stresses and building loads than I am. I'm certainly not qualified to look at that and come up with a repair scope. So I'm trying to steer them in that direction. I'm not trying to sell these people anything.

A waterproofing membrane, in my opinion, would have gone a long way in protecting those pre-cast floor panels and those beams underneath to the point where they would not have sustained the type of damage that they just had to deal with.

In fact, when I went back out there in 2007 and then again in 2009 to bid the Sutton-Kennerly work scope, none of these issues had been addressed. They never addressed these issues.

Q. Pro-Con, in fact, would have done the waterproofing work for $19,676 per building, correct?

A. This is -- now, what you're referring to on the next page under that summary.

Q. Yes, sir.

A. That is to address painting and patching of stucco on the walkway walls. This has nothing to do with floor surfaces or beams. This $19,676 is strictly to waterproof vertical stucco wall surfaces. The recommendation stands to deal with, you know, get the engineer to come look at these floor panels and these beams and then we'll deal with that once he comes up with a repair scope. That $19,000 is strictly addressing those corridor walls that have not been addressed since the day they were built.

Q. I didn't appreciate the distinction in the cost, so thank you.

To address the surface wall condition after an engineering evaluation, did you price that?

To state it otherwise, there is a figure of $19,676 for the waterproofing of the corridor stucco walls. What would the additional charge have been to do the balconies and corridors?

A. That number was never developed by my company because the letters, you know, specifically state, get the engineer to look at this, tell us what needs to be done. Based on his recommendations, we can then give you a price to fix any problems with the structure. And then if he deems necessary, we can also put the waterproofing membrane on it. I think the waterproofing membrane is a critical component in your maintenance program to protect these structural elements.

But before we go there, before I even give you a number for it, I want a structural engineer to evaluate why these cracks are occurring in these beams and in these floor panels, because something is going on here from a structural standpoint that needs, you know, somebody with more expertise in that area than mine to tell you guys what's happening. That's what needs to be done. That should have been the conservative approach that they took to repairing and maintaining the buildings.

Q. Once -- I'm sorry.

A. I'm sorry. The problem is, when I went back in 2007, none of these issues had been addressed.

I mean, even those heavily deteriorated carbon plates that the building -- the control joints that were heaving up through the carpet, not even those things had been replaced. And those were so obvious, you know, you tripped over them every time you walked down the walkway.

Q. If the beams and pillars work had been evaluated and spec'd by an engineer, is that the type of work, the proposed repair, that Pro-Con could have done?

A. We could have done that work, yes.

Q. In addition to once that was complete, you could have done the waterproofing?

A. Yes.

Q. But your testimony is, it never got to that point because you never heard back from the association on this issue.

A. After writing this letter -- well, there is one more letter in the file, also an unanswered letter. We never heard another word from the association.

Q. Okay. Did you ever hear anything back from Mr. Crocker?

A. No.

Q. Okay. Let's refer next to Exhibit 6.22,

Mr. Gallagher, which I believe is the additional 1994 communication we just referenced. I'll have you look at that for a moment, and I'll have some questions about it.
A. Well, the one I just made reference to is actually 6.24.
Q. And the date on that is?
A. August 11, 1994.
Q. Actually, I have three more exhibits sequentially in 1994, so if I may, let me take them in the order I find them.
A. Sure.
Q. We just talked about your March 9, 1994 letter, Exhibit 6.15 in some detail.
If we move next to Exhibit 6.22, I have a date of May 6, 1994 on that Proposal and Contract. Is that consistent with what's in front of you?
A. It is.
Q. Okay. Same question, Mr. Gallagher. What's going on here approximately one month after your March 1994 letter?
A. In the original construction of the buildings, over where the T1-11 siding was located on the north and south ends of that oceanfront wing wall, they had a 2-by-8 piece of wood basically

screwed to the side of the building at the floor lines, and the association just wanted them removed. They were warping; they looked terrible. They just wanted them removed. And that's $1800 per building is what this is -- this is the contract to remove them from the building.
Q. And did Pro-Con, in fact, do that work?
A. We did.
Q. Appended to that is also a May 6, 1994 Proposal and Contract for the cleaning of all exterior windows. Do you see that?
A. Yes, sir.
Q. Was that work actually performed?
A. It was.
Q. Okay. I'm curious, I recognize that it's been some 16, 17 years, but looking at these documents now, do these refresh your recollection as to whether -- when you went back out there in May of 1994 -- you said anything to anyone, any owner, any board member, any representative of Waccamaw Management about, Hey, guys, what about my letter?
A. Well, you know, it's interesting that they called me to go do these evaluations. I give them the information in '93, and then they call me back

out there again in '94 to do another evaluation and, you know, and I'm being directed, or I'm being told I communicate through Waccamaw Management. I never went to a board meeting. I never got in front of the board, addressed the board, never did any of that. My direction was -- always came through and went back through Waccamaw Management Company. And I'm sure I probably had that conversation with them, hey, what's up with the letter, you know, why didn't -- but, you know, I put my findings in writing; I sent it through the appropriate channels that I was directed to send it to. Why they didn't respond? I don't know.
Q. And you have no specific recollection of that issue being addressed? And by way of example, I mean did Mr. Crocker or somebody else at Waccamaw Management Company say, Bob, I got your letter but...
A. I don't recall that whole conversation, but I do know through the documents that Mr. Bellamy provided me, that that letter that we just reviewed was attached to a board meeting minutes. So if it was attached to -- and, in fact, I read the minutes, and it makes reference to my letter in there. So sitting here today, I feel like the

board received it, the board read it, they discussed it briefly, but then they tabled the discussion according to their own minutes, and I've never heard another word from them.
I didn't get another call about this property until 2007 when MEC Engineering calls me to ask me to come evaluate the very same things I was evaluating in 1993 and 1994, the exact same areas.
Q. Let me take a moment to look because Mr. Bellamy provided me a copy of these minutes as well that you just referenced. And I may or may not have any questions about these for you.
MR. BELLAMY: I think, actually, y'all provided that. It's your Bates Stamp. That's your Bates Stamp right there, David.
MR. MILLS: I see them, yeah.
(Off-the-record conference.)
BY MR. MILLS:
Q. You did review these minutes of the March 11, 1994 board meeting, Mr. Gallagher?
A. I did.
Q. And you just referenced earlier that the review of your letter and the discussion resulting therefrom by the board was tabled, correct?

Q. Okay.
A. And so they were like, hey, while you got that lift out there, would you clean those windows that we can't reach? So we just cleaned the windows.
Q. Got you.
We have talked about so many projects that I may have lost track, but is the T1-11 stucco project the one that lasted three or four months?
A. No, the three- or four-month project was in 1990, the coating of exterior, just the face walls.
Q. How long did the T1-11 stucco project last?
A. (Pause.)
Q. I don't need it to the minute, just the number of days or weeks or months.
A. Well, probably a couple of months.
Q. All right. Mr. Gallagher, thank you.
Did you -- did Pro-Con get paid in full?
A. Yes, sir.
Q. Okay. Now, if we could move on to document 6.24.
A. Yes.
Q. And this is -- tell me the date on 6.24.
A. August 11, 1994.
Q. All right. Now, what triggered this letter?

Were you called back out?
A. I was called back out. There were leaks showing up inside some of the apartments over near the balconies, not when you come up onto the building in those exterior corridors. These were leaks that were occurring on the private balconies. So Mr. Crocker calls; I go back out there.
Now, remember, keep in mind, the only work that we performed in 1990 on those balconies was that -- we refer to it as a wall to slab caulking. In other words, if this desk represents the deck that you stand on, the private balcony that you stand on -- those balconies have a wall here and wall over here and a guardrail out there. The slider door is here (indicating).
Q. And the wall separates you from the guy next door with a balcony?
A. Exactly.
Q. Okay.
A. Part of the scope that we performed in 1990 was, we rolled the carpets back, we removed the caulking -- or excuse me -- we removed the carpet glue on the floor slab right where the wall intersects the floor slab. And we put a bead of sealant in there to try to help prevent water from

migrating down -- you know, water is going in on those decks, standing there, it's migrating. We were trying to prevent water from migrating down because those panels are tied into that. That's a load-bearing wall, and we are trying to prevent moisture from penetrating that joint -- that juncture. That's the only scope that we did on those balconies in 1990s.
So the things -- you know, so he's seeing leaks inside the units near these balconies. So he says, "Hey, Bob, come out, you know, try to help me figure out what's going on."
So I go out there and I look at it. The sealant that we had put in place in 1990 was doing fine; there was no failures. You know, when sealant fails, it reverts -- or it releases from the substrate, didn't see any of that in all the balconies that we walked that day, didn't see any of that.
So what my inspection lead me to believe was that water -- remember, these surfaces have not been sealed, and I'm trying to get them to understand that sealing these surfaces on the balconies and walkways is a critical component to maintaining the building and keeping the water out.

So I'm looking at these decks. We have got unsealed decks; there's nothing here to keep the moisture out. We have got carpet that compounds the problem because it holds the moisture. And then you've got all these cracks that are developing out along the edge where we have that slab edge beam out there where the handrails are anchored into.
The post pockets in those beams, where the rail stanchion comes in, were short-filled. They're -- you know, they've got water standing in them 2 and 3 inches. You've got cracks in these balcony floors. And then you have got these thresholds that set right on the slab that are not sealed.
And so based on my investigation, the water was running -- you know, coming in through the unprotected slabs or at the perimeter of the slab and then migrating back to the interior.
And then one of the important things that we learned when --
MR. BELLAMY: Schneider.
THE DEPONENT: -- Schneider -- thank you -- Schneider was out there and did that mockup on one of those balconies, a

construction joint fell right underneath the sliding glass door from original construction. You had -- the interior floor panels were 8 inches thick. The exterior balcony floor panels and the walkway panels are 6 inches thick. They both have a topping slab on them. But right where those two panels abutted on the balcony side, the slider door sat right there. So any water -- and this was all pointed out by Schneider later on. None of us knew it at this time.

But what happened was the water blows on to the balcony. It's now migrating, you know, back because some of those decks were actually negatively sloped, meaning they weren't sloped to run the water to the exterior away from the structure. They had the negative slope which caused the water to run back towards the door.

So you have got water running back towards the door going underneath the threshold, and then you have that construction joint right there. And once it's at that point, it's dropping down into the unit below.

And so that's kind of my summary of what I see out there, not in that detail, I admit. But I wrote this letter, sent it to Tom, and we never heard another word from him until I got the call from MEC Engineering in 2007 to come look at the exact same problems.

BY MR. MILLS:

Q. You were never asked to price a repair of the balcony wing walls?

A. No. In fact, I even said it again in the repair recommendations; it should include the application of a waterproof deck coating. That's consistent with my recommendation in the other two letters in trying to get them to understand that you've got to treat these horizontal surfaces as you would a vertical surface. You've got to stop the water intrusion.

Q. The negative slope that you mentioned, Mr. Gallagher, do you have an opinion as to whether that was an original construction issue?

A. Well, to my knowledge, there was never a contractor on the property that would have addressed that kind of a problem throughout my history with that property. So that leads me to

believe that, yes, that was an original construction problem. We see it quite a bit in condominium-type, multi-story type construction with open balconies. We see the negative pitch quite a bit.

Q. Is that typically, in your experience, I'm curious, a matter of design or a matter of construction?

A. Well, I can't believe that a designer would design a negative pitch to a balcony. I mean, that makes no sense whatsoever. So to me, it's definitely -- and what I've seen on other properties -- it's definitely a defect in laying out of the forms, you know, the construction side of it. The guy didn't place the forms properly; he had that outside edge too high. When the guy poured the concrete, he didn't even attempt to try to get, you know, a good slope.

A lot of designs show how to get the positive slope but, unfortunately, when the form is placed and the guy is pouring concrete, it often ends up the opposite way.

Q. Thank you.

You've referenced your communications to the management company concerning the need to seal

horizontal walkways. I thought that referred to the exterior walkways. You're saying your recommendation extended to the balcony decks, themselves?

A. All horizontal concrete surfaces, elevated concrete surfaces which meant balconies and walkways. It's the same construction systems, it's the same issues, it's the same problems. Water was blowing in, being trapped by the carpet, and then it was migrating down and affecting these structural members, it was affecting the cantilever beams, it was affecting the panels.

And if you go look through all the Sutton-Kennerly documents and you go look at the work of scope (sic) that was just performed -- what did they have to completely replace? They had to completely replace all the floor panels on the balconies, most, a lot of the floor panels in the corridors, and all of the cantilever beams where the butt joints occur over top of the beams. All of that had to be completely replaced.

In '90, we were seeing just the beginning of these defects and these problems. By 2007, when I came back to the property, it was really bad, it had come full-blown circle. The corrosion was

summarized -- didn't do an in-depth study of it obviously because I don't have all the numbers from Sutton-Kennerly -- but if the association implemented some preventive maintenance strategies, I think that they would not have had to replace every one of those beams and every one of those floor panels. So sort of a calculation based on Sutton-Kennerly's scope.

Q. I see.

And back to my earlier question about whether you prepared a quantitative analysis of the degradation between 1994 when you saw it and 2007 when you saw it, can you quantify in terms of years the progression of the degradation of the concrete?

A. I'm not sure I quite understand your question. I saw it there in 2004. I saw it --

Q. Excuse me, 1994?

A. 1994, I apologize. Again, this span of time is throwing me off a bit.

Q. All right.

A. You're correct. 1994, I saw the cracks in the beams, I saw the cracks in the panel. And then moving forward to 2007, when I came back and wrote this report, it was extensive.

Q. Okay.

A. And then obviously Sutton-Kennerly -- it went on, and Sutton-Kennerly took over and said it's too late, we need to replace; repair is going to cost more, and it's not going to be as durable as replacing.

So -- and the nature of the damage would lead me to believe -- as well as, I would think, any other expert in the field to believe -- that the damages were continually progressing.

Q. Okay.

A. In other words, you know, it just didn't stop when I left in 2004; it was just continuing on.

MR. BELLAMY: You mean 1994?

THE DEPONENT: 1994 -- again, thank you, it's getting late.

BY MR. MILLS:

Q. That's quite all right.

A. It's getting late.

And certainly in 1999 when Henderson was on site, it had to have been just almost as bad as when we saw it in 2004 because I saw --

MR. BELLAMY: You mean 2007?

THE DEPONENT: 2007, sorry.

MR. BELLAMY: That's all right.

THE DEPONENT: Because I saw and removed some of the patches that were performed by the previous contractor, and there were some pretty extensive areas.

BY MR. MILLS:

Q. Okay. You don't know whether the deteriorated conditions in the concrete were visible to the naked eye in 1999, do you?

A. Many of those distresses had to be visible because they patched them, somebody patched them. I can't sit here today and say that Henderson patched them all. Somebody made an attempt to patch them. It was a poor attempt, in my opinion. But yes, in 1999, those spalls in some locations were to that extent (indicating). I mean, there were some pretty bad areas.

Q. Okay. Moving to the Bid Cost Estimate.

(Off-the-record conference.)

BY MR. MILLS:

Q. The Bid Cost Estimate that's appended to 6.5, as of 2007, would PROCON have done this work, the work reflected in the Bid Cost Estimate?

A. Are you asking were we capable of doing the work, or would we have implemented this work scope?

Q. Both. Is the work reflected on this Bid

Cost Estimate in 2007 the type of work that PROCON was capable of doing and willing to do?

A. We were capable of doing it. But you'll notice also in the closing summary of the report, not necessarily under the closing summary but under Conclusions and Recommendations on Page 3 of 5, I went back to my same previous recommendations. I said it's recommended that a structural engineer -- on Number 3 at the top of Page 4, "A structural engineer is recommended to evaluate the concrete." Again, you know, I'm consistent with my '93, '94 recommendations. But this time on Page 3 of that report, I add the corrosion engineer because things have really gotten severe.

Q. Okay.

A. And I can see rust and I can see corrosion, I can see even physical, you know, deflection in some of these panels. I mean, it's gotten severe. You asked me earlier from a life safety standpoint, this time, that flag is going up.

Q. Got you.

A. And then ultimately, after those individuals were engaged by MEC Engineering, that whole team of design people that came through for M EC and worked up work scopes and prepared everything, I think,

with serious water intrusion problems, and various original construction-related problematic conditions." Did you ever advise the board or the management company working for the board of these various original construction-related problematic conditions?

A. No. That component came from Mr. Geiger's report, reading through his report at all of the -- and I want to make specific reference to all of the repair work that the developer was attempting to do with windows and doors.

Q. But if the developer did repair work with regards to windows and doors, then the construction-related problematic conditions were being addressed, weren't they?

A. In my opinion, in reading through those -- that report, I don't think they were ever -- they were addressing it, but I don't think it was ever resolved. The leaks just continue and continue and continue, according to Mr. Geiger's report and the information that's contained in there. It was never really brought to a conclusion.

And then I guess you could apply some of that component to -- and I'm trying to remember everything that I relied upon in that paragraph,

sir.

Q. Uh-huh.

A. If you -- well, in essence, if you read all of these reports, it identifies issues that were there from Day 1. For example, my own comments about the potential for the leakage being -- occurring between the butt joints since Day 1. The decks had never been sealed, had never been addressed. So that's an original construction-related problematic condition.

And you and I addressed several of them during this deposition. And I think -- I'm trying to think where I got the context for that component. I think it's a lot of the things that we spoke about today that's identified in these documents.

Q. Mr. Gallagher, are you aware of the applicable statutes of limitations or statutes of repose in the State of South Carolina?

A. I'm aware of them.

Q. What's your understanding of them?

A. That an owner can go back against, you know, a contractor -- and I'm speaking in terms of construction because that's my field of knowledge -- but that an owner can go back against

a contractor or a developer for a certain period of time. It's also my understanding that if there are building code violations, that that statute may or may not apply. I mean, I'm not an attorney. I don't have the understanding that you do.

Q. What's your general understanding of what those periods of time are that an owner can go back against a contractor or a design professional for construction-related deficiencies?

A. I've heard 13 years, and then I've heard that that's been changed to ten years.

MR. BELLAMY: Eight, it will be eight.

THE DEPONENT: Eight years.

BY MR. MILLS:

Q. But you don't know of your own knowledge?

A. No, sir.

Q. Okay.

A. But I don't think it says various regional construction-related defects; it just says problematic conditions.

Q. So those conditions didn't rise to the level of defects in 1993 or 1994?

MR. BELLAMY: Can I -- I guess, Dave, where are you trying to go with this? Because --

MR. MILLS: Let's just see if the Deponent can answer.

MR. BELLAMY: Okay.

THE DEPONENT: Well, the way I was going to answer it was the board never hired the engineer to find out what defects were out there.

When I read through the Larry Elkin report and I read through the Steve Geiger report, the first professional and design professional that ever came to this site, I believe, was -- as far as the documents I have -- was Spectrum Engineering in November 7, 2008.

Well, in that same timeframe, I think Tourney and MEC -- I think everybody was involved in at that point. But to my knowledge, this association never once had a qualified design person visit the property, assess the buildings and advise them on how to proceed with maintaining and preserving their buildings.

And I even read in some of the meeting minutes in Mr. Geiger's report where some of the owners challenged the board and said --

in 1999, before they paid the two-hundred-and-some-thousand-dollars to have the buildings repaired -- there's a few owners who raised the question, hey, shouldn't we have the properties evaluated by a design professional before we go off and spend two-hundred-and-some-thousand dollars. I think the board actually wanted to spend $300,000. And, yet, they failed to do it.

The first real design team experts or people who I consider -- and I do this for a living, I repair buildings every day -- the first qualified person from a design standpoint that ever stepped foot on this property was either 2007 or 2008.

BY MR. MILLS:

Q. And your recollection, from reviewing Mr. Geiger's materials or the materials appended to his report or the conclusions contained therein, was that property owners were complaining as early as 1999, that the board had not hired qualified professionals to assess the building condition?

A. Yes.

Q. Whether in your capacity as an expert

witness in this case or as a licensed general contractor or as a member of the property owner's association board yourself, do you have an opinion as to whether the Shipyard Village Council of Co-Owners, Inc. was negligent?

A. Based on my experience with -- working for condominium associations and being on a board, I feel that the board was negligent in the fact that they did nothing when I wrote them two different letters and made some recommendations and advised them to hire a competent person to come look at the buildings. They tabled the discussion and never did anything about it. And that was evident when I returned to the property in 2007. They didn't even address the simple things that I advised them to address.

Q. Did that negligence occur, in your estimation, Mr. Gallagher, in 1993 or 1994 or both?

A. I think both.

MR. MILLS: If you'll allow me a short break to review my notes, I think we are pretty near concluding.

(A recess transpired from 3:56 p.m. through 4:01 p.m.)

BY MR. MILLS:

Q. Mr. Gallagher, we've talked some during the deposition about Larry Elkin of Applied Building Sciences, correct?

A. Yes.

Q. Have you crossed paths with Mr. Elkin, professionally?

A. I have.

Q. In what capacity, sir?

A. He represents the Defendants in the Sun City case. There have been a few other cases. I just don't recall which ones right now.

Q. Okay.

A. Larry Elkin had -- obviously works for Applied Building Sciences, and I have worked for their firm in the past on construction projects where they were the designers.

Q. Construction projects involving litigation or just general work?

A. General work.

Q. Okay. And I believe we established earlier that Mr. Bellamy has sent you a copy of Mr. Elkin's report?

A. He has.

Q. Okay. And that was by e-mail?

A. It was. Right here is the cover page of it.

Q. Okay. And what number is that, please, sir?

A. Hmm...

Q. What exhibit number?

A. Well, I just have it listed as it is in the report. I don't believe it's an exhibit number.

Q. Oh, it's not actually an exhibit to your Affidavit?

A. No.

Q. Okay. Let's do this, may -- would you be so kind as to slide that across for me and let me see what you have there?

A. Sure.

Q. Thanks.

I see from the cover e-mail that you have here that Ms. Boan of my law firm forwarded to Mr. Bellamy on June 30th, and on June 30th, that same day, Ms. Hearl forwarded it to Mr. Hodgin, Mr. Gallagher and someone named Sail419.11. Is that correct?

A. Yes.

Q. I see you have some handwritten notes on Mr. Elkin's report, Mr. Gallagher?

A. Yes.

MR. MILLS: Excuse me. I'm going to make a quick copy and give you back your

now he's on his own, and George Magee regarding the water intrusion problems with the windows in Buildings A and B.

MR. MILLS: Okay. I do not believe we had that because if we had it, we would have produced it to you, but I'm going to double-check that.

MR. BELLAMY: Okay.

MR. MILLS: Mr. Gallagher, I thank you for your time this fine Friday afternoon. If you'll please answer any questions Mr. Bellamy has for you.

EXAMINATION

BY MR. BELLAMY:

Q. In your opinion, had the board failed to plan for the necessary repairs and maintenance to Buildings A and B since their inception?

A. Yes.

Q. Okay. And what are you basing that on?

A. I'm basing that on the letters that I wrote in 1993, '94, the follow-up investigation that I performed in 2007, and then reading back through Mr. Geiger's report of all of the meeting minutes that took place that he had referenced in his document about the problems that just -- apparently

just kept compounding and compounding and were never really adequately addressed.

I also base it on Mr. Elkin's report who provides an outline of things that occurred in a timeline fashion.

And then finally, just the fact that if you look at the magnitude of the work scope that had to be performed by Sutton-Kennerly at those properties, somebody failed to act along the way. It just didn't get that way on its own.

Q. My final question, Mr. Gallagher, in your opinion, did the majority of damages to Building C and D, water intrusion damage, concrete damages, occur before 1999?

A. Yes, sir.

Q. Okay. And what are you basing your opinion on?

A. I'm basing my opinion upon the fact that I was there on the site, doing investigations in 1993, also in 1994; then I came back in 2007, and the conditions had gotten extreme. Things were really in bad condition.

MR. BELLAMY: Okay. That's all I've got, David.

(Off-the-record conference.)

EXAMINATION

BY MR. MILLS:

Q. Mr. Gallagher, just to follow-up to Mr. Bellamy's last question. It is your opinion that the majority of damages to Buildings C and D, water intrusion damage, concrete damage, occurred before 1999?

MR. BELLAMY: Buildings A and B.

MR. MILLS: I'm sorry, thank you. Let me restate that.

BY MR. MILLS:

Q. It's your opinion that the majority of damages to Buildings A and B, water intrusion damage and concrete damage, occurred before 1999?

A. Yes.

Q. You're prepared to testify to a reasonable degree of certainty in your field that by the time you left the project in 1994, that the degree of degradation in the buildings had reached more than 50 percent by 1999?

A. When you say "50 percent," what are you making reference to?

Q. The majority that Mr. Bellamy used in his question.

A. Yes. And I base that answer upon the fact that when I came back in 2007 to investigate these same areas, there were patches that had been made. Those patches were not there when I was there in '93, '94.

According to Larry Elkin's record, the next major work that was done at the property was done in 1999. So, therefore, those patches, I assume, had to have been made in 1999, the ones that were failing and that we could easily take apart. They were everywhere on the cantilever beams and on the underside of the panels.

So that's why I make the statement that majority of the damage, you know, now, granted, yes, damages were continuing beyond 1999, but the bulk, I think, had already occurred, because somebody attempted to try to patch it.

Q. Okay.

MR. MILLS: Thank you, Mr. Gallagher.

MR. BELLAMY: Thank you.

(The deposition concluded at 4:42 p.m.)

CERTIFICATE OF REPORTER

I, Madonna M. Perkins, Registered Professional Reporter and Notary Public in and for the State of South Carolina, do hereby certify that the deponent, ROBERT ALLEN GALLAGHER, was duly sworn by me to testify to the truth, and that the above deposition, Pages 1 through 233, inclusive, was recorded stenographically by me and transcribed through computer-aided transcription by me to the best of my ability.

I FURTHER CERTIFY that the foregoing transcript is a true and correct transcript of the testimony given by the said witness at the time and place specified.

I FURTHER CERTIFY that I am neither attorney or counsel for, nor related to or employed by any of the parties to the action in which this deposition is taken, or financially interested in this action.

IN WITNESS WHEREOF, I have set my hand and seal this 17th day of July, 2011.

Madonna M. Perkins
Registered Professional Reporter
Notary Public
My commission expires
September 19, 2015

VERIFICATION OF DEPONENT

CASE: FISHER vs. SHIPYARD VILLAGE COUNCIL

I, ROBERT ALLEN GALLAGHER, have read the foregoing deposition consisting of 234 pages, which was reported by Madonna M. Perkins, Registered Professional Reporter and notary public in and for the State of South Carolina, on July 15, 2011.

I find the transcript of this deposition to be a true and accurate transcript according to my testimony on that date with the exception of corrections as listed on the attached correction sheet, which was filled in by me.

ROBERT ALLEN GALLAGHER
July 3 , 2013

IN WITNESS WHEREOF, I HAVE SET MY HAND AND SEAL THIS 3rd DAY OF July, 2013.

NOTARY PUBLIC: JMPrice

JANNA M. PRICE NOTARY PUBLIC MY COMMISSION EXPIRES 8/4/19 SOUTH CAROLINA

ERRATA PAGE

PAGE # - LINE # CHANGE AND/OR CORRECTION (AND EXPLANATION)

THE ABOVE CHANGES WERE NOTED BY ME ON THIS ERRATA PAGE BEFORE SIGNING THE ATTACHED VERIFICATION OF DEPONENT. I HAVE RETAINED A COPY OF THIS ERRATA PAGE FOR MY RECORDS, AND THE COURT REPORTER IS TO ATTACH THIS PAGE AND MY VERIFICATION TO THE ORIGINAL TRANSCRIPT.

DATED:

ROBERT ALLEN GALLAGHER

IN WITNESS WHEREOF, I HAVE SET MY HAND AND SEAL THIS ____ DAY OF ____, 2011.

NOTARY PUBLIC: _____

MY COMMISSION EXPIRES: 9/19/15.

STATE OF SOUTH CAROLINA	)	IN THE COURT OF COMMON PLEAS
	)	FIFTEENTH JUDICIAL CIRCUIT
COUNTY OF GEORGETOWN	)	C/A NO. 2009-CP-22-01655
Richard Fisher, *et al.*,	)	
	)	
Plaintiffs,	)	
	)	
vs.	)	
	)	
Shipyard Village Council of Co-Owners, Inc.,	)	
	)	
Defendant.	)	
	)	

EXCERPTS FROM
DEPOSITION OF DON JOHNSTON
DATED APRIL 23, 2012

BY MR. SKEETS BELLAMY:

p. 14, line 22 – p. 15, line 1

Q. So, at that point, you knew, in 2008, that when it came to a vote where a simple majority was required, that A and B could outvote C and D, based on their greater percentage?

A. Based on percentages, they could, yes.

p. 15, lines 6–16

Q. But now as you look and reflect back, would it have been something that you would have liked to consider?

A. It definitely is something that I would consider, but I've been through two or three votes by virtue of special meetings, and I know what can happen, regardless of what the percentages are.

p. 15, lines 6–16 (*cont'd*)

Q. All right.

A. But looking at just numbers, yes, one would say that it's weighted to the A and B buildings, yes.

p. 20, lines 1–3

Q. Or not going to give an opinion as a construction expert in this case?

A. No, I can't. I'm not qualified.

p. 25, lines 6–12

Q. Okay. And of the $3 million that was for settlement, that was for monies to fix Buildings A and B and put them back where they were?

MR. HOWELL BELLAMY: C and D, sir.

BY MR. SKEETS BELLAMY:

Q. C and D, put them back where they were?

A. Correct.

p. 26, lines 13–24

Q. All right, sir. Now, you came on the board in June of '08?

A. That's correct.

Q. Okay. And you were just a member of the board for --

A. Yes.

Q. -- a period of time?

A. That's correct.

p. 26, lines 13–24 *(cont'd)*

Q. When did you take on and become an officer?

A. It was in October of 2008.

Q. Okay.

A. I became the president.

p. 27, lines 7–18

A. -- chair in June. I replaced Dr. Eblin's chair as president in October.

Q. Of '08?

A. Of '08. So it was Jennings, Eblin, Poag, Bray, Johnston, that's five. Who am I missing?

Q. How about Cassidy?

A. Tim Cassidy and --

Q. Carter?

A. -- and Clinton Carter.

Q. Okay. That would have been the board at that time?

A. That was the board, yes.

p. 29, lines 1–22

Q. When you came on the board in 2008, did you -- obviously when you say "board," there have been many boards since 1982, when the condominium association came on board.

A. Right.

p. 29, lines 1–22 *(cont'd)*

Q. Okay. You are a successor of previous boards, the one serving now is a successor?

A. Right.

Q. Did you undertake to go back -- once you were charged with the responsibility of the board, did you feel that you had a fiduciary duty to all the members of the association when you went on the board?

A. Correct, yes.

Q. All right, sir. And when you went back in 2008, were records and documents maintained and made available that you could have gone and looked at to see what the history of the maintenance of Buildings A and B had been and was?

A. For what period of time?

Q. '82 forward.

A. No, sir.

p. 31, line 17 – p. 33, line 5

Q. All right. Did you ask K.A. Diehl or other members of the board and say, I would like to know what the maintenance schedules on Buildings A have been from 1982 up until 2008?

A. No.

Q. You didn't ask for that?

A. No, I did not.

Q. Do you now know that those documents were maintained and kept in the course of the business of the association?

p. 31, line 17 – p. 33, line 5

A. I now know that, yes.

Q. All right, sir. So nothing kept you from doing it; it's just you didn't have the opportunity or you chose not to do it?

A. I chose not to do it.

Q. All right, sir. Now you -- so -- and I'm trying to find out, Don -- do you mind if I call you Don?

A. That's fine.

Q. Okay. I'm trying to find out when you actually became aware of the problem with A and B, Buildings A and B.

A. I don't recall the time frame in which I became aware of problems. What I do recall, for the record, is that while I was traveling, and we lived in Pittsburgh, we would receive information, periodic information about the association and about work that was being done, investigative work that was being done regarding Buildings A and B. But I did not pay hardly any attention to that. I had businesses to run. That wasn't on my plate.

Q. All right, sir.

A. I became keenly aware of what the issues were when I became the president.

Q. In 2008?

A. In October of 2008.

Q. So it would be fair to say in 2008, you became acutely aware --

A. Yes.

p. 33, line 24 – p. 34, line 17

Q. Exhibit 2 to Mr. Poag's deposition, I'm going to read in part and let you look at it because I don't want to misread it.

A. Okay

Q. He's talking about Buildings C and D, but he goes on to say in the second paragraph, "Faced with the prospect of two badly distressed, unsafe an arguably uninhabitable buildings in our regime, your Board instructed the General Contractor to move forward with the repairs to be funded as a component of the 20110 and 2011 Operating Budgets. Monthly payments and prepayments were calculated such that only A and B owners bear the cost of the door and window repair."

Q. Now, that's pretty strong language from a member -- from the board of directors saying that the buildings were unsafe, arguably uninhabitable in January of 2010. That's pretty strong language.

A. That's his language.

p. 37, line 12 – p. 38, line 1

Q. An expert would tell you the extent of the deterioration.

A. Correct.

Q. And an expert would tell you what they recommended that you would do --

A. Correct.

Q. -- to put the building back into a good state of repair.

A. (Moves head up and down.)

p. 37, line 12 – p. 38, line 1 (*cont'd*)

Q. And you had experts that told you about the condition of the building.

A. Correct.

Q. And to be fair, they told you that A and B were in pretty poor condition.

A. Correct.

p. 38, line 16 – p. 39, line 2

Q. All right, sir. Now, I have taken the deposition of several other members of the board prior to this, and as I understand, what the board was attempting to do by amending that section of the Master Deed, that A and B unit owners and C and D all bore the responsibility of the maintenance to the windows and doors.

A. Right.

Q. That was done so that the board, or the association, would take over that responsibility; is that correct?

A. Yes.

p. 40, lines 2–6

Q. . . .

Sutton-Kennerly was hired to look at all the problems in Buildings A and B, whether they be unit owner responsibility, board's responsibility or some joint responsibility, and come up with a fix?

A. That's correct.

p. 41, line 16 – p. 43, line 11

Q. This is Plaintiff's Exhibit Number 2 to your deposition. Let me represent to you -- there's a cover letter to the McNair Firm. But here's a letter from Jeff King to the board of directors dated June 9, 2008. And here's a letter from you to Jeff King dated June 12, '08.

A. Okay.

Q. Do you recall that?

A. Yes, I do. I remember this clearly.

Q. All right, sir. Well, I'm going to ask you a few questions about it.

A. Okay.

Q. Take whatever time you need to look at it.

A. Yeah, I remember this clearly.

Q. All right, sir. And so on June 12, '08, right after you get on the board --

A. No. That was before I joined the board.

Q. Before you joined the board?

A. Yes.

Q. Okay.

A. It was a few weeks before I joined the board.

Q. All right. Your letter of June 12 says, "Thank you for your analysis and proposal and the board of directors -- to the Board of Directors of Shipyard Village representing the Owners of Buildings C and D. I believe the analysis is comprehensive with the information at your disposal and the proposal

p. 41, line 16 – p. 43, line 11 (*cont'd*)

reasonable. I/we (Don and Linda Johnston) have submitted our portion of the legal fees ($500) for services rendered. However, this payment for legal fees does not contribute -- does not" -- I'm sorry -- "constitute anagreement to continue incurring legal fees in the event this Board does not accept the proposal and additional legal action as required. Sincerely, Don and Linda Johnston."

A. That's correct, yes.

Q. All right. So that's right before you went on the board.

A. That's right, yes.

Q. And later you changed your mind and said, I'm not going to participate with the group in C and D bringing actions against the association.

A. That's correct.

p. 46, line 16 – p. 47, line 13

Q. Okay? But they have disappeared.

So at that point, the board -- at least it was argued that it passed, but there's nothing because the meeting didn't occur -- the proxies didn't occur where there was a meeting of the membership in a room where everybody was there.

A. That's my understanding, yes.

Q. All right, sir. And then obviously, I assume under your guidance, on March 21, '09, the board decided to put it, in fairness, back to a vote of the membership as to whether or not the amendment should pass.

A. That's correct.

p. 46, line 16 – p. 47, line 13 (*cont'd*)

Q. It was the intent of the board to be bound by whatever the result of that vote was.

A. That's correct.

Q. All right, sir. So there wasn't any question that on March 21, '09, it was the intent of the board, if it passed, to go forward; if it failed, to step aside with the amendment.

A. That's correct.

Q. And it failed, did it not?

A. Yes, it did.

p. 48, lines 15–18

Q. The board went back and basically assessed the unit A and B owners for the actual hard costs of the windows.

A. Windows and doors, that is correct.

p. 49, lines 8–22

Q. Now, at that point and having Jeff King's letter -- was this letter ever made -- discussed in a board meeting?

A. I don't recall that.

Q. Okay. That's fair.

In any case, at the point -- Sutton-Kennerly was not asked or requested, in their assessment of all the damages, to break out what damages, if any, they attributed to the leaks around the windows and doors that may have gotten into the common elements, as to whether unit owners in A and B should be responsible for that collateral damage.

A. That's correct.

p. 49, lines 8–22 (*cont'd*)

Q. They were never asked to do that.

A. That's correct.

p. 50, lines 2–10

A. It was because the information provided by Sutton-Kennerly was such that the corrosion throughout the building is not the end result of any one item. It was made clear from Day One, the buildings absorbed corrosives, and that leaks found throughout -- corrosion found throughout the building could come from anywhere.

Q. Including the windows?

A. Including the windows.

p. 50, line 20 – p. 51, line 9

Q. -- what A and B is responsible for.

A. The board made the decision to assess, based on the costs associated with repairing that building, and the repair of that building, the board recognized the cause for those repairs was not necessarily limited to any one problem in the building. Based on the feedback from the -- from Sutton-Kennerly, that did the investigation, where the corrosives were found, the end result of leaks everywhere --

Q. All right, sir.

A. -- and just not at the windows and doors.

Q. All right, sir. Well, it was -- the more you delved into it, the worse the condition was.

A. That's correct.

STATE OF SOUTH CAROLINA

COURT OF COMMON PLEAS

COUNTY OF GEORGETOWN

RICHARD FISHER, ET AL.,
Plaintiff(s),

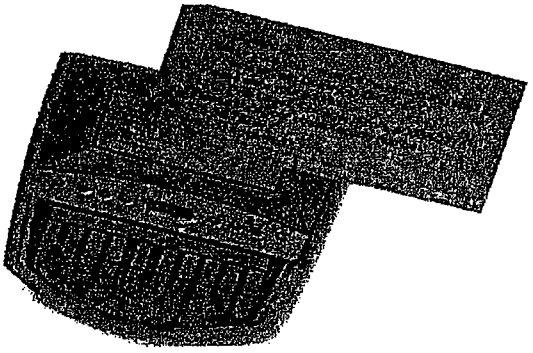
vs.

SHIPYARD VILLAGE COUNCIL OF CO-OWNERS, INC.
Defendant(s).

Deposition of: DON JOHNSTON

Date: April 23, 2012

Volume: 1



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STATE OF SOUTH CAROLINA

COURT OF COMMON PLEAS

COUNTY OF GEORGETOWN

Richard A. Fisher, Platte B. Moring, Jr., Trustee of the Platte B. Moring, Jr. Living Trust dated March 13, 2001; Marianne Kochanski, and Jim H. Markley, III, Individually, and in a Representative Capacity on Behalf of All Persons Similarly Situated Who Own Units in Buildings C and D of the Shipyard Village Horizontal Property Regime; Robert A. Wright, Mary Beth C. Wright, H. Allen Wright, Joyce Y. Wright and Carolyn L. Wright; Carmen J. Savoca, Ann D. Savoca, William John Savoca and Donna S. Strom; James T. Hunter and Mary D. Hunter; Dwain C. Andrews; WWS, LLC, a South Carolina Limited Liability Company; Donald L. Henson and Sandra L. Henson; Allen

(CONTINUED)

DEPOSITION OF: DON JOHNSTON

DATE: Monday, April 23, 2012

TIME: 12:16 p.m. through 1:34 p.m.

LOCATION: McNAIR LAW FIRM
11019 Ocean Highway
Pawleys Island, South Carolina

TAKEN BY: Attorneys for the Plaintiff(s)

COURT REPORTER: MADONNA M. PERKINS
Registered Professional Reporter
Certified Livenote Reporter

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M. Funk; Norman J. Rish and Mary T. Rish; Angela M. Markley; Walter C. Worsham and Carolyn W. Worsham; Enrico S. Piraino and Giusto Piraino; Otis T. Harrison and Rose C. Harrison; James E. Newman, Jr.; Brenda E. Fisher and Joseph R. Canning and Kathleen B. Canning; James D. Reynolds, Jr.; Fuller Family, LLC; Richard T. White and Rory L. White; Propst and Dawson, LLC; Litchfield Quarters, LLC, and Larry O. Snider and Paula D. Snider; William C. Hammond, Jr., Living Trust and the Shawn S. Hammond Living Trust; GAB IV, LLC, a Virginia Limited Liability Company; Robert C. McBride and Susan R. McBride, Trustees of the Robert C. McBride Family Trust u/d/t July 24, 2008 and Susan R. McBride and Robert C. McBride, Trustees of the Susan R. McBride Family Trust u/d/t July 24, 2008; Evelyn J. Valuska; Barbara W. Beymer; Montrose Associates, LLC; Harry L. Belk and Jan C. Belk; Dennis E. Barrett and Wilma J. Barrett; First Family Properties, Inc., Cynthia L. Jones, Sandra D. Huggins and Margaret S. Dover, Thomas Franklin Huggins, Frank S. Krouse and Barbara T. Krouse, Judith W. Mill, William Mill and Susan Mill, Gene R. Riley and Patricia C. Riley, Harold LeMaster and Patti LeMaster; Joseph P. Heaton and Frances H. Heaton; Robert N. Kelly; H.S. Keeter and Sandra C. Keeter; Linda A. Mendicino; Captains Quarters D-24 Association of Owners, Inc., Michael H. Sanders and Rebecca H. Sanders, Ruth Gray Wheliss, David B. Shivell and Nicki M. Shivell, Debra B. Leeke, Joseph Alan Capobianco and Lara Serro, Sharon Gibson Daniel, Gary C. Andes and Andrea W. Andes, Jay Hendler and Laura Hendler, Joy P. McConnell, Charles W. Fortner, Judith C. Woodson, Warren W. Riggs and Charles G. Martin, Riggs Ventures, LLC and SGS Beach Partners, LLC; Morgan

Cameron Foster, Sr. And Laura Lee Foster; Captains Quarters Unit D-31 Association of Multiple Ownerships, Inc., Evelyn Gail Earnest, Francis G. Thomson and Arleen S. Thomson, Robert W. Dalton, Red Oak Limited Partnership, William R. McKeown and Margaret A. McKeown, Norman K. Moon and Barbara W. Moon, David T. McGill and Carol G. McGill, Rick L. Bledsoe and Susan H. Bledsoe, Geoffrey A. Wienke and Pamela L. Wienke, A. Donald Ross, III and Nancy Kay Ross, Dennis J. Straw and Roxanne B. Straw, and Resort Investments of Litchfield, LLC; Georgia M. Pruitt and Howard M. Pruitt, Jr.; Jean T. Blaylock; William C. Covington, Jr. and Donna C. Covington; Litchfield Captain's Quarters, LLC; James A. Schubert and Laraine C. Schubert; Daniel P. Duvall and Mary Lynn Duvall; Victor A. Medina and Melinda Leigh Medina; Judy P. Hamer; Boyce F. Miller and Carole L. Miller, Raymond A. Shingler and Louise O. Shingler, Paul Larry Barnette and Carol Jane Barnette, James R. Walker and Erika T. Walker, Kathy W. Underwood, Andrew J. Wingo, Jr. And Susan A. Wingo, Melanie S. Franklin, Lois E. Cooley, Trustee of the Lois E. Cooley Living Trust, B. Lee Smith and Margaret H. Smith, Jason A. Underwood and Camilla J. Wilson; Stewart South, LLC; Quarter South, LLC; Steven H. Frame and Kay B. Frame,

Plaintiff(s),

vs.

Shipyard Village Council of Co-Owners, Inc.,

Defendant(s).

CIVIL ACTION NO. 2009-CP-22-01655

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