27 33 RB McNair 765

McNair Law Firm, P.A.\KMP
Shelter Cove Executive Park
23-B Shelter Cove Lane, Suite 400
Hilton Head Island, SC 29928
(843) 785-2171

BEAUFORT COUNTY SC- ROD
BK 02352 PGS 2380-2406
DATE: 04/07/2006 04:06:40 PM
INST # 2006028226 RCPT# 409197

**STATE OF SOUTH CAROLINA** )
)
**COUNTY OF BEAUFORT** )

**AMENDMENT TO MASTER DEED**
**THE ISLAND CLUB**
**HORIZONTAL PROPERTY REGIME I**

**(REVISION TO BYLAWS-EXHIBIT "C")**

This Amendment is adopted by the Council of Co-Owners of the Island Club Horizontal Property Regime I (hereinafter "Council"), with said Amendment intended to be effective immediately.

WHEREAS, the Island Club Horizontal Property Regime I ("Regime") was created by Master Deed recorded November 26, 1973 in the Beaufort County public records in Book 216 at Page 102, et seq. ("Master Deed"); and

WHEREAS, Exhibit "C" to the Master Deed is the Bylaws of the Regime; and

WHEREAS, Article VII of the Bylaws provides that the Bylaws may be amended by the Council, but that no amendment shall take effect unless approved by Co-Owners representing at least two thirds of the percentage of ownership in the Regime; and

WHEREAS, the owners met at a meeting on November 3, 2005 and by a vote of 66.92 percentage interest in favor, at the meeting and the continuance thereof, agreed to delete the original Bylaws in the Master Deed (Exhibit "C") in their entirety and replace them with the Bylaws attached hereto.

NOW THEREFORE, the Council hereby declares that the Bylaws attached hereto shall be the Bylaws governing the affairs and administration of the Regime.

[remainder of page left blank intentionally - signature page to follow]

IN WITNESS WHEREOF, I have hereunto subscribed my name on this 6 day of March, 2006.

WITNESSES: **THE ISLAND CLUB HORIZONTAL PROPERTY REGIME I COUNCIL OF CO-OWNERS**

*First Witness to President's Signature*

By: _____

, President

*Second Witness to President's Signature*

*First Witness to Secretary's Signature*

Attest: _____

, Secretary

*Second Witness to Secretary's Signature*

**STATE OF** Florida )
)
**COUNTY OF** Lee )

**ACKNOWLEDGMENT**
**(as to President's Signature)**

I, the undersigned Notary Public, do hereby certify that the above named President of **THE ISLAND CLUB HORIZONTAL PROPERTY REGIME I COUNCIL OF CO-OWNERS**, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal this 6th day of March, 2006.

TAMI TRELOAR
Commission # DD0205155
Expires 4/21/2007
Bonded through
Florida Notary Assn., Inc.
(800-432-4254)

_____ (SEAL)
Notary Public for
My Commission Expires: 4/21/07

---

**STATE OF** Tennessee )
)
**COUNTY OF** Hamilton )

**ACKNOWLEDGMENT**
**(as to Secretary's Signature)**

I, the undersigned Notary Public, do hereby certify that the above named Secretary of **THE ISLAND CLUB HORIZONTAL PROPERTY REGIME I COUNCIL OF CO-OWNERS**, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal this 16th day of March, 2006.

MILLICENT C. LANE
Notary Public At Large
HAMILTON COUNTY, TENN.

_____ (SEAL)
Notary Public for
My Commission Expires: 10/06/07

HILTONHEAD-#617214-v1-114767.00401

BY-LAWS

OF

THE ISLAND CLUB OF HILTON HEAD HORIZONTAL PROPERTY REGIME I

AND FOR

THE ISLAND CLUB OF HILTON HEAD COUNCIL OF CO-OWNERS

ARTICLE I

PLAN OF UNIT OWNERSHIP

The following By-Laws shall govern the operation of The ISLAND CLUB OF HILTON HEAD REGIME I

Section 1. HORIZONTAL PROPERTY REGIME. The Property (the term "Property" as used herein means and includes the land, the buildings, all improvements and structures thereon) located on Hilton Head Island, in Beaufort County, South Carolina, known as THE ISLAND CLUB OF HILTON HEAD HORIZONTAL PROPERTY REGIME I has been, by Master Deed, submitted to the provisions of the Horizontal Property Act of South Carolina, which said Property is known as THE ISLAND CLUB OF HILTON HEAD HORIZONTAL PROPERTY REGIME I (hereinafter referred to as the "Regime").

Section 2. COUNCIL OF CO-OWNERS. In conjunction with the creation of the above described Regime there was incorporated under the laws of the State of South Carolina an entity known as THE ISLAND CLUB OF HILTON HEAD PROPERTY REGIME I which, pursuant to the provisions of the aforementioned Master Deed, constitutes the Council of Co-Owners (hereinafter the "Council of Co-Owners") for the Regime. The offices of the Council of Co-Owners are located in the offices of Island Club of Hilton Head Regime Manager, at 85 Folly Field Road, PO Box 21332, Hilton Head Island, South Carolina 29925, or such other place as may be subsequently designated by the Board of Administration of the Council of Co-Owners.

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

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

Section 5. OWNERSHIP. All Dwelling Units in the Regime are owned by individuals, corporations, or legally defined partnerships properly and legally recorded. No owner, agent or group of owners may after the date these By-Laws are approved by the Co-Owners sell a Dwelling Unit utilized for or subjected to any type of time sharing plans under the Vacation Time Share Plan Act, Section 27-32-10 et seq, Code of Laws of South Carolina, 1976 as amended.

## ARTICLE II

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

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

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

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

Section 4. QUORUM. Except as otherwise provided in Article III, Section 6 and elsewhere in these By-Laws, the presence in person or by proxy of a majority of Co-Owners as defined in Section 3 of this Article shall constitute a quorum.

Section 5. PROXIES. Votes may be cast in person or by proxy. The Proxies shall outline the items for which a vote is being taken, and specify the meeting during which the matter which is being voted upon through proxy was brought before the Council of Co-Owners. Said proxies must be filed with the Secretary before the appointed time of each meeting. Proxies may be filed by electronic mail (e-mail).

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

## ARTICLE III

## COUNCIL OF CO-OWNERS

Section 1. COUNCIL OF CO-OWNERS RESPONSIBILITIES. The Co-Owners of the Dwelling Units will constitute the Council of Co-Owners which will have the responsibility of administering the Property, approving the budgets, arranging for the management of the Property pursuant to an agreement, (which shall contain provisions outlining the duties, obligations, removal and compensation of the Management Agent) and electing the Board of Administration. Except as otherwise provided herein or in the Master Deed, decisions and resolutions of the Council of Co-Owners shall require approval by a majority of Co-Owners.

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

Section 3. ANNUAL MEETINGS. The annual meetings of the Council of Co-Owners shall be held at the call of the President once a year on the first Friday in November or at such other time as a majority of the Co-Owners may agree upon. At such meetings there shall be elected by ballot of the Co-Owners a Board of Administration in accordance with the requirements of Section 5 of Article IV of these By-Laws and there shall be a report by the President or Secretary-Treasurer on the activities and financial condition of the Council of Co-Owners. The Co-Owners may also transact such other business of the Council of Co-Owners as may properly come before them in writing in advance of the meeting.

Section 4. SPECIAL MEETINGS. It shall be the duty of the Secretary to call a special meeting of the Co-Owners as directed by: (i) resolution of the Board of Administration; (ii) at the request by a majority of the Directors; (iii) or upon a petition signed by Co-Owners holding at least forty percent (40%) of the total voting power of the Council of Co-Owners and having been presented to the Secretary. A notice of any special meeting shall state the time and place of such meeting and the purpose or purposes thereof. No business shall be transacted at a special meeting except as stated in the notice. If a Co-Owner intends to raise a matter at a special meeting, said Co-Owner shall submit such request in writing to the Secretary or President at least ten days before the date notice is to be mailed to the Co-Owners in order for such matter to be included in the Notice of Special Meeting.

Section 5. NOTICE OF MEETINGS. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purposes thereof as well as the time and place where it is to be held, to each Co-Owner of record, at least fifteen (15), but not more than forty-five (45) days prior to such meeting. The mailing of a notice in the manner provided in this Section 5 shall be considered notice served. The notice of meeting shall include any matters the Co-Owners intend to raise at the meeting if a request is submitted to the Secretary or President in writing at least ten (10) days prior to notice being mailed, which requests sets forth the matters to be raised. Notices may be delivered via electronic mail (e-mail) if a Co-Owner has previously provided his consent to accepting notices via electronic mail (e-mail) to the Board of Directors.

Section 6. ADJOURNED MEETING. If any meeting of the Council of Co-Owners cannot be organized because a quorum has not attended, the Co-Owners who are present, either in person or by proxy,

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

Section 7. ORDER OF BUSINESS. The order of business at all Annual Meetings of the Council of Co-Owners shall be as follows:

(a) Roll Call.
(b) Proof of Notice of Meeting or Waiver of Notice.
(c) Appointment of Parliamentarian and Inspector of Election by President
(d) Reading of Minutes of Preceding Meeting.
(e) Reports of Officers.
(f) Reports of Committees.
(g) Election of Directors.
(h) Unfinished Business.
(i) New Business.

The order of business at a Special Meeting of the Council of Co-Owners shall include items (a) through (e) above, and thereafter, the agenda shall consist of the items specified in the notice of meeting.

Section 8. RECORD DATE. The Board of Administration shall fix a record date for determining Co-Owners entitled to notice of and to vote at each annual or special meeting. Such record date shall be at least ten (10) but not more than forty (40) days before the meeting.

Section 9. WAIVER AND CONSENT. Whenever the vote of Co-Owners of a meeting is required or permitted by any provision of these By-Laws to be taken in connection with action of the Council of Co-Owners, the meeting and vote of Co-Owners may be waived if a majority of Co-Owners who would have been entitled to vote on the action if such meeting were held, shall consent in writing to such action being taken; however, notice of such action shall be given to all Co-Owners, unless all Co-Owners participated in the approval of such action.

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

Section 10. MEMBERSHIP LIST. After a record date for a notice of meeting has been fixed by the Board of Administration, a complete list of Members of the Council of Co-Owners shall be prepared by the Secretary-Treasurer. This Membership list shall list the Members and shall include the addresses and number of votes each Member is entitled to vote at the meeting. Such list shall be maintained in the office

of the Council of Co-Owners beginning the day after notice is given of the meeting for which the list was prepared and continuing through the meeting.

Section 11. RULES OF ORDER. Roberts Rules of Order (latest edition) shall govern the conduct of the Council of Co-Owners' meetings when not in conflict with the Master Deed or these By-Laws. At all meetings of the Council of Co-Owners, the President shall appoint a parliamentarian to settle disputes that may arise regarding the procedural conduct at said meetings.

## ARTICLE IV

## BOARD OF ADMINISTRATION

Section 1. NUMBER AND QUALIFICATION. The affairs of the Council of Co-Owners shall be governed by a Board of Administration (hereinafter referred to as the "Board") comprised of five (5) persons, all of whom must be Co-Owners.

Section 2. GENERAL POWERS AND DUTIES. The Board shall have the powers and duties necessary for the administration of the affairs of the Council of Co-Owners and may do all such acts and things as are not by law, or by these By-Laws, directed to be executed and done by the Council of Co-Owners or individual Co-Owners.

Section 3. SPECIFIC POWERS AND DUTIES. In addition to the general powers and duties referenced above, duties imposed by these By-Laws, or by resolutions of the Council of Co-Owners, the Board shall be responsible for the following:

(a) Compliance with all of the terms and conditions of the Master Deed and any amendments thereto and enforcement of same.

(b) Care, upkeep and surveillance of the Property and the Common Elements, including both the General and Limited Common Elements, as both terms are defined herein, or in the Master Deed.

(c) Establishment of the annual budget. The budget shall be distributed by the Board to all Members of the Council of Co-Owners at least thirty (30) days in advance of its effective date and at least thirty (30) days in advance of the Council of Co-Owners' Annual Meeting. Notwithstanding the responsibilities and authority of the Board, the budget may be modified by the Council of Co-Owners at the Annual Meeting or a Special Meeting of the Council of Co-Owners by a two-thirds (2/3) vote of the Co-Owners present at such meeting, in person or by proxy.

(d) As a part of the annual budget described in (c) above, establishment and maintenance on behalf of the Council of Co-Owners of an adequate reserve fund, a defined by the Board of Administration, for periodic maintenance, repair and replacement of improvements to the Common Elements.

(e) The appointment of a member of the Council of Co-Owners to serve on the common Common Element Management Board which shall be responsible for the management and maintenance of the common Common Elements as those are defined and set forth in the Master Deeds for the four (4) Regimes (specifically Island Club Horizontal Property Regime I, Island Club

Horizontal Property Regime II, Island Club Horizontal Property Regime III, Island Club Horizontal Property Regime IV, hereinafter collectively referred to as "Regimes I-IV"), as further defined by a Common Element Agreement entered into by the four (4) Regimes.

(f) Employment, dismissal and control of the Management Agent (defined in Section 4 of this Article IV) and any personnel necessary for the maintenance and operation of the Common Elements and for desired services to the owners.

(g) The levying and collection of all assessments and fees from the Co-Owners, including those Specific Assessments and Common Common Element Expenses referenced in Article VII hereinbelow.

(h) Performing repairs caused by any natural disaster or man-made damage using funds from the reserve account and any special assessment, or causing the same to be done.

(i) Obtaining of insurance for the Property, pursuant to the provisions hereof and the provisions of the Master Deed, or causing the same to be done as set forth in ARTICLE IX hereof.

(j) Grant or relocate easements which are not inconsistent with the owners' full use and enjoyment of the Common Elements. Such easements shall include, and shall not be limited to, easements or licenses that may be granted by the Board to others for telecommunication purposes, on, e.g., the roof of the Building, so long as the provisions of Article VII, Section 9(c) below are followed.

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

(l) Borrow money for any legal purpose, and execute any and all documents as necessary to effectuate said borrowing. The Board shall have the ability to assign as collateral any assessments to be collected pursuant to these Bylaws. The Board may borrow funds without the need to obtain approval of the Co-Owners so long as the total amount of such borrowing, together with all other debt incurred within the previous 12 month period does not exceed or would not exceed 20% of the Association's budgeted gross expenses for that fiscal year

(m) To make available, for inspection, upon request during normal working hours or under other reasonable circumstances, to Co-Owners, the holders, insurers or guarantors of any first mortgage on any Dwelling Unit, current copies of the Master Deed, By-Laws, Rules of Conduct as provided for herein, and the books, records and financial statements of the Council of Co-Owners.

(n) Promulgating from time to time rules and regulations governing conduct upon the Property, said rules and regulations to be for the common good of the whole of the Council of Co-Owners.

Section 4. MANAGEMENT AGENT. The Board may employ a Management Agent at the compensation established by the Board to perform such duties and services as the Board shall authorize including, but not limited to, the duties listed in Section 3 of this Article. Any such management contracts

entered into by the Board shall be for a reasonable term and shall contain reasonable provisions regarding the right of the Council of Co-Owners to terminate said contracts.

Section 5. BOARD OF ADMINISTRATION. At the expiration of the term of office of each member of the Board, his successor shall be elected to serve a term of three (3) years. The members of the Board shall hold office until their successors have been elected and hold their first meeting. Any and all of said Board members shall be subject to replacement, in the event of resignation or death, in the manner set forth in Section 6 of this Article.

Section 6. VACANCIES. Vacancies in the Board of Administration caused by reason other than the removal of a member of the Board by a vote of the Council of Co-Owners shall be filled by vote of the majority of the remaining members, even though they constitute less than a quorum; and each person so elected shall be a member of the Board until a successor is elected at the next meeting of the Council of Co-Owners.

Section 7. REMOVAL OF MEMBERS OF THE BOARD. At any annual or special meeting of the Council of Co-Owners duly called, any one or more of the members of the Board may be removed with or without cause by a majority of Co-Owners and a successor may then and there by elected to fill the vacancy thus created. Any member of the Board whose removal has been proposed to the Council of Co-Owners shall be given an opportunity to be heard at the meeting. No Board member shall continue to serve on the Board if during the term of office, he shall cease to be a Co-Owner at such time, said Board member shall either resign or be removed by the Board. Notwithstanding any other provision contained herein, any member of the Board who was elected by the Co-Owners shall only be removed by the Co-Owners at a meeting where the purpose or one of the purposes, as stated in the Notice of Meeting, is the removal of said Board member. A Board member who, without good cause, fails to attend two (2) consecutive scheduled Board Meetings may be removed by a majority vote of the remaining Board Members. A Board member who is delinquent in the payment of any Regime Fee or Assessment by more than thirty (30)days, after receiving notice of said delinquency, shall automatically cease to be a member of the Board and may be subject to additional sanctions as provided herein.

Section 8. REGULAR MEETINGS. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Board, but at least four (4) such meetings shall be held each fiscal year, with a minimum of two (2) of the four (4) meetings being held on site. Notice of regular meetings of the Board shall be given by the Secretary-Treasurer or other designated person, to each Board member, personally or by mail, electronic mail (e-mail), express delivery service such as Federal Express, telephone, telefax or telegraph, at least ten (10) days prior to the day named for such meeting. Telephonic meetings are expressly authorized.

Section 9. SPECIAL MEETINGS. Special meetings of the Board may be called by the President on three (3) days notice to each Board member, given personally or by mail, electronic mail (e-mail), telephone or telegraph, which notice shall state the time, place (as hereinabove provided), and the purpose or purposes of the meeting. Special meetings of the Board shall be called by the President or Secretary-Treasurer in like manner and on like notice on the written request of at least two (2) Board members.

Section 10. WAIVER OF NOTICE. Before or at any meeting of the Board, any member of the Board may, in writing, signed by that Board member, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice and shall be filed with the minutes of the meeting in the corporate records. Attendance at or participation by a Board member at any meeting of the Board shall be

a waiver of notice by him of the time, place and purpose thereof unless the Board member, upon arriving at the meeting or prior to a vote on a matter not noticed in conformity with these By-Laws, objects to lack of notice and does not thereafter vote for or assents to the objected action. If all members are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 11. ACTION WITHOUT A MEETING. Actions required or permitted by law, the Articles of Incorporation for the Island Club of Hilton Head Property Regime I or these By-Laws may be taken without a meeting if the action is taken by all members of the Board and evidenced by one or more consents describing the action taken, signed by each Director, and included in the Minutes filed in the Corporate records reflecting the action taken.

Section 12. BOARD QUORUM. At all meetings of the Board, a majority of the Board members shall constitute a quorum for the transaction of business, and acts of the majority of the members present at a meeting at which a quorum is present shall be the acts of the Board. Any or all Board members may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may hear each other simultaneously during the meeting, and directors so participating by this means shall be deemed to be present in person at the meeting. If, at any meeting of the Board, there is less than a quorum present, the majority of the Board members present may adjourn the meeting to another time. At any such adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice. Unless subsequently approved by Co-Owners by an amendment to these By-Laws, proxies shall not be available for either a Board quorum or for voting purposes.

Section 13. FIDELITY BONDS. The Board may require that any and all officers and employees of the Regime handling or responsible for Regime funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Regime.

Section 14. COMPENSATION. No member of the Board of Administration shall receive any compensation from the Regime for acting as such. However, any Director may be reimbursed for his actual expenses incurred in the performances of his duties, as said duties are specified by the Board.

Section 15. LIABILITY OF THE BOARD OF ADMINISTRATION. Except as required under the laws of the State of South Carolina, the members of the Board of Administration shall not be liable to the Co-Owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. To the extent permitted under the laws of the State of South Carolina, the Co-Owners shall indemnify and hold harmless each of the members of the Board of Administration against all contractual liability to others arising out of contracts made by the Board of Administration on behalf of the Council of Co-Owners unless any such contract shall have been made in bad faith or contrary to the provisions of the Master Deed or of these By-Laws. It is intended that the members of the Board of Administration shall have no personal liability with respect to any contract made by them on behalf of the Council of Co-Owners. It is also intended that the liability of any Co-Owner arising out of any contract made by the Board of Administration or out of the aforesaid indemnity in favor of the members of the Board of Administration, shall be limited to such proportions of the total liability thereunder as his interest in the Common Elements bears to the interest of all Co-Owners in the Common Elements. Every agreement made by the Board of Administration or by the Managing Agent or by the Manager on behalf of the Council of Co-Owners shall provide that the members of the Board of Administration, or the Managing Agent, or the Manager, as the case may be, are acting only as agent for the Co-Owners and shall have no personal liability thereunder (except as Co-Owners), and that each Co-Owners' liability thereunder shall be limited to such proportion of the total

liability thereunder as his interest in the Common Elements bears to the interest of all Co-Owners in the Common Elements.

## ARTICLE V

## OFFICERS

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

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

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

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

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

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

Section 7. SECRETARY-TREASURER. The Secretary-Treasurer shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Council of Co-Owners; he shall have charge of such books and papers as the Board may direct and shall authenticate the records of the Council of Co-Owners; and he shall have responsibility for Council of Co-Owners funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Council of Co-Owners and provide a Financial Statement to the Co-Owners including yearly operating balance sheet and income and expense statement. He shall be responsible for the deposit of all monies and

other valuable effects in the name, and to the credit, of the Council of Co-Owners in such depositories as may from time to time be designated by the Board. He shall, in general, perform all the duties incident to the office of the Secretary and Treasurer.

Section 8. DELEGATION OF DUTIES. In the event of employment of a Management Agent, several of the above duties may be assigned to such Agent in lieu of actual performance by the Officers of the Council of Co-Owners.

Section 9. OFFICER'S LIABILITY INSURANCE. The Board shall provide members of the Board with Liability Insurance or be a part of a minimum Blanket Policy of no less than One Million ($1,000,000.00) Dollars. The premiums of such policies shall be paid for by the Regime.

## ARTICLE VI

## NOTICES

Section 1. DEFINITION. Whenever under the provisions of the Master Deed or of these By-Laws notice is required to be given to the Board of Administration, the Management Agent or Co-Owner, it shall not be construed to mean personal notice; but such notice may be given in writing, by first class, certified or registered mail, by depositing the same in a post office or letter box, in a postpaid sealed wrapper, addressed to the Board of Administration, such Manager or such Co-Owners at such address as appears on the books of the Council of Co-Owners. Notice shall be deemed given as of the date of mailing. Notices may also be delivered via electronic mail (e-mail) if a Co-Owner has previously provided his consent to accepting notices via electronic mail (e-mail) to the Board of Directors.

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

## ARTICLE VII

## OBLIGATION OF THE CO-OWNERS

Section 1. ASSESSMENTS FOR COMMON EXPENSES.

(a) All Co-Owners shall be obligated to pay the periodic assessments imposed by the Council of Co-Owners to meet all Regime Common Expenses, which shall include, among other things, liability insurance policy premiums and an insurance policy premium to cover repair and reconstruction work in case of hurricane, fire, flood, as necessary, and other hazards (hereinafter sometimes referred to as "Common Charges," "Common Expenses," and "assessments"). The Common Expenses shall be apportioned based upon each Dwelling Unit's percentage of ownership interest as stated in the Master Deed. The Common Expenses may also include such amounts as the Board may deem proper for the operation and maintenance of the Property and any authorized additions thereto. Such may include without limitation, any amount for general working capital, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the Common Expenses for any prior year. Such Common Expenses may take the form of regular and

periodic assessments (typically known as "Regime Fee"), or special assessments passed by the Board when deemed appropriate.

(b) All Co-Owners shall also be obligated to pay assessments to satisfy the Regime's proportionate contribution to the common Common Element Budget.

(1) The Budget for the common Common Elements must be approved for each Regime by the Co-Owners of such Regime on the basis of the percentage of ownership interest within each Regime with at least a Fifty-One (51%) per cent ownership interest being required for approval.

(2) The common Common Element Budget shall be comprised of those expenses related to the management and maintenance of those areas on the various Plats of the Island Club referred to as "Sun Deck", "Gate House", and "Pool Site and "Tennis Courts" and/or "Recreation Area", Bridges, Lagoons, Roads, Parking Areas, and any other such common Common Elements as are agreed upon by all four (4) Regimes of the Island Club.

(c) Additional Special Assessments may be imposed by the Council of Co-Owners to meet the Regime's proportionate share of costs imposed by the common Common Element Committee pursuant to the common Common Element Management/Maintenance Agreement entered into by and between the four (4) Regimes of the Island Club on the _____ day of _____, 2005 (hereinafter the "Common Common Element Agreement").

(1) The Common Common Element Agreement and any amendments or modifications thereto must be approved by each Regime by the Co-Owners of such Regime on the basis of the percentage of ownership interest within each Regime with at least a Fifty-One (51%) per cent ownership interest being required for approval.

(d) The Council of Co-Owners, through the Board, shall have the power to levy Specific Assessments against a particular Dwelling Unit, and the Co-Owner of such Dwelling Unit to cover costs incurred in bringing the Dwelling Unit into compliance with the Master Deed, these By-laws and the Rules of Conduct, or costs incurred as a consequence of the conduct of the Co-Owner or occupants of the Dwelling Unit, their agents, licensees, invitees, or guests; provided, the Board shall give the Co-Owner prior written notice and an opportunity for a hearing before levying any Specific Assessment under this subsection.

(e) No less than thirty (30) days prior to the Annual Meeting, the Board shall furnish all Co-Owners with a copy of the budget for the next fiscal year and shall likewise advise them of the amount of the Common Charges payable by each of them, respectively, as determined by the Board as aforesaid.

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

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

Section 2. ASSESSMENTS TO REMAIN IN EFFECT UNTIL NEW ASSESSMENTS MADE. The omission by the Board of Administration before the expiration of any year, to fix the assessments hereunder for that or the next year, shall not be deemed a waiver or modification in any respect of the provisions of the Master Deed and By-Laws or a release of any Co-Owner from the obligation to pay the assessments, or an installment thereof for that or any subsequent year, but the assessment fixed for the preceding year shall continue until a new assessment is fixed by the Board at a duly held Board meeting. Amendments to this paragraph shall be effective upon unanimous written consent of the Co-Owners and their mortgagees. No Co-Owner may exempt himself from liability for his contribution towards the Common Expenses by waiver of the use or enjoyment of any of the General or Limited Common Elements or by abandonment of his Dwelling Unit.

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

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

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

Section 6. BEACH SURVEY. The Board shall, for a reasonable fee, provide a Co-Owner with a copy of the Beach Survey required for sale of property on Hilton Head Island.

Section 7. STATEMENT UPON RESALE. Any Dwelling Unit may be conveyed by an Owner free of any restrictions except for those set forth herein, except that no Owner shall convey, sell, or lease his Dwelling Unit unless and until all unpaid Council of Co-Owners expenses assessed against the Dwelling Unit shall have been paid as directed by the Board of Administration. Such unpaid Council of Co-Owners expenses, however, may be paid out of the proceeds from the sale of a Dwelling Unit or by the grantee. Upon the written request of an Owner or Owner's prospective buyer, the Board or the Management Agent shall furnish a written statement of the unpaid charges due from such Owner which shall be conclusive evidence of the payment of amounts assessed prior to the date of the statement, but unlisted thereon. Further, the Council of Co-Owners shall undertake to provide copies of these By-Laws or other materials described by the Council of Co-Owners upon the written request of a Co-Owner in connection with the sale or lease of their Dwelling Unit. A reasonable charge may be made by the Board or the Management Agent for the issuance of statements and other materials.

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

Section 8. MAINTENANCE AND REPAIR.

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

(b) All the repairs of the Dwelling Units and of all other accessories and Limited Common Elements appertaining or belonging to the Dwelling Unit shall be at the expense of the Co-Owner.

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

Section 9. UTILITIES.

(a) WATER AND SEWER CHARGES. Water and sewer services may be supplied to all Dwelling Units and the Common Elements through one or more meters by the _____ Public Service District, or its successors, (the "District") and each Co-Owner shall be required to pay for all charges for water consumed and sewer services in his Dwelling Unit and to the Common Elements, promptly after the bills for the same have been rendered. The Board and each Co-Owner shall conform to the billing procedures established by the District.

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

(c) CABLE TELEVISION/SATELLITE COMMUNICATIONS. No outside television or radio aerial or antenna, satellite dish, or other device, for the reception or transmission of radio or television, or other electronic signals, shall be erected or maintained on any Dwelling Unit or upon the exterior of any Dwelling Unit, Common Element or the Limited Common Elements appurtenant to any Dwelling Unit without the prior written approval of the Board, which approval shall not be unreasonably withheld. The Board may approve any applications for the installation of such devices so long as the application indicates that the installation is for the personal use of the Co-Owner, and (a) the device shall not be visible from neighboring Dwelling Units, streets, beaches, or common areas; and (b) all other private and public approvals, as applicable, have been obtained. In approving such applications, the Board or its Management Agent shall have the power to require such specific forms of placement of the device as it deems appropriate in order to effectuate the intent of this Section 9(c) that such devices be as inoffensive as possible to other Owners. All installations must comply with local zoning requirements and building codes, if applicable. Any Co-Owner requesting such a device may be required to pay a reasonable charge to the Council of Co-Owners for the reviewing of such Application by the Board or its Management Agent. Further, the Co-Owner shall be required to pay the installation costs for installing such device and to pay any bills associated with such Co-Owner's use of the device.

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

Section 10. USE OF DWELLING UNITS - INTERNAL OR EXTERNAL CHANGES

(a) A Co-Owner shall not make any internal structural modifications or alterations in his Dwelling Unit or installations located therein without prior written approval of the Board.

(b) A Co-Owner shall not make any changes or additions whatsoever to the exterior of the Dwelling Unit, any balconies or decks, appurtenant thereto, or to any of the Limited Common Elements without prior written approval of the Board. The Board may also approve minor additions to landscaping and other exterior minor changes or additions of this nature which in its sole discretion will not interfere or conflict with the overall scheme and appearance of the common areas. If any changes as described herein are approved by the Board, the Co-Owner requesting such change shall be totally financially responsible for the cost of such change and the incurred costs, if applicable, of the maintenance and repair of such change. The Board, through its agent, may include this additional maintenance cost in the periodic assessment for the Dwelling Unit in question.

Section 11. USE OF COMMON ELEMENTS. Except as authorized by Section 10(b) a Co-Owner shall not place or cause to be placed in the passages, parking areas, roads, or other common areas any

furniture, packages or obstructions of any kind. Such areas shall be held in common for the enjoyment of the Co-Owners and shall be used for no other purpose than for normal transit through or use of them and for normal vehicular parking.

Section 12. TERRACES AND BALCONIES. A terrace or balcony to which there is direct access from the interior of an Dwelling Unit shall be for the exclusive use of the Co-Owner of such Dwelling Unit. Any such terrace or balcony shall be kept free of debris and all other accumulation by the Co-Owner of such Dwelling Unit who shall also make repairs thereto caused or permitted by that Co-Owner's negligence, misuse or neglect. All other repairs in, to , or with respect to such terrace or balcony shall be made by the Board and the cost thereof shall be a Common Expense. No alterations shall be made to said terrace or balcony without the written consent of the Board or as a part of an overall modification made throughout the Regime.

Section 13. RIGHT OF ENTRY.

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

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

Section 14. RULES OF CONDUCT. In order to assure the peaceful and orderly use and enjoyment of the Dwelling Units and Common Elements of the Regime, reasonable Rules of Conduct, to be called The Island Club of Hilton Head Property Regime I Rules of Conduct, governing the conduct of persons on said property of the Regime shall be in force and effect. Such Rules of Conduct, upon adoption, and every amendment, modification, and revocation thereof, shall be delivered promptly to each Co-Owner by posting same with postage prepaid addressed to the Co-Owner at the last registered address of the Co-Owner and shall be binding upon all Co-Owners and the occupants of Dwelling Units in the Regime. The Rules of Conduct for the Regime are attached to these By-laws as **Appendix "A"**. Management Agent shall be charged with the responsibility of distributing a current set of the Rules of Conduct to every new Co-Owner. Any revisions to the Rules of Conduct do not necessarily have to be recorded in order to be effective but shall be made available at the offices of the Management Agent.

Section 15. ABATEMENT AND ENJOINMENT OF VIOLATIONS BY CO-OWNERS. The violation of any of the Rules or Regulations adopted by the Board or the breach of any By-Laws contained herein, or the breach of any provisions of the Master Deed, shall give the Board the right, in addition to any other rights set forth in these By-Laws: (a) to enter the Dwelling Unit in which or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Co-Owner, any structure, thing or condition, that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass; and/or (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach and to recover the cost of such enforcement, including attorneys' fees, and until such expense is recovered it shall

be a lien upon said Dwelling Unit which lien shall be inferior to the lien of all prior mortgages; and/or (c) to cause a Specific Assessment to be levied against the defaulting Co-Owner as described above in Article VII (2)(c).

Section 16. FISCAL YEAR. The fiscal year for the Council of Co-Owners shall begin on the 1st day of January of each year; provided, however, that the Board of Administration is expressly authorized to change to a different fiscal year in accordance with the provisions and regulations from time to time prescribed by the Internal Revenue Code of the United States of America, at such time as the Board of Administration deems it advisable.

## ARTICLE VIII

## AUTHORITY AND ENFORCEMENT OF BY-LAWS AND RULES OF CONDUCT.

Section 1. Upon the violation of these By-Laws or the Rules of Conduct duly adopted hereunder, including, without limitation, the failure to timely pay any assessments, the Board of Administration shall have the power to:

(a) impose reasonable monetary fines on the Co-Owner guilty of such violation which shall also constitute an equitable charge and a continuing lien upon the property of such Co-Owner

(b) suspend a Co-Owner's right to vote in the Council of Co-Owners; and

(c) suspend a Co-Owner's right to use of any of the Common Elements other than the right of ingress and egress and the Board of Administration shall have the power to impose all or any combination of these sanctions.

A Co-Owner shall be subject to the foregoing sanctions in the event of such a violation by such Co-Owner, his family, guest, tenants or invitees. Any such suspension of rights may be for the duration of the infraction or for any additional period thereafter, not to exceed sixty (60) days as to a Co-Owner.

Section 2. Except with respect to the failure to pay assessments, the Board of Administration shall not impose a fine, suspend voting rights, or infringe upon or suspend any other rights of a Co-Owner for violations of these By-Laws or the Rules of Conduct unless and until the following procedure is followed:

(a) Written demand to cease and desist from an alleged violation shall be served upon the person responsible for such violation specifying:

(1) the alleged violation;

(2) the action required to abate the violation; and

(3) a time period of not less than five (5) days during which the violation may be abated without further sanction, if such violation is a continuing one, or if the violation is not a continuing one, a statement that any further violation of the same provision of these By-Laws or of the Rules of Conduct may result in the imposition of sanction after notice and hearing.

(b) If the violation continues past the period allowed in the demand for abatement without penalty, or if the same violation subsequently occurs within twelve (12) months of such demand, the Board of Administration may serve such person with written notice of a hearing to be held by the Board of Administration in executive session. The notice shall contain:

(1) the nature of the alleged violation;

(2) the time and place of the hearing, which time shall not be less than ten (10) days from the giving of notice;

(3) an invitation to attend the hearing and produce any statement, evidence and witnesses on his behalf; and

(4) the proposed sanction to be imposed.

(c) The hearing shall be held in executive session of the Board of Administration pursuant to the notice and shall afford the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the officer, director or other individual who deliver such notice. The notice requirement shall be deemed satisfied if an alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction imposed, if any.

## ARTICLE IX

## INSURANCE

The Board of Administration shall be required to obtain and maintain, as set forth below, in forms and amounts as hereinafter prescribed, the following insurance, without prejudice of the right of the Co-Owner to obtain additional individual insurance at his own expense:

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

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

(b) All hazard insurance policies obtained by the Board of Administration 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 Dwelling Unit is located. If a Dwelling Unit is mortgaged, a Certificate of Insurance shall be issued to the mortgagee bearing a standard mortgagee endorsement, if requested.

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

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

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

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

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

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

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

Section 6. INSURANCE BY CO-OWNERS. Each Co-Owner shall be responsible for obtaining, at his sole expense, insurance covering the personal property, wall coverings, decorations, and furnishings within his own Dwelling Unit and the additions, replacements and improvements made by him to the Dwelling Unit (typically referred to as a HO-6 policy). Each Co-Owner shall also be responsible for obtaining, at his own expense, insurance covering his liability for the safety of the premises within his Dwelling Unit. All such insurance policies shall include, however, provisions waiving (i) any right of the insurer to subrogation claims against the Council of Co-Owners 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.

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

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

Section 8. SUBSTITUTION OF INSURANCE TRUSTEE. The Board of Administration, in its discretion, may decline to serve as Insurance Trustee and may appoint in its place any financial institution which is qualified (said qualification to be determined solely at the Board's discretion) and willing to act as Trustee and which also has offices in Beaufort County, South Carolina. Any substitute Insurance Trustee appointed by the Board of Administration shall succeed to all of the powers and responsibilities vested in the Board as Insurance Trustee under the terms of these By-Laws.

## ARTICLE X

## RECONSTRUCTION AND REPAIR

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

respective statutory interests. In the situation where reconstruction or repair is undertaken, then such Property shall be repaired in the following manner:

(a) Any reconstruction or repair must follow substantially the original plans and specifications of the Property unless the Co-Owners holding seventy-five percent (75%) or more of the total interest in Common Elements and their mortgagees, if any, vote to adopt different plans and specifications and all Owners whose Dwelling Units are being reconstructed or repaired unanimously consent to the adoption of such different plans and specifications.

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

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

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

## ARTICLE XI

## INSURANCE TRUST

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

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

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

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

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

## ARTICLE XII

## MORTGAGES

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

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

(a) Any change in the condominium documents;

(b) Any unpaid assessments due the Council of Co-Owners for over ninety (90) days from the Co-Owner(s) (mortgagor(s)) of the Dwelling Unit;

(c) Any default by the Co-Owner (mortgagor) of a Dwelling Unit in the performance of such Co-Owners' obligations under the Master Deed and associated condominium documents when such default is not cured within sixty (60) days.

(d) Any notice of special or annual meetings of the Council of Co-Owners.

(e) Any condemnation loss or any casualty loss which affects a material portion of the Project or any Dwelling Unit on which there is a first mortgage held, insured, or guaranteed by such eligible mortgage holder or eligible insurer or guarantor, as applicable;

(f) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Council of Co-Owners;

(g) Any proposed action which would require the consent of a specified percentage of eligible mortgage holders as specified in these By-Laws or in the Master Deed.

(h) Any proposed change from professional management of the Property to self management of the Property by the Council of Co-Owners.

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

## ARTICLE XIII

## RESTRICTIONS UPON LEASES OF DWELLING UNITS

Section 1. LEASES. No Co-Owner may lease his Dwelling Unit or any interest therein except by complying with these By-Laws, the terms and conditions of the Master Deed and all exhibits, and the Rules of Conduct. Such lease shall be complied with by the tenant and that the Council of Co-Owners shall have the power to terminate such lease, and bring summary proceedings to evict the tenant in the name of the landlord thereunder in the event of default by the tenant in the performance of said lease, or failure by the tenant to perform an obligation in the Master Deed, By-Laws or the Rules of Conduct. In the event of a Co-Owner leasing his Dwelling Unit, such Co-Owner shall provide a copy of the then current Rules of Conduct to his tenant and shall expressly include a provision in the written lease document cross referencing such Rules of Conduct as being applicable to the tenant.

## ARTICLE XIV

## AMENDMENTS

Section 1. REQUIREMENTS FOR AMENDMENTS. Except as provided in the Master Deed, and except where a greater percentage is expressly required, either herein, or by law, these By-Laws may be materially amended only with the consent of the Owners of Dwelling Units to which at least sixty-seven (67%) percent of the votes in the Council of Co-Owners are allocated as it relates to modification of any material provisions of these By-Laws, the Articles of Incorporation or other governing document.

Section 2. MATERIALITY OF AMENDMENTS. An addition or amendment to the By-Laws or Master Deed shall not be considered material if it is for the purpose of correcting technical errors, or for clarification only.

## ARTICLE XV

## MISCELLANEOUS MATTERS

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

Section 2. EXECUTION OF DOCUMENTS. The President or Vice President and Secretary or Assistant Secretary are responsible for preparing, executing, filing and recording amendments to the Master Deed and By-Laws, and shall be authorized to execute any other document which the Council of Co-Owners may from time to time be required to execute.

Section 3. NOTICES. All notices required by these By-Laws shall be hand delivered or sent by mail to the Council of Co-Owners at the address of the President; to Co-Owners at the address of the Dwelling Unit or at such other address as may have been designated by such Co-Owner from time to time in writing to the Council of Co-Owners. All notices from or to the Council of Co-Owners shall be deemed to have been given when mailed or delivered, except notice of changes of address which shall be deemed to have been given when received.

Section 4. CAPTIONS. The captions contained in these By-Laws are inserted as a matter of convenience and for reference, and in no way define, limit, or describe the scope of these By-Laws or the intent of any provision of the By-Laws.

Section 5. INVALIDITY. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws.

Section 6. CONFLICT. These By-Laws are set forth to comply with the requirements of the Horizontal Property Act of South Carolina, as amended, and the South Carolina Non-Profit Corporation Act of 1994, and may be amended from time to time. In the event of any conflict between these By-Laws and the provisions of such statutes or the Master Deed, the provisions of such statutes or the Master Deed, as the case may be, shall control.

Section 7. WAIVER. No restriction, condition, obligation, or covenant contained in these By-Laws shall be deemed to have been abrogated or waived by reason of failure to enforce the same, irrespective of the violations or breaches thereof which may occur.

## APPENDIX "A" TO BY-LAWS OF THE ISLAND CLUB OF HILTON HEAD HORIZONTAL PROPERTY REGIME I

## RULES AND REGULATIONS

The Island Club of Hilton Head Horizontal Property Regime I ("Island Club") through its Board and Management Agent have enacted and will enforce certain Rules and Regulations in place to ensure the peaceful and orderly use and enjoyment of the Dwelling Units and Common Elements of the Regime. Each co-owner, his family, occupants and guests agree to observe all Rules and Regulations and to assist the Council of Co-Owners in keeping the Island Club an attractive and pleasant place in which to live. Any expense incurred by the Council of Co-Owners as a result of a violation of these Rules and Regulations, insofar as feasible, may be assessed against the co-owner as additional Common Expense in the form of a Specific Assessment as defined in the By-Laws.

NOTE: These Rules and Regulations are a part of the By-Laws of the Council and each co-owner is obligated to observe them. Capitalized terms used herein shall have the same meaning as set forth in the Master Deed and/or the By-Laws, unless otherwise defined herein.

1. Riding of bikes, the use of roller blades, scooters, or skateboards or any wheeled vehicle is not permitted on the building walkways, tennis/basketball courts or pool area..

2. Bikes, when not in use, are at all times to be stored and locked in the proper position in the bike racks provided.

3. Items such as floats, chairs, rafts, bicycles, surfboards, strollers, etc. shall not be stored, kept, left or placed in hallways or the outside entrance to any Dwelling Unit or storage closet.

4. All persons are expected to avoid unnecessary noise and to conduct themselves so as to not interfere with the peaceable enjoyment and safety of others. No noxious or offensive activity causing a nuisance to others is allowed.

5. All trash leaving a Dwelling Unit shall be securely and appropriately bagged and placed in designated trash chutes or dumpsters.

6. Only Island Club condominium owners only may have pets and must be in residence if pets are in the Unit. Pets must be kept on a leash at all times when out of doors on common property and owners must gather and properly dispose of all waste. Renters and guests are not permitted to have pets. Only "usual" household pets may be kept by unit owners, and no animals shall be kept for commercial purposes.

7. Hanging of garments, towels, rugs, etc. from balconies, walkways and service yards is prohibited.

8. Charcoal, gas, or any other type of grills for cooking outdoors is prohibited. Charcoal grills are provided in the picnic areas for use of owners and guests.

9. Feeding of birds or other animals from the balconies is prohibited. Do not throw or sweep cigarettes or debris of any nature off the balconies.

10. Mobile homes, campers, boats, trailers and motorcycles and/or derelict vehicles of any kind shall not be permitted on the property.

11. No signs of any nature shall be placed on or about the Dwelling Units, nor shall vehicles on the grounds display "For Sale" signs. Working on or washing a vehicle is prohibited.

12. The use of, or possession or storage of flammable materials, such as gasoline, kerosene, naptha, benzene, propane, fireworks to include sparklers, explosives, and articles deemed extra hazardous to life, limb or property, within any Dwelling Unit or storage unit is prohibited.

13. Close and lock all doors and windows when unit is unoccupied.

14. Car passes must be displayed at all times, and pets of owners must display approved tags.

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

Version Date: March, 2006