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Rec'd 12/3/97

BYLAWS OF SAILMASTER HORIZONTAL PROPERTY REGIME I

ARTICLE I

NAME AND LOCATION

Section 1. The name of the corporation shall be Sailmaster Horizontal Property Regime I. The principle office of the corporation shall be located at such offices as designated periodically on Hilton Head Island, SC 29928.

ARTICLE II

DEFINITIONS

Section 1. "Bylaws" shall mean and refer to these Bylaws.

Section 2. "Corporation" shall mean and refer to Sailmaster Horizontal Property Regime I, its successors and assigns.

Section 3. "Master Deed" shall mean and refer to, collectively, the "Master Deed Horizontal Property Regime" dated October, 26, 1973 recorded November 29, 1973 in the Beaufort County RMC Office in Deed Book 216 at Page 310, "Master Deed Horizontal Property Regime" dated December 14, 1973 and recorded in the Beaufort County RMC Office on January 7, 1974 in Deed Book 217 at Page 59, and "Master Deed Establishing Horizontal Property Regime" dated February 11, 1974 and recorded March 14, 1974 in Deed Book 218 at Page 1308, and all amendments thereto.

Section 4. "Member" shall mean and refer to the person or entity representing each Unit for the Corporation.

Section 5. "Owner" shall mean and refer to all persons or entities having a fee title interest to a Unit in the Regime.

Section 6. "Regime" shall mean and include that certain real property, buildings, all improvements and appurtenances thereto located on Hilton Head Island in Beaufort County, South Carolina known as Sailmaster Horizontal Property Regime I, Sailmaster Horizontal Property Regime II, Sailmaster Horizontal Property Regime III, created, described, and submitted to the Horizontal Regime Act of South Carolina by the Master Deed and that property conveyed by Deed of the Hilton Head Company, Inc. dated May 26, 1983 and recorded on June 21, 1983 in the Beaufort County RMC Office in Deed Book 374 at Page 128.

Section 7. "Unit" shall mean and refer to each villa in the Regime as each is described in the Master Deed.

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ARTICLE III

APPLICABILITY OF BYLAWS

Section 1. Bylaws Applicability. The provisions of these Bylaws are applicable to the Property and the Regime.

Section 2. Personal Application. All present or future Owners, tenants, or their employees, or any other person that might use the Property in any manner, are subject to the regulations set forth in these Bylaws and in the Master Deed. The mere acquisition or rental of any of the Units or the mere occupancy of any said Units will signify that these Bylaws and the Master Deed are accepted and ratified, and will be complied with.

ARTICLE IV

Section 1. Eligibility. There shall be one Member in the Corporation for each Unit owned. Transfer of the Unit ownership, either voluntary or by operation of law, shall terminate membership in the Corporation. If Unit ownership is vested in more than one person, all of the persons owning said Unit shall agree on one of them to act as the Member of the Corporation.

Section 2. Voting. Voting shall be on a percentage basis and the percentage of the vote to which the Member is entitled is the percentage assigned to the Unit or Units in the Master Deed.

Section 3. Majority of Owners. As used in these Bylaws, the term "majority of Owners" shall mean those Owners holding 51% or more of the total value of the Property, in accordance with the percentage assigned in the Master Deed.

Section 4. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of a majority of Owners as defined in Section 2 of this Article shall constitute a quorum.

Section 5. Proxies. Voting may be cast in person or by proxy. Proxies must be filed with the Secretary or its designee before the appointed time of each meeting. All proxies shall be verified by the President at each meeting.

Section 6. Majority Vote. At any meeting in which a quorum is present, the vote of 51% of the Members represented shall be binding upon all Owners. A higher percentage vote, or the vote of a majority of Members, shall not be required at a meeting in which a quorum is present unless required in the Master Deed, these Bylaws, or by law.

ARTICLE V

Section 1. Corporation Responsibilities. The Owners of the Units will constitute the Corporation who will have the responsibility of administering the Regime, approving the annual budget, establishing and collecting periodic assessments and arranging for the management of the Regime pursuant to an agreement, containing provisions relating to the duties, obligations, removal and compensation of the management agent.

Section 2. Place of Meeting. Meetings of the Corporation shall be held at such place, convenient to the Owners as may be designated by the Corporation.

Section 3. Annual Meeting. The annual meetings of the Corporation shall be held on the first Saturday of April each year. At such meetings there shall be elected by ballot of the Owners of the Board in accordance with the requirements of Section 5 of Article VII of these Bylaws. The Owners may also transact such other business of the Corporation as may properly come before them.

Section 4. Special Meetings. It shall be the duty of the President to call a special meeting of the Owners as directed by resolution of the Board or upon a petition signed and dated by at least five percent (5%) majority of Owners and having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of four-fifths of the votes present, either in person or by proxy.

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 purpose thereof as well as the time and place where it is to be held, to each Owner of record, at least twenty (20) but not more than thirty (30) days prior to such meeting. The mailing of a notice in the manner provided in this Section shall be considered notice served.

Section 6. Adjourned Meeting. If any meeting of the Corporation cannot be organized because a quorum has not attended, the 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.

Section 7. Order of Business. The order of business at all Annual Meetings of the Corporation shall be as follows:

- (a) Roll Call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Financial Report.
- (f) Reports of committee.

- (g) Election of administrators.
- (h) Unfinished business.
- (i) New business.

ARTICLE VI
BOARD OF DIRECTORS

Section 1. Number and Qualification. The affairs of Corporation shall be governed by a Board of Directors (the "Board") comprised of five persons, all of whom must be Owners of Units.

Section 2. General Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Corporation and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done by the Corporation or individual Owners.

Section 3. Other Duties. In addition to duties imposed by these Bylaws or by resolutions of the Corporation, the Board shall be responsible for the following:

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

(b) Care, upkeep, and inspection of the property and the common elements to include:

(1) Establishment and enforcement of RULES OF CONDUCT which shall be obeyed by all Owners, rental agents, guests and/or tenants of the property.

(2) Ejection from the property of any rental agents, guests and/or tenants for failure to observe the RULES OF CONDUCT established by the Board.

(3) Registration and/or approval of any rental agents used by Owner concerning the property.

(4) Disapproval of any rental agent and the barring or ejection from the property of any tenant placed on the property by a disapproved rental agent. Any agent who shall fail to insure that its selected tenants shall obey the RULES OF CONDUCT as shall be established by the Board from time to time may be disapproved to place future tenants on the property.

(5) Establishment and collection of Special Assessments against a Owner for all attorney's fees and associated costs incurred in enforcement of these Bylaws, including the RULES OF CONDUCT established by the Board, or those which shall be established

by the Board as proper for the value of the disturbance of the peace and quiet enjoyment rights of the property. However, such "value" shall not exceed \$100.00 per incident.

(c) Collection of assessments, both special and re-occurring from the Owners.

(d) Employment, dismissal, and control of the personnel necessary for the maintenance and operation of the common elements.

Section 4. Management Agent. The Board may employ a management agent at a 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.

Section 5. Term of Office. Each member of the Board, shall be elected to serve a term of three (3) years. Elections shall be staggered so no more than two (2) Board members are elected at any one (1) meeting. The members of the Board shall hold office until their successors have been elected.

Section 6. Vacancies. Vacancies in the Board caused by any reason other than the removal of a member of the Board by a vote of the Corporation shall be filled by vote of the majority of the remaining Board members even though they may 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 Corporation.

Section 7. Removal of Members of the Board. At any regular or special meeting of the Corporation duly called, any one or more of the members of the Board may be removed with or without cause by a majority of Owners and a successor may then and there be elected to fill the vacancy thus created. Any member of the Board whose removal has been proposed to the Corporation shall be given an opportunity to be heard at the meeting.

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 two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board shall be given by the Secretary-Treasurer, or other designated person, to each Board member, personally or by mail, telephone or facsimile, at least ten (10) days prior to the day named for such meeting.

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, telephone or facsimile, which notice shall state the time, place (as hereinabove provided) and purpose 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 Board members.

Section 10. Waiver of Notice. Before or at any meeting of the Board, any Board member may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance 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. If all the

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. Board Quorum. At all meetings of the Board, a majority of the Board members shall constitute a quorum for the transaction of business and the acts of the majority of the members present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board, there be less than a quorum present, the majority of those present may adjourn the meeting from time to 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.

Section 12. 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 13. Liability of Board of Directors. The members of the Board of Directors shall not be liable to the Unit Owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Unit Owners shall indemnify and hold harmless each of the members of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Corporation unless any such contract shall have been made in bad faith or contrary to the provisions of the Master Deed or of these Bylaws. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contact made by them on behalf of the Corporation. It is intended that the liability of any Unit Owners arising out of any contact made by the Board of Directors or out of the aforesaid indemnity in favor of the members of the Board of Directors, shall be limited to such proportions of the total liability thereunder as his interest in the Common Elements bears to the interest of all Unit Owners in the Common Elements. Every agreement made by the Board of Directors or by the managing agent or by the manager on behalf of the Corporation shall provide that the members of the Board of Directors, or the managing agent, or the manager, as the case may be, are acting only as an agent for the Unit Owners and shall have no personal liability thereunder (except as Unit Owners), and that each Unit 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 Unit Owners in the common elements.

ARTICLE VII

OFFICERS

Section 1. Designation. The principal officers of the Regime 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 an assistant secretary, and such other officers as in their judgment may be necessary.

Section 2. Election of Officers. The officers of the Regime shall be elected annually by the Board at the organization 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 purposes.

Section 4. President. The President shall be the chief executive officer of the Regime. He shall preside at all Corporation meetings of the Regime and of the Board. He shall have all of the general powers and duties which are usually vested in the office of president of a Regime, including, but not limited to, the power to appoint committee from among the Owners from time to time as he may in his discretion decide are appropriate to assist in the conduct of the affairs of the Regime.

Section 5. Vice-President. The Vice-President shall take the place of the President and perform his duties whenever 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 6. Secretary-Treasurer. The Secretary-Treasurer shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Corporation; he shall have charge of such books and papers as the Board may direct; and he shall have responsibility for Regime funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Regime. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Regime in such depositories as may from time to time be designated by the Board. He shall, in general, perform all of the duties incident to the office of Secretary and Treasurer.

ARTICLE VIII

OBLIGATIONS OF THE OWNERS

Section 1. Assessments. All Owners are obligated to pay periodic assessments imposed by the Corporation to meet all Regime expenses, which shall include a liability insurance policy premium and an insurance premium for a policy to cover repair and reconstruction work in case of hurricane, fire, earthquake, or other hazard. The assessments shall

be made pro rata according to the value of the Unit owned, as stipulated in the Master Deed. The Board shall have the power to levy penalties against Owners whose assessments are delinquent in reasonable amounts as determined from time to time by the Board in its sole discretion.

Section 2. Maintenance and Repair.

(a) Every Owner must perform promptly all maintenance and repair work within his own Unit, which if omitted, would affect the Regime in its entirety or in a part belonging to other Owners. Any Owner's failure to conduct such maintenance and repair will result in Owner being expressly responsible for any and all resulting damages and liabilities.

(b) As set forth in the Master Deed, all the repairs of internal installations of the Units such as water, light, gas, power, sewage, telephone, air conditions, sanitary installations, doors, windows, lamps, and all other accessories belonging to the Unit shall be at the Owners' expense.

(c) A Owner shall reimburse the Regime for any expenditures incurred in repairing or replacing any common elements or limited common elements damaged through his fault.

Section 3. Use of Units - Internal Changes.

(a) All Units shall be utilized for residential purposes only.

(b) A Owner shall not make structural modifications or alterations in his Unit or installations located therein, without previously notifying the Corporation in writing, through the management agent, if any, or through the President if no management agent is employed. The Corporation shall have the obligation to answer within thirty (30) days and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration.

Section 4. Use of Common Elements.

(a) Residents shall exercise extreme care to avoid unnecessary noise or the use of musical instruments, radios, television, and amplifiers that may disturb other residents.

(b) The number of automobiles per villa parked at Sailmaster will be limited to two vehicles. Owners may receive special permission from the Board of Directors for more than two cars. Visitors staying more than seven (7) nights must receive special permission from the Board of Directors. Under no circumstance will renters be permitted more than two vehicles.

Section 5. Miscellaneous Items.

(a) Owners, agents, guests and/or tenants shall: exercise extreme care to avoid unnecessary noise or the use of musical instruments, radios, television, and amplifiers that may disturb other residents.

(b) No Owner, agent, guest or tenant of the Regime shall:

(1) Post any advertisements, or posters of any kind in or on the Property except as authorized by the Regime.

(2) Hang garments, rugs, or similar objects, from the windows or from any of the facades of the Regime.

(3) Dust rugs, mops, or similar objects, from the windows, or clean rugs, or similar objects by beating on the exterior part of the Regime..

(4) Throw garbage or trash outside the disposal installations provided for such purposes in the service areas.

(5) Act so as to interfere unreasonably with the peace and enjoyment of the residents of the other Units in the Regime..

(6) Use more than two parking spaces per dwelling unit without written permission of the Board.

(c) No Owner, resident or lessee shall install wiring for electrical or telephone installations, television antennae, machines or air conditioning units, or similar objects outside of his dwelling unit except as authorized by the Board.

(d) Owners, Rental Agents, Guests and tenants shall obey all RULES OF CONDUCT established by the Board and be subject to ejection from the property or other action for violations of such rule as may be determined by the Board.

(e) The RULES OF CONDUCT, the Master Deed and these Bylaws are a required part of each and every lease binding the Owners, their agents, tenants and guest. All Owners are responsible for the acts of their agents, guests and tenants.

(f) A Owner must pay the attorney's fees and costs associated with the enforcement of the Master Deed, Bylaws or RULES OF CONDUCT as established by the Board, if such enforcement shall be against them, their agents, guests and/or tenants.

(g) Owners or their designated agents shall:

(1) Display a copy of the most current SAILMASTER RULES OF CONDUCT in a frame approved by the Board on the back of the front door of each rental unit.

(2) Use only the Rental Agents which are registered with and approved by the Board. The Board shall provide such a list when requested.

(3) Allow the Board or its designated agents, to enter into and inspect rental unit to insure compliance with all RULES OF CONDUCT. The Owner of the rental unit will be informed of all discovered violations of the RULES OF CONDUCT or condition of

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the unit if the Board or its designated agents believe it to be in the best interest of the Owners and/or Property.

(4) Obtain a statement from any guest or tenant prior to their occupancy which shall acknowledge receipt of the key to the unit and agree to abide by the Regime RULES OF CONDUCT subject to ejection from the property by the Board or its designated agents. The statement must be filed with Island Regime Management or other agent as may be designated by the Board prior to occupancy by the guest or tenant.

(5) Notify any guest or tenant of the requirements of South Carolina Code of Laws §27-31-280 which states in substance as follows:

The Sailmaster Horizontal Property Regime shall have the irrevocable right, to be exercised by the administrator or the board of administration, or other form of administration, or other form of administration specified in the bylaws, to have access to the common elements from time to time during reasonable hours as may be necessary for the maintenance, repair or replacement of any of the common elements therein or accessible therefrom, or for making emergency repairs therein necessary to prevent damage to the common elements or to another Unit or Units, with notification of the Owners.

The failure to allow access by an agent of the Board could result in liability for damages to other Owners and/or the Regime.

(h) Failure of the board to enforce any of the provisions of the Master Deed, Bylaws and/or RULES OF CONDUCT shall not be a waiver of future enforcement for violations of such provisions.

ARTICLE XI

AMENDMENTS

Section 1. Bylaws. These Bylaws may be amended by the Corporation in a duly constituted meeting held for such purposes, and no amendment shall take effect unless approved by Owners representing at least two-thirds of the total value of the Regime as shown in the Master Deed.

md:tdwi:Sailmaster byl

STATE OF SOUTH CAROLINA) AMENDMENT AND RESTATEMENT OF
) SAILMASTER HORIZONTAL PROPERTY
 COUNTY OF BEAUFORT) REGIME I BYLAWS

THIS AMENDMENT AND RESTATEMENT OF SAILMASTER HORIZONTAL PROPERTY REGIME I BYLAWS ("Restatement") is made effective April 5, 1997, by Sailmaster Horizontal Property Regime I, a South Carolina association established as set forth below.

WHEREAS, on October 26, 1973, Shipmaster Company established the Sailmaster Horizontal Property Regime I ("Regime") by Master Deed recorded on October 29, 1973, in the Beaufort County Register of Mesne Conveyances, South Carolina ("R.M.C. Office") in Deed Book 216 at Page 310; and

WHEREAS, the Master Deed established a council of co-owners, now known as Sailmaster Horizontal Property Regime I ("Association"), to operate and manage the Regime pursuant to Bylaws which were attached to the Master Deed as an exhibit; and

WHEREAS, Article VII, Section 1 of the Bylaws provided that the Bylaws may be amended by the co-owners of the Regime representing at least two-thirds of the Regime as set forth in the Master Deed; and

WHEREAS, on April 5, 1997, the Association held its annual meeting, one of the purposes of which was to amend and restate the Association's Bylaws; and

WHEREAS, on the date of the 1997 annual meeting, the total number of possible votes of the Association was 51, and the total number of votes necessary for quorum purposes was 26 pursuant to Article II, Section 3 of the Master Deed; and

WHEREAS, 48 members were present at the annual meeting in person or by proxy, which number represented a quorum of the members; and

WHEREAS, at the 1997 annual meeting, 48 votes were cast in favor of the amended Bylaws attached hereto, which number represents more than two-thirds of the co-owners of the Regime; and

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WHEREAS, the undersigned President and Secretary of the Association do hereby execute this amendment, which is effective on the date first mentioned above, and do hereby adopt the attached amendment as the Association's Bylaws.

WITNESSES:

Virginia E. Greene
Phyllis J. [Signature]

SAILMASTER HORIZONTAL
PROPERTY REGIME, I

By: [Signature]
RALPH HUFF
Its: President

STATE OF SOUTH CAROLINA)
COUNTY OF BEAUFORT)

ACKNOWLEDGMENT

I, the undersigned notary, do hereby certify that SAILMASTER HORIZONTAL PROPERTY REGIME I, by Ralph Huff as President ~~and attested to by [Signature]~~ ~~Secretary~~, appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal this 2 day of December, 1997.

[Signature]
Notary Public for South Carolina
My Commission Expires: Nov-2, 2002

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JAMES SULLIVAN - P/M
CANTON COUNTY CO.

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