

**FRIPP ISLAND PROPERTY OWNERS ASSOCIATION
BYLAWS**

Approved May 2, 2005

Effective June 1, 2005

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**BYLAWS
OF
FRIPP ISLAND PROPERTY OWNERS ASSOCIATION**

EFFECTIVE JUNE 1, 2005

ARTICLE I. NAME AND OFFICES

The name of the corporation is Fripp Island Property Owners Association, a South Carolina non-stock, nonprofit corporation, organized under the Laws of the State of South Carolina, hereinafter referred to as the Association. The principal office of the Association is in the County of Beaufort, State of South Carolina at 225 Tarpon Boulevard, Fripp Island, South Carolina 29920. The Association may have such other offices, either within or without the State of South Carolina, as the Board of Directors may designate or as the business of the Association may require from time to time.

ARTICLE II. PURPOSE

The purpose of the Association is to preserve and enhance the general welfare, security, privacy and appearance of Fripp Island. To this end, the Association must maintain open lines of communications with the Members, relevant governmental agencies, other associations, the owners of businesses, and the owners of the amenities on Fripp Island. The Association will act in accordance with and under the provisions of the South Carolina Nonprofit Corporation Act of 1994, as amended.

ARTICLE III. MEMBERS

Section 1. Members. Members, when referred to in these Bylaws, are property owners of Fripp Island dwelling units, lots platted for dwelling units, amenities and commercial properties who, subject to the limitations stated in these Bylaws, are eligible for Membership in this Association. A Member is in good standing, who has paid the entire assessment as established by the Board of Directors, irrespective of assessment limitations imposed by other restrictive covenants.

A Resident Member is defined as a Member who owns real property on Fripp Island assessed by Beaufort County at the four percent assessment ratio applicable to owner-occupants. All other Members are Nonresident members of the Association.

Section 2. Voting Rights of Members. A Member has only one vote, regardless of the number of properties owned by a Member. Where there are two or more owners of a single property, only one owner can exercise the voting right of the property.

Section 3. Annual Meeting. The annual meeting of the Members is to be held in the month of April each year, at a time and place determined by the Board of Directors. The purpose of the meeting is to introduce the newly elected Directors, for the presentation of reports from the President, Treasurer, Directors and the General Manager and to conduct such other business as may properly come before the meeting.

Section 4. Special Meetings. Special meetings of the Members, for any purpose or purposes, may be called by the President or by a majority of the Board of Directors, and must be called by the President at the request, through petition, of not less than one hundred Members of the Association. The agenda for such special meeting is limited to the consideration of only those matters for which the meeting is called.

Section 5. Place of Meetings. The President may designate any place, within the County of Beaufort, State of South Carolina, as the place of meeting for any annual meeting or for any special

meeting of the Members. If no designation is made, the place of meeting is the office of the Association in the State of South Carolina.

Section 6. Notice of Annual and Special Meetings. Written notice stating the place, date and hour of an annual or special meeting and the purpose or purposes for which the meeting is called, must be delivered, mailed or emailed not less than twenty-one days, nor more than sixty days before the date of the meeting, either personally, by United States mail or by email, to each Member entitled to vote at such meeting. Should an email to a Member be undeliverable, such notice is to be made by United States mail. In addition, such notice must be posted on the Association's bulletin board and website within the time limitations stated above.

If mailed by United States mail, such notice is deemed to be delivered five days after its deposit in the United States mail, addressed to the Member at his or her address as it appears on the books of the Association, with first class postage thereon. If two successive letters mailed to the last known address of any Member of record are returned as undeliverable, no further notice to such Member is necessary until another address for such Member is made known to the Association. If notice is given by email, such notice is deemed to be delivered at the time sent on the Internet, unless the email is returned as undeliverable.

Section 7. Quorum. Those Members of the Association entitled to vote, represented in person or by proxy, regardless of number, constitute a quorum at a meeting of Members. Those Members present, in person or by proxy, at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of Members from such meeting.

Section 8. Majority of Quorum. Any action that may be taken at a meeting of the Members of the Association must be taken by a majority of a quorum of the Members of the Association, unless otherwise provided in these Bylaws.

Section 9. Proxies. At all meetings of Members, a Member may vote in person or by proxy executed in writing and signed by the Member or by his or her duly authorized attorney in fact. Such proxy must be filed with the Secretary of the Association before or at the time of the meeting. No proxy is valid after eleven months from the date of its execution, unless otherwise provided in the proxy. Facsimile proxies will be accepted; email proxies will not be accepted.

Interest(s) held by a personal representative, guardian or conservator may be voted by him or her, either in person or by proxy, without a transfer of such Membership into his or her name. A Membership standing in the name of a trustee may be voted by him or her, either in person or by proxy, but no trustee is entitled to vote a Membership held by him or her without a transfer of such Membership into her or his name.

Section 10. Conduct of Meeting. All meetings of Members are governed by Robert's Rules of Order, as such rules may be revised from time to time, insofar as such rules are not inconsistent or in conflict with these Bylaws or the South Carolina Nonprofit Corporation Act of 1994, as amended.

ARTICLE IV. BOARD OF DIRECTORS

Section 1. Number, Tenure and Qualifications. Effective June 1, 2005, the number of Directors of the Association is ten persons, each of whom must be a Member of the Association. Until June 1, 2005, the composition of the Board of Directors is to conform to the requirements set forth in the prior Bylaws.

The term of office of a Director is three years and each Director is eligible to serve no more than two successive full terms as a Director. A Director having served two successive full terms cannot be elected to an additional three year term or selected to fill an unexpired term on the Board of Directors

until the passage of one year from the end of the term of service, to the effective date of the term for which he or she is nominated, or the effective date to fill an unexpired term.

Five members of the Board of Directors are to be chosen from the Resident Members of the Association and five members of the Board of Directors are to be chosen from the Nonresident Members of the Association. Should a change occur in a Board Member's Fripp Island residency classification, such Board member shall cease being on the Board of Directors.

To maintain continuity in the transition of the Board of Directors elected under the prior Bylaws and who continue to serve under the Bylaws effective June 1, 2005, the following rules are to be followed: Those Directors elected for a term ending May 31, 2008, are to serve to the end of the term, to be replaced by the same number of Directors elected in 2008 for a three year term, beginning June 1, 2008, and ending May 31, 2011 (Class of 2011). Those Directors elected for a term ending June 1, 2006, are to continue to serve to the end of the term, to be replaced by the same number of Directors elected in 2006 for a three year term beginning June 1, 2006, and ending May 31, 2009 (Class of 2009). Those Directors elected for a term ending May 31, 2007, are to continue to serve to the end of the term, to be replaced by the same number of Directors elected in for a three year term beginning June 1, 2007, and ending May 31, 2010 (Class of 2010). Thereafter, the number of Directors in each expiring class are to be elected each year for a three year term beginning June 1st of the year of election.

Directors whose term ends on June 1, 2005, are subject to the limitations set forth in the second paragraph of this Section 1 and time served under the prior Bylaws will be included in their limitation of service.

Section 2. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the Board of Directors by the appointment of a replacement Director selected from those candidates whose names appeared on the immediate past ballot for election to the Board of Directors but who were not elected to the Board of Directors. Candidates for appointment must be selected in the order of their finish in the election in which they were candidates. Should this selection procedure fail to provide a replacement, the vacancy is to be filled by an appointee selected by the Board of Directors from a list of eligible Members of the Association by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board of Directors.

A Director elected to fill a vacancy is elected for the unexpired term of his or her predecessor in office. Any replacement Director may run for election at the expiration of his or her replacement term and will be subject to the term limitations stated in Section 1 of this Article, except that if the replacement term is over one year, then he or she is eligible to be elected to only one three-year term.

Section 3. Removal of Directors. A Director may be removed by a two-thirds vote of the Members of the Association present, in person or by proxy, and voting at a special or annual meeting of the Members, provided notice and purpose of such meeting is given to the Members. (See Section 5, below for the automatic removal of a Director for failure to attend four meetings in person.)

Section 4. Powers and Duties. The business and affairs of the Association are managed by its Board of Directors. The Board of Directors has the powers and duties necessary to provide security for the Members, to administer the affairs of the Association and to manage the operation and maintenance of its property. In general, the Board of Directors has the responsibility to oversee the administration of the Association and, subject to the provisions of these Bylaws and the South Carolina Nonprofit Corporation Act of 1994, as amended, to do all of those things necessary and reasonable to carry out the governing and operation of the Association. Such powers and duties of the Board of Directors include, but are not limited to, the following:

- (a) To establish, make and enforce compliance with such rules, regulations and policies as may be necessary for the operation and use of all of the property owned by or under the

control of the Association and governing access to Fripp Island, with the right to amend the same from time to time. The power to enforce compliance with such rules, regulations and policies includes the power to set a fine or other penalty for the violation of such rules, regulations and policies and includes, but is not limited to, the suspension, for a period not to exceed sixty days, of the voting rights of a Member and the Member's right to use the common areas owned by or under the control of the Association, exclusive of the roads providing access to the Member's dwelling unit. A copy of such rules, regulations and policies and amendments thereto must be delivered, mailed or emailed to each Member upon the adoption thereof and posted on the Association's website.

(b) To incur such costs and expenses as may be necessary to maintain security on Fripp Island, and to keep in good order, condition and to repair and replace all roads, bridges, crossovers, lagoons, bike paths, parks and property on Fripp Island owned by or under the control of the Association.

(c) To obtain and maintain all insurance for the Association required or otherwise deemed advisable from time to time by the Board of Directors. See also Article XIII.

(d) To prepare and adopt a budget for the Association in a manner sufficient to determine the amount of the annual and special assessments needed and sufficient to meet the operating expenses and reserves of the Association. The Board of Directors must approve changes in excess of \$500.00 in the allocation of operating expenses and reserves stated in the supporting justification for the budget.

(e) To fix the amount of the annual assessment and any special assessment against the property of each Member. See Article VIII.

(f) To borrow funds to pay for any expenditure or outlay required and to execute all such instruments evidencing and securing such indebtedness as the Board of Directors may deem necessary, subject to the authority granted by the provisions of these Bylaws. The persons who shall be authorized to execute promissory notes, security instruments and pledges of collateral on behalf of the Association are: (a) the President or Vice President, Treasurer or Assistant Treasurer and (b) Secretary or Assistant Secretary.

(g) To establish bank accounts for the separate deposit of the funds of the Association.

(h) To hold regular meetings at least monthly and to do so at the time and place established by the Board of Directors.

(i) At such time as the authority and power to do so is vested in the Association, to administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations contained in the recorded declarations of restrictive covenants (as amended) and all other provisions set forth therein (restrictive covenants).

(j) At such time as the authority and power to do so are vested in the Association, appoint an Architectural Review Board and approve its operational procedures.

(k) To cause all officers and employees having financial responsibilities to be bonded, if and as it may deem appropriate and economically feasible/practical.

(l) To employ the services of a General Manager and to delegate such duties to the General Manager as set forth in Article VI. Provided, however, when so delegated, the Board of Directors is not relieved of its responsibilities for such duties under the Articles of Incorporation or these Bylaws.

(m) To appoint, with the recommendation of the President, after consultation with the General Manager, a sufficient number of Members to the following standing committees:

- i. Roads and Drainage
- ii. Bridges
- iii. Finance
- iv. Security
- v. Human Resources

At the time a standing committee is created by the Board of Directors, the purpose, authority, scope and power of the committee must be stated in the establishing resolution. The purpose, authority, scope and power of the committee may be changed from time to time by the Board of Directors. Each Director has the opportunity to serve on two or more standing committees.

(n) To establish, and make appointments of Members to such non-standing committees, boards and commissions deemed necessary to conduct the affairs of the Association. The appointments are to be made upon the recommendation of the President, after consultation with the General Manager, and with the advice and consent of the Board of Directors.

At the time a committee, board or commission is created by the Board of Directors, its purpose, authority, scope and power must be stated in the establishing resolution. The purpose, authority, scope and power may be changed from time to time by the Board of Directors. Each Director has the opportunity to serve on one non-standing committee.

(o) To purchase and sell real and personal property and to enter into such real and personal property leases as may from time to time be in the best interests of the Association, provided, such lease or leases do not exceed five years from the initial effective date and the combined annual financial obligation for all leases does not exceed five percent of the annual expense budget of the Association.

(p) To employ the services of a Certified Public Accountant.

Section 5. Regular Meetings. Regular meetings of the Board of Directors are, subject to the provisions of Article X, open to the Members and are held without other notice than the schedule of meetings approved by the Board of Directors. The Board of Directors must provide, by resolution, the time and place for the holding of its regular monthly meetings, without other notice than such resolution. Such notice must be posted on the Association's bulletin board and website. Such time and place may be changed upon two weeks notice posted on the Association's bulletin board and website. Provided, however, the President, upon polling the Board of Directors, may cancel a regular meeting, when it is deemed unnecessary to have the meeting. Immediately following the decision to cancel a regular meeting, notice of such cancellation must be placed on the Association's bulletin board and website.

Members of the Board of Directors are required to attend four regular meetings of the Board of Directors in person each year. One of the four meetings must be the annual organizational meeting of the Board of Directors. For an absence to be excused, a request must be made at the next regular meeting of the Board of Directors, immediately after the meeting is called to order. A Director who fails to meet the required four meetings in person is automatically removed from the Board of Directors and a successor will be appointed in accordance with Section 2 of this Article. The year for determination of attendance begins June 1.

Section 6. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or by the Board of Directors. When requested by a majority of the Directors, the President must give notice of the meeting within four days of the request. Special meetings of the Board of Directors are, subject to Article X, open to the Members.

Section 7. Notice Of Special Meeting. Notice of any special meeting of the Board of Directors must be given at least six days prior thereto by written notice delivered personally or by mail or by email to each Director at his or her designated address. In addition, such notice must be posted on the Association's bulletin board and website.

If mailed by United States mail, such notice is deemed to be delivered five days after its deposit in the United States mail, addressed to the Director at his or her address as it appears on the books of the Association, with first class postage thereon. If two successive letters mailed to the last known address of any Director of record are returned as undeliverable, no further notice to such Director is necessary until another address for such Director is made known to the Association. If notice is given by email, such notice is deemed to be delivered at the time sent on the Internet, unless the email is returned as undeliverable.

Any Director may waive notice of any meeting. The attendance of a Director at a meeting constitutes a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully or properly called or convened.

Section 8. Agenda of Regular Board of Directors Meeting. The agenda of all regular meetings of the Board of Directors shall include, but not be limited to the following:

- Call to Order
- Determine the Presence of a Quorum of Directors
- Approval of Minutes of Last Meeting
- Discussion of Matters Deferred to This Meeting
- Report From the General Manager
- Committee Reports
- Comments and Questions From Members
- Statement of Matters Deferred to Next Meeting
- Date of Next Meeting
- Adjourn

Section 9. Telephone Meetings. Members of the Association, Members of the Board of Directors or any Member of a committee or board designated by the Board of Directors may participate in any meeting of the Board of Directors, committee or board by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other at the same time. Such participation constitutes presence at the meeting. See Section 5 above, for special exception to telephone meetings, which requires the physical presence at four Board of Directors meetings a year.

Section 10. Quorum. A majority of Directors constitutes a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice. A quorum having been established at the beginning of a meeting, no further calls for the determination of a quorum may be heard.

Section 11. Manner of Acting. Unless otherwise stated in these Bylaws, the action of the majority of the Directors, voting at a meeting at which a quorum has been established, constitutes an action of the Board of Directors.

Section 12. Presumption of Assent. A Director who is present at a meeting of the Board of Directors at which action on any Association matter is taken is presumed to have assented to the action taken unless her or his dissent is entered in the minutes of the meeting or unless he or she files written dissent to such action with the Secretary or person acting as the clerk of the meeting, before the adjournment thereof or forwards such dissent by registered mail or email to the Secretary of the Association immediately (within six hours) after the adjournment of the meeting. Such right to dissent does not apply to a Director who voted in favor of such action.

Section 13. Rules of Conduct for Meetings. The Board of Directors has the authority to establish such rules of conduct and procedures for the participation of Members at its meetings, as it may deem advisable from time to time. Such rules of conduct and procedures must be adopted by a majority of the Members of the Board of Directors, plus one.

Section 14. Conduct of Meeting. All meetings of the Board of Directors are governed by Robert's Rules of Order, as such rules may be revised from time to time, insofar as such rules are not inconsistent or in conflict with these Bylaws or the South Carolina Nonprofit Corporation Act of 1994 (as amended).

Section 15. Action Without a Meeting. Any action that may be taken by the Board of Directors at a meeting may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by a majority of the Directors, unless such action requires a greater number of affirming Directors under these Bylaws.

Section 16. Compensation. No salary as Director and no fixed sum or expenses for attendance at meetings of the Board of Directors can be paid to a Director. This does not preclude any Director from serving the Association in any other capacity and receiving compensation therefor.

Section 17. Limitations of Power. Neither the Board of Directors nor any of its Members may in any manner be involved in the appointment or removal of any Association administrative officers or employees whom the General Manager or any of his or her subordinates are empowered to hire or appoint.

Except for the purpose of inquiries and investigations, neither the Board of Directors nor any members are permitted to deal with Association administrative officers and employees who are subject to the direction and supervision of the General Manager, except through the General Manager, and neither the Board of Directors nor any of its members shall give orders to any such officer or employee, either publicly or privately.

Section 18. No Waiver of Rights. The omission or failure of the Association, the Board of Directors, any committee or board appointed by the Board of Directors, the General Manager or any Member or property owner to enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations or other provisions of the Articles of Incorporation, these Bylaws or the rules, regulations and policies adopted pursuant hereto, shall not constitute or be deemed a waiver, modification or release thereof, and the Board of Directors, the General Manager, such committees or boards appointed by the Board of Directors or any Member or property owner shall have the right to enforce the same thereafter.

ARTICLE V. OFFICERS

Section 1. Number. The officers of the Association are a President, a Vice President, a Secretary and a Treasurer, each of whom is elected by the Board of Directors from its members. No member of the Board of Directors shall be employed as General Manager of the Association during the term for which he or she has been elected.

Such other officers and assistant officers as may be deemed necessary may be elected by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President, Vice President and Secretary. The officers of the Association shall be persons of the age of eighteen years or older.

Section 2. Election and Term of Office. To provide continuity, the officers of the Association shall be elected annually by the Board of Directors at an organizational meeting held in executive session of the Board of Directors as such Board of Directors will be constituted on June 1 of that year. Such executive session shall occur after the regular May meeting of the Board of Directors. Officers so elected serve from June 1 to May 31 of the following year. Each officer so elected is to hold office until his or her successor has been duly elected and qualified or until his or her death or until he or she resigns or has been removed in the manner hereinafter provided.

On June 1, 2005, the Board of Directors must elect officers in accordance with the provisions of these Bylaws. All officers so elected will hold office until May 31, 2006. Thereafter, officers are to be elected effective June 1 of each year.

Section 3. Removal. Any officer may be removed by vote of a majority of the Board of Directors, plus one, whenever in its judgment, the best interests of the Association will be served thereby.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. President. The President:

- (a) Presides at all meetings of the Board of Directors and all meetings of the Members and has the right and privilege to vote as any other Member of the Board of Directors.
- (b) Sees that orders and resolutions of the Board of Directors are carried out and signs all leases, mortgages, deeds, promissory notes and other written instruments with the Secretary of the Association.
- (c) Supervises the preparation of the agenda for all meetings of the Board of Directors and the Members.
- (d) Performs or delegates to a committee of the Board of Directors an annual review of the performance of the General Manager and reports such findings to the Board of Directors in an executive session.
- (e) Acts as the contact for the Board of Directors with the General Manager.
- (f) Performs such other customary duties incident to the office of President.

Section 6. Vice President. In the absence of the President or in the event of the President's death, inability or refusal to act, the Vice President must perform the duties of the President, and when so acting, has all the powers and duties of, and is subject to all the restrictions upon, the President. The Vice President performs such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

Section 7. Secretary. The Secretary:

- (a) Is responsible for the keeping of the minutes of the proceedings of the Members and of the Board of Directors. The taking and preparation of minutes may be by a clerk of the meeting, appointed by the Board of Directors.

(b) Sees that all notices are duly given in accordance with the provisions of these Bylaws.

(c) Is custodian of the Association's records and of the seal of the Association and sees that the seal of the Association is affixed to all documents, the execution of which on behalf of the Association is under its seal, is duly authorized or required. In regard to the Association's records, sees that all such records are open for inspection by any Member during the regular business hours of the Association, with forty-eight hours prior notice.

(d) Sees to the keeping of registers of the mailing address and email address of each Member, which are furnished to the Secretary by such Member.

(e) Signs all leases, mortgages, deeds, promissory notes and other written instruments with the President of the Association.

(f) In general, performs all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

Section 8. Treasurer. The Treasurer:

(a) Has charge and custody of and is responsible for all funds and securities of the Association.

(b) Sees that all moneys due and payable to the Association from any source whatsoever are received, properly accounted for, and then deposited in the name of the Association in such banks, trust companies or other depositories as selected in accordance with the provisions of Article IX of these Bylaws.

(c) In general, performs all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

If required by the Board of Directors, the Treasurer may be bonded for the faithful discharge of these duties in such sum and with such surety or sureties as the Board of Directors shall determine, such bond to be at the expense of the Association.

ARTICLE VI. GENERAL MANAGER OF THE ASSOCIATION

Section 1. Employment of a General Manager. The Board of Directors must employ a General Manager and fix the compensation of the General Manager, who must be employed solely on the basis of his or her executive and administrative qualifications.

Section 2. Terms of Employment and Compensation of General Manager; Removal of General Manager by Board of Directors. The term of employment of the General Manager is at the pleasure of the Board of Directors or it may, in its discretion, employ the General Manager for a definite term. The General Manager is entitled to receive such compensation for services as the Board of Directors may determine. If the Board of Directors determines to remove the General Manager, whether serving at the pleasure of the Board of Directors or for a definite term, he or she must be given a written statement (notice of removal) of the reasons alleged for the proposed removal and the right to a hearing thereon at a public meeting of the Board of Directors. The removal is effective on the date of delivery of the notice of removal, unless otherwise stated therein. The vote of the Board of Directors to remove the General Manager must be with the concurrence of a majority of the Members of the Board of Directors, plus two.

Within five days after the notice of removal is delivered to the General Manager, he or she may file with the Board of Directors a written request for a public hearing. This hearing must be held at a

special meeting of the Board of Directors not earlier than ten days nor later than twenty days after the request is filed. The General Manager may file with the Board of Directors a written reply to the notice of removal not later than five days before the hearing.

Section 3. Responsibilities of General Manager. The General Manager performs all duties customarily incident to the office of the General Manager and, to that end, has the following authority, responsibility and duties:

(a) Appoint and, when necessary for the good of the Association, remove any employee of the Association, including, but not limited to, the Chief of Security, and to fix the salaries of such officers and employees within the guidelines established by the Board of Directors, except as otherwise provided in these Bylaws, and, except as he or she may authorize the head of a department or office, to appoint and remove subordinates in such department or office.

(b) Prepare the budget annually, with the assistance of the Treasurer and the Finance Committee, submit it to the Board of Directors for adoption, and be responsible for its administration after adoption.

(c) Send written notice of each annual assessment to every property owner on or before November 15 of each year and to send written notice of any other assessment when deemed appropriate and post all such assessments on the Association's website.

(d) Prepare and submit to the Board of Directors at the end of each fiscal year a complete annual report on the finances and administrative activities of the Association for the preceding year and make such financial and administrative reports at the monthly meetings of the Board of Directors as may be determined by the Board of Directors.

(e) Keep and maintain full and accurate books and records showing all of the receipts, expenses or disbursements and to cause the certified public accountant designated by the Board of Directors to prepare an audit or review of the financial statements of the books and records of the Association at the end of each fiscal year.

(f) Prepare and make available annually to each Member, at any reasonable time, the audited financial statement prepared under subsection (e) above.

(g) Keep the Board of Directors advised of the financial condition and future needs of the Association and make such recommendations as may be deemed advisable.

(h) Establish and organize a department known as Fripp Island Security and hire its Chief of Security. The Chief of Security has the authority to hire and remove all persons employed by Fripp Island Security and is solely responsible for its day to day operation and must provide to the General Manager such reports, information and recommendations concerning Fripp Island Security as may from time to time be requested by the General Manager.

(i) With the advice and consent of the Board of Directors, establish and organize such other departments as may from time to time be deemed appropriate.

(j) Issue or to cause an appropriate officer to issue, upon request by a property owner, a certificate setting forth whether any assessment has been paid; a reasonable charge may be established by the Board of Directors for the issuance of these certificates; if a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment to that person who relies thereon to his or her detriment.

(k) Perform such other duties as may be prescribed by these Bylaws or required of him or her by the Board of Directors.

Section 4. Absence, Disability, or Removal of General Manager. In the absence, disability, or removal of the General Manager, or in the event of a vacancy in the position of the General Manager, the Board of Directors may empower the President, any member of the Board of Directors, or any other person to perform any or all of the duties of the General Manager, and when so empowered and so acting, the President or such other person has all the powers and duties of, and is subject to all the restrictions, upon the General Manager. In such event, the President or any member of the Board of Directors so empowered shall serve without compensation.

ARTICLE VII. ELECTIONS AND VOTING ON ISSUES AND SPECIAL ASSESSMENTS

Section 1. Nominating Committee. On or before the first day of December of each year, the President, with the advice and consent of the Board of Directors, must appoint a Nominating Committee consisting of seven Members of the Association, two of whom must be members of the Board of Directors. The President is to designate one of the members of the Nominating Committee from the Board of Directors to act as chairman. The names of the Nominating Committee shall be posted on the Association's bulletin board and website, within a reasonable time after appointment.

(a) The Board of Directors must inform the Nominating Committee of the number of Directors to be elected and the class year of such number. The class year is the year in which the term of the director ends.

(b) On or before February 1, the Nominating Committee will prepare a list of nominees it feels are qualified for office, in accordance with the number and class year, as advised by the Board of Directors, and those nominees, with class year, must be immediately posted on the Association's bulletin board and website. Each nominee must complete a nominee form prepared by the Nominating Committee and approved by the Board of Directors. The Nominating Committee's list of nominees may include up to three times the number of directors to be elected. The Nominating Committee will prepare the list of nominees from their own knowledge, as well as considering nominees who may be proposed by various Fripp Island organizations or property owners. If nominating petitions for other persons (as provided in paragraph (c) of this section) have been received and validated on or before February 1, those names are to be included in this posting on the Association's bulletin board and website.

(c) After the first day of December of each year and until 4:30 pm on February 15, the Nominating Committee can receive nominations for a particular class year, provided each nomination is submitted by petition, which carries the supporting signatures of at least seventy-five Members. Such petition is subject to the following rules:

i. name only one nominee along with the completed nominee form approved by the Board of Directors.

ii. signed by the nominee as a petitioner.

iii. the full name, birth date and class year must be stated.

iv. a Member can sign a petition only one time, regardless of the number of properties owned by the Member. When there are two or more owners of a single property, only one owner may participate in the petition process.

(d) The Nominating Committee will submit to the Board of Directors the list of all nominees, along with completed nominee forms with class year for which nominated, to the Board of Directors on or before February 25, to be received as information only. The list of all nominees, with class year, must be immediately posted on the Association's bulletin board and website.

SUB-ARTICLE A. ELECTIONS

Section 1. Duties. The General Manager must establish an election schedule, to include the date the ballots for the election of Directors will be counted (the date of election), giving due consideration to the notice and scheduling requirements stated below, and submit such date of election to the Board of Directors with its report on or before December 31. The General Manager must also include in the report its voting rules and election procedures as required in Sections 2 and 3 of this Sub-Article A and the resume form to be completed by each nominee.

Section 2. Voting For Directors. It is the responsibility and duty of the General Manager to see to the preparation and mailing of the ballots and the adherence to the voting rules.

- (a) Voting must be by sealed ballot provided to Members not less than three weeks prior to the Date of Election.
- (b) Only Members in good standing as of the mailing date of the ballot are eligible to vote.
- (c) Ballots must be mailed to the Members together with the following information:
 - i. A brief resume of each nominee.
 - ii. Precise instructions for executing the ballot, including the deadline date for the return of the completed ballot.
 - iii. A pre-addressed, return envelope with the Member's property address indicated on the outside of the envelope.
- (d) The General Manager must use the voting rules and election procedures for verifying the validity of each ballot received and for protecting the anonymity of the voter.

Section 3. Determination of Voting Results. The General Manager has the sole power and authority to determine the validity of all ballots. The General Manager, considering the number of nominees required to be elected for the class year, must select from all nominees in the class year to be elected that number receiving the highest number of votes. Those nominees so selected are deemed elected to the Board of Directors effective on June 1.

SUB-ARTICLE B. VOTING ON ISSUES, SPECIAL ASSESSMENTS AND AMENDMENTS

Section 1. Voting on Issues, Special Assessments And Amendments. Voting on issues, special assessments and amendments submitted to the Members is conducted by the General Manager. The rules of such voting are as follows:

- (a) Voting must be by sealed ballot, provided to Members not less than three weeks prior to the date the ballots for the determination of the issue are counted (the date of voting).
- (b) Only Members in good standing as of the mailing date of the ballot are eligible to vote.
- (c) Ballots must be mailed to the Members together with the following information:
 - i. A concise explanation of the issue(s).
 - ii. Precise instructions for executing the ballot, including the deadline date for the return of the completed ballot.
 - iii. A pre-addressed, return envelope with the Members property address.

(d) The General Manager must use its voting rules and election procedures for verifying the validity of each ballot received and for protecting the anonymity of the voter. Such procedures are the same as submitted to the Board of Directors with its December 31 report for approval by the Board of Directors or submitted subsequently to such date for approval.

Section 2. Determination of Voting Results. The General Manager has the sole power and authority to determine the validity of all ballots.

(a) For an issue to be approved, there must be at least a two-thirds affirmative vote of all the valid ballots received and counted on the issue. For the purpose of determining two-thirds, it shall be the mathematical equivalent of all valid ballots received and counted, rounded up to the next full number.

(b) For a special assessment to be approved, there must be an affirmative vote of a majority of all the valid ballots received and counted.

ARTICLE VIII. ASSESSMENTS AND FEES

Section 1. Annual Assessments. Annual assessments are imposed on three categories of property or privileges:

(a) Residential dwelling units and platted residential building lots.

(b) Amenities, including without limitation, the golf courses, the restaurants, the tennis courts, swimming pools and all other similar amenities used and enjoyed by the property owners and their guests; and such other amenities as may be created or added hereafter.

(c) Commercial businesses and operations.

Section 2. Fees. User fees for special passes or decals to gain access to Fripp Island may be charged to persons and business entities who visit, work on or are properly authorized or eligible to use the roads, bridges and other facilities on Fripp Island. The amount of such user fees, and the Rules and Regulations concerning user fees, shall be determined from time to time by the Board of Directors and shall comply with any applicable agreements.

Section 3. Special Assessments. Upon a vote of approval by the Members, as set forth in Article VII, Sub-Article B of these Bylaws, the Board of Directors may impose special assessments for designated purposes. The funds derived from each special assessment shall be maintained in a segregated and designated account, and each such fund must be spent only for the purpose or purposes for which it is designated, unless otherwise approved by the Members.

Section 4. Special Assessment for Disaster. The Board of Directors may enter into a debt arrangement to borrow an amount of money necessary to repair damages caused by a disaster. This authority may be exercised only after a determination has been made that the monetary damages to the property of the Association exceeds the total of the aggregate amount of insurance in effect and the reserve fund maintained for such property, by an amount that exceeds ten percent of the annual budget of the Association in the year of the disaster.

The following conditions and limitations apply to the debt arrangement: (a) The amount of the debt cannot exceed the amount of money necessary to repair the damage, which may include a sufficient amount for contingencies. (b) The term of the debt does not exceed ten years. (c) The amount of debt does not exceed ten times the annual expense budget in the year of the disaster. (d) The debt is to be repaid with a special annual assessment for disaster. (e) The special assessment for disaster is to be available to be pledged as security for the indebtedness.

The action of the Board of Directors must be taken at a special or regular meeting of the Board of Directors after notice of the consideration of such debt arrangement has been posted for five days on the Association's bulletin board and website.

Prior to the taking of the vote there must be a reasonable presentation of the factual basis for the action, to include, but not limited to, the terms of the loan. The resolution or motion establishing the special assessment for disaster must specifically state the number of years for which there will be an annual assessment for the disaster, the terms of the debt instrument and conclusively and absolutely pledge the receipts of the special assessment for disaster to the lender as security for the loan. The resolution must be passed by vote of a majority of the Board of Directors, plus two.

See also, Article IX, Section 2, concerning short term loans

Section 5. Imposition and Collection.

(a) Annual assessments are made on a calendar year basis and are due and payable on January 1 by property owners of record on that date. Assessments are delinquent if not paid by March 1 of each year.

(b) Special assessments are made as determined by the Board of Directors and payable by property owners of record on the date of assessment. Special assessments are delinquent if not paid within sixty days of the date of assessment.

(c) Annual assessments are to be fixed annually by the Board of Directors in accordance with funding requirements imposed by the annual budget. The assessment for residential dwellings and platted residential lots is considered the basic assessment, and all other assessments must be expressed as a percentage of this basic assessment.

i. The basic assessment may not be more than four hundred and fifty dollars (\$450.00), without a vote of approval of the Members, except as set forth below.

ii. Once the authorized maximum of four hundred and fifty dollars (\$450.00) is reached, the assessment may be increased at a rate not to exceed the rate of increase in the National Consumer Price Index, as published by the U.S. Department of Labor, for the federal fiscal year immediately preceding the assessment year, or if that index is discontinued, then a comparable index published by the federal government. The Board of Directors is authorized, but not required, to increase or decrease assessments each year by applying the rate of change in the Consumer Price Index or comparable index; provided, however, that in any year the Board of Directors may apply the cumulative Consumer Price Index or comparable index to increase or decrease assessments, using January 1, 1991, as the base year.

(d) All assessments not paid when due must bear interest at the maximum rate allowed by law and be subject to a penalty, not to exceed five hundred dollars (\$500.00), the amount of which is to be determined from time to time by the Board of Directors.

(e) The Association has a lien on the property of all property owners whose assessments are delinquent, and the Board of Directors is authorized to exercise its option to collect delinquent assessments by suit or otherwise or seek damages from a Member and to foreclose the lien against any property for which assessments are not paid within 90 days after the due date or bring an action at law against the owner personally obligated to pay the same, or any combination thereof. Such action will be for the collection of delinquent assessments to be paid by the property owner, to include interest, penalties, court costs and reasonable attorney's fees.

The Board of Directors has the duty, rights, power and authority to suspend the voting rights of any Member in the event that any assessment made remains unpaid more than 30 days from the due date for payment of it and to suspend the Member's right to use the common areas owned by or under the control of the Association, exclusive of the roads providing access to the Member's dwelling unit.

ARTICLE IX. CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Contracts. Subject to the limitations stated in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans can be contracted on behalf of the Association and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors after the procedural requirements of these Bylaws having been met. Such authority may be general or confined to specific instances. Provided, however, in the event of a disaster which causes damage to the property of the Association, the Board of Directors may, upon the approval of two-thirds of its Members voting, enter into a short term loan, not to exceed one year, for funds necessary to complete the repairs of such damaged property.

Section 3. Checks, drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association, are to be signed by such officer or officers, agent or agents of the Association and in such manner as from time to time may be determined by resolution of the Board of Directors.

Section 4. Deposits. All funds of the Association are to be deposited from time to time to the credit of the Association in such banks, savings institutions, trust companies or other depositories as the Board of Directors may select.

ARTICLE X. EXECUTIVE SESSION OF BOARD OF DIRECTORS

Section 1. Reasons For Calling an Executive Session. The Board of Directors may call an executive session for the following reasons:

- (a) To discuss the reputation, character, physical condition or mental health of a member of the Board of Directors or the General Manager.
- (b) To consider the discipline or dismissal of, or to hear complaints or charges brought against, the General Manager.
- (c) To discuss strategy with respect to litigation, if an open meeting may have a detrimental effect on the Association's bargaining or litigating position.
- (d) To discuss charges of misconduct of the General Manager or other employees of the Association.
- (e) To consider the purchase, exchange, lease, or value of real property, if an open meeting may have a detrimental effect on the negotiation position of the Association.
- (f) To hold an initial screening (including interviews if they are part of the initial screening process) of candidates for employment as the General Manager, if an open meeting would have a detrimental effect in obtaining qualified candidates.
- (g) To receive legal advice on any matter.

Section 2. Procedure for Convening an Executive Session.

The following procedure must be followed when convening an executive session of the Board of Directors.

- (a) The vote to call an executive session must be held in an open meeting.
- (b) The President must announce the purpose or purposes of the executive session, which will serve as a specific limitation on the matters to be discussed during the executive session.
- (c) A majority of the Board of Directors present must vote to go into executive session in the open meeting.
- (d) The President must announce whether the regular meeting of the Board of Directors will reconvene in open session following the executive session.
- (e) Should the Board of Directors vote in executive session, such vote must be recorded in the minutes of the reconvened meeting of the Board of Directors, or during the next regular meeting of the Board of Directors, but the matter discussed shall not be made available to the members or anyone else until decided by the Board of Directors and published in the minutes.

Section 3. Rights of Individuals.

The following rules protecting the rights of Individuals must be observed.

- (a) When the Board of Directors wishes to discuss the reputation, discipline or dismissal of an individual, it must notify that person in writing at least forty-eight hours in advance of such meeting. (See Article VI, Section 2 for removal of General Manager.)
- (b) Should an executive session be held, the individual subject to the discussion has the right to be present during discussions that pertain to him or her, to have counsel or a representative of choice present, and to speak on his or her behalf. The right to tape record does not apply to an executive session.

ARTICLE XI. DIRECTOR OR OFFICER CONFLICTS OF INTEREST

Section 1. Conflict of Interest Transaction. No Director or officer of the Association, or any family Member of such Director or officer, or any corporation, partnership, association, trust or other entity in which such Director or officer, or family Member of such Director or officer, serves as a director, officer, partner or trustee, or has a financial interest shall be permitted to enter into any contract or transaction with the Association unless:

Such Director or officer discloses to the Board of Directors the material facts as to his or her or his or her family Member's relationship with or interest in the entity proposing to enter into the contract or transaction with the Association, and the Board of Directors authorizes the contract or transaction by the affirmative vote of a majority of the disinterested Directors (even though the disinterested Directors may constitute less than a quorum).

Section 2. Definition of Family Member. For the purpose of this Section 1, the term 'family Member' means children, the spouses of children, brothers and their spouses, sisters and their spouses, parents, spouse, and the parents of a spouse.

Section 3. Remedies for Violation of Conflict of Interest Requirements. If a Director or officer of the Association, or any family Member of such Director or officer, or any corporation, partnership, association, trust or other entity in which such Director, officer or family member of such Director or officer serves as a director, officer, partner or trustee, or has a financial interest, enters into any

contract or transaction with the Association without complying with the requirements described above, the Board of Directors may, in its sole discretion:

(a) Void the contract or transaction in its entirety and recover from such Director or officer any damages and expenses suffered or incurred by the Association as a result of the contract or transaction; or

(b) Modify the price and terms of the contract or transaction so that the Association receives a price and terms comparable to what the Association would receive in an arm's-length negotiation.

ARTICLE XII. INTERPRETATION OF BYLAWS AND RESTRICTIVE COVENANTS

Section 1. Authority of Board of Directors. The Board of Directors has the power and authority to determine the interpretation or construction of the Bylaws, or any parts thereof, which may be in conflict or of doubtful meaning, and its decision is final and conclusive, provided the procedure set forth below is followed. At such time as the Association has the authority for the enforcement of the Restrictive Covenants, it will have the authority to determine the interpretation of such Restrictive Covenants, or any parts thereof, which may be in conflict or of doubtful meaning. Its decision will be final and conclusive, provided the procedure set forth below is followed.

In the event there is a conflict between the governing documents, the following order of priority is to apply: first, the South Carolina Code of Laws; second, the Restrictive Covenants; and third, these Bylaws.

Section 2. Procedure. When it is felt that, (a) any parts of the Bylaws are in conflict or there is doubtful meaning of a part of the Bylaws, or (b) any parts of the Restrictive Covenants are in conflict or there is doubtful meaning of a part of the Restrictive Covenants, the Board of Directors must, by resolution stated in positive language, vote on such meaning or conflict. Should the motion receive affirmative votes from a majority of the Members of the Board of Directors, plus two, it must be placed in the minutes of that meeting and distributed in the manner of the distribution of all draft minutes of meetings of the Board of Directors, including being posted on the Association's bulletin board and website. At the next following regular meeting of the Board of Directors, the motion is to be read and another vote taken. Should the second reading of the motion receive affirmative votes from a majority of the Members of the Board of Directors, plus two, the motion is deemed the resolution of the conflict or clarification of the doubtful meaning.

Section 3. Form of Resolution. (a) Resolved, that the term _____ found in Article ____, Section ____ of the Restrictive Covenants (Bylaws) be interpreted to mean

(b) Resolved, that there appearing to be a conflict in the provisions of Article ____, Section ____ and Article ____, Section ____ of the Restrictive Covenants (Bylaws) such conflict is resolved by determining

ARTICLE XIII. INDEMNIFICATION

The Association will indemnify and hold harmless any person who serves or has served as a director, officer, employee or agent of the Association against expenses (including reasonable attorney's fees), judgments, fines, taxes, penalties, interest and payments in settlement, in connection with any threatened, pending or completed action or proceeding, and to pay any such expenses in advance of the final disposition of any such action or proceeding, arising out of his or her status as such, in the

good faith exercise of his or her duties. The Association is specifically empowered and authorized to purchase and maintain, at the expense of the Association, insurance on behalf of any such director, officer, employee or agent against any liability asserted against him or her in such capacity.

ARTICLE XIV. FISCAL YEAR

The fiscal year of the Association begins on January 1 and ends on December 31 in each year.

ARTICLE XV. CORPORATE SEAL

The Board of Directors must adopt an Association seal, which will be either metal and circular in form and have inscribed thereon 'Fripp Island Property Owners Association' and the name or abbreviation of South Carolina and the word 'Seal', or it may be a rubber seal in substantially the same form as provided above.

ARTICLE XVI. WAIVER OF NOTICE

Whenever any notice is required to be given any Member or Director of the Association under the provisions of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, constitutes the equivalent to the giving of such notice.

ARTICLE XVII. AMENDMENTS

These Bylaws may be altered, amended, repealed and new Bylaws adopted by a two-thirds affirmative vote of all valid ballots received by the Association. The voting procedure will be in accordance with the provisions of Sub-Article B, of Article VII, Voting on Issues, Special Assessments, and Amendments

Action to amend the Bylaws may be initiated by the Board of Directors or by petition of one hundred or more Members.

ARTICLE XVIII. SUPERSEDER

Effective June 1, 2005, these Bylaws supersede all prior Bylaws of the Association, and all amendments thereto.