

BY-LAWS

of

THE ISLANDER, INC.

A Non-Profit North Carolina Corporation

ARTICLE I

GENERAL

Section 1. **The Name:** The name of the corporation shall be The Islander, Inc.

Section 2. **The Principal Office:** The principal office of the corporation shall be The Islander, North Lumina Avenue, Wrightsville Beach, North Carolina 28480, or such other place as may be subsequently designated by the Board of Directors.

Section 3. **Definition:** As used herein, the term “Corporation” shall be deemed to be the equivalent of “Association” as such term is defined in the Condominium Declaration dated September 26, 1973 and recorded in the New Hanover County Public Registry in Book 984 at Page 362-426. All terms having definitions set forth in the Condominium Declaration, to which these Bylaws are attached, have the same meaning herein, unless otherwise defined herein.

ARTICLE II

MEMBERSHIP

Section 1. **Definition:** Each owner shall be a member of the corporation, and membership in the corporation shall be limited to owners of condominium units.

Section 2. **Transfer of Membership and Ownership:** Membership in the corporation may be transferred only as an incident to the transfer of the transferor’s condominium unit and his undivided interest in the common areas and facilities of the condominium, and such transfer shall be subject to the procedures set forth in the Condominium Documents.

ARTICLE III

MEETINGS OF MEMBERSHIP

Section 1. Place: All meetings of the corporate membership shall be held at the office of the corporation or such other place as may be stated in the notice.

Section 2. Annual Meeting:

A. The annual meeting of members shall be held at Wrightsville Beach, North Carolina, in each year commencing in 1973.

B. Regular annual meetings subsequent to 1973 shall be held on the last Saturday in April in each year, if not a legal holiday, and if a legal holiday, then on the next secular day following unless otherwise determined by the Board.

C. All annual meetings shall be held at such hour as is determined by the Board.

D. At the annual meeting, the members shall elect the new members of the Board of Directors and transact such other business as may properly come before the meeting.

E. Written notice of the annual meeting shall be served upon or mailed to each member entitled to vote thereafter at such address as appears on the books of the corporation, at least ten (10) days prior to the meeting.

Section 3. Membership List: At least ten (10) days before every election of Directors, a complete list of members entitled to vote at said election, arranged numerically by apartment units, with residence of each, shall be prepared by the Secretary. Such list shall be produced and kept for said ten (10) days and throughout the election at the office of the corporation, and shall be open to examination by any member throughout such time.

Section 4. Special Meetings:

A. Special Meetings of the members, for any purpose or purposes unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the Board or at the request, in writing, of one-third (1/3) of the members. Such request shall state the purpose or purposes of the proposed meeting.

B. Written notice of a Special Meeting of members, stating the time, place and object thereof, shall be served upon or mailed to each member entitled to vote thereat, at such address as appears on the books of the corporation, at least five (5) days before such meeting.

C. Business transacted at all special meetings shall be confined to the objects stated in the notice thereof, unless 90% of the members present at such meeting in person or by proxy consent to the transaction of business not stated in the notice.

Section 5. Quorum: Over fifty percent (50%) of the total number of members of the corporation, present in person or represented by written proxy, shall be requisite to and shall constitute a quorum at all meetings of the members for the transaction of business, except as otherwise provided by statute, by the Certificate of Incorporation or by those By-Laws. If, however, such quorum shall not be present or represented at any meeting of the members, the members entitled to vote thereat, present in person or represented by written proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting originally called.

Section 6. Vote Required to Transact Business: When a quorum is present at any meeting, a majority of the votes cast, in person or represented by written proxy filed with the Secretary in advance of the meeting, shall decide any question brought before the meeting, unless the question is one upon which, by express provision of the statutes, the Condominium Documents or these By-Laws, a different vote is required, in which case such express provision shall govern and control the decision of such question. There shall be no cumulative voting.

Section 7. Right to Vote: Each owner shall be entitled to one (1) vote. At any meeting of the members, every member having the right to vote shall be entitled to vote in person or by proxy. Such proxy shall only be valid for such meeting or subsequent adjourned meetings thereof. If more than one (1) person or entity own a unit, they shall file a certificate with the Secretary naming the person authorized to cast votes for said unit. If same is not on file, the vote of any co-owner present who is acceptable to other co-owners present shall be accepted as the vote of all co-owners. Any legal entity which is an owner shall have the right to membership in the Corporation.

Section 8. Waiver and Consent: Whenever the vote of members at a meeting is required or permitted by any provision of the statutes, the Condominium Document, or those By-Laws to be taken in connection with any action of the corporation, the meeting and vote of members may be dispensed with if all members who would have been entitled to vote upon the action of such meeting if such meeting were held shall consent in writing to such action being taken.

Section 9. [intentionally omitted]

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Number and Term: The number of directors which shall constitute the whole Board of Directors (the "Board") shall be six (6). at the first annual meeting (March 23, 1974), one additional director shall be elected. In order to establish the terms of office of the initial Board (five directors elected December 9, 1973, and the one director elected March 23, 1974), the Board shall determine the length of terms to be served by each of the six directors. Two shall be for a term of three years; two shall be for a term of two years; and two shall be for a term one year. Thereafter, at each annual meeting of the membership, two directors shall be elected to serve for three-year terms. Each director shall serve until his successor is elected and shall qualify.

Section 2. Vacancy and Replacement: If the office of any director becomes vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, a majority of the remaining directors, though less than a quorum, at a special meeting of directors duly called for this purpose, shall choose a successor or successors, who shall hold office for the unexpired term in respect to which such vacancy occurred.

Section 3. Removal: Directors may be removed by an affirmative vote of a majority of the total membership. No director shall continue to serve on the Board if, during his term of office, his membership in the corporation shall be terminated for any reason whatsoever.

Section 4. First Board of Directors: The first Board shall consist of Stephen M. Cumbie, Richard Bates, M. E. Costello, Jr., Richard Dunlea, and Nelson Schwab, III, who shall hold office and exercise all powers of the Board until the first membership meeting, anything herein to the contrary notwithstanding; provided, any or all of said directors shall be subject to replacement in the event of resignation or death as above provided.

Section 5. Powers: The property and business of the corporation shall be managed by the Board, which may exercise all corporate powers not specifically prohibited by statute, the Certificate of Incorporation, or the Declaration to which those By-Laws are attached. The powers of the Board shall specifically include, but not be limited to, the following:

A. To make and collect regular and special assessments and establish the time within which payment of same are due.

B. To use and expend the assessments collected to maintain, care for and preserve the units and condominium property, except those portions thereof which are required to be maintained, cared for and preserved by the owners.

C. To purchase the necessary equipment and tools required in the maintenance, care and preservation referred to above.

D. To enter into and upon the units when necessary and at as little inconvenience to the owner as possible in connection with such maintenance, care and preservations.

E. To insure and keep insured said condominium property in the manner set forth in the Declaration against loss from fire and/or other casualty, and the unit owners against public liability, and to purchase such other insurance as the Board may deem advisable.

F. To collect delinquent assessments by suit or otherwise, abate nuisances and enjoin or seek damages from owners for violations of these By-Laws and the terms and conditions of the Condominium Documents.

G. To employ and compensate such personnel as may be required for the maintenance and preservation of the property.

H. To make appropriate changes in the Rules and Regulations for the occupancy of the condominium units as may be deemed necessary. Any such changes shall be approved at the next meeting of the membership by a majority of the votes cast.

I. To acquire and/or rent and/or lease a condominium unit in the name of the corporation or a designee.

J. To contract for management of the condominium and to delegate to such other party all powers and duties of the Corporation except those specifically required by the Condominium Documents to have specific approval of the Board or membership.

K. To carry out the obligations of the Corporation under any restrictions and/or covenants running with any land submitted to the Condominium ownership of this Corporation or its members.

L. To designate, as the Board deems appropriate, assigned parking spaces for each unit, visitors, service vehicles, and other vehicles.

M. To adopt Rules and Regulations pursuant to Article VIII of the By-Laws.

N. To impose a special assessment (against any owner), not to exceed \$50 for each occurrence, for the violation by the owner or his guests of any rule or regulation adopted by the Board or the breach of any By-Law contained herein, or the breach of any provision of the Declaration.

O. To terminate any lease or rentals whether by written or oral agreement; and to remove from a unit, any lessee, renter or guest who fails to comply with the terms of the Condominium Documents.

Section 6. Liability: The Directors shall not be liable to the owners for any mistake of judgment, negligence, or otherwise except for their own individual willful misconduct, bad faith, or gross negligence.

Section 7. Compensation: Neither Directors nor officers shall receive compensation for their services as such.

Section 8. Meetings:

A. The first meeting of each Board newly elected by the members shall be held immediately upon adjournment of the meeting at which they were elected, provided a quorum shall then be present, or as soon thereafter as may be practicable. The annual meeting of the Board shall be held at the same place as the general members' meeting, and immediately before or after the adjournment of same.

B. Special meetings shall be held whenever called by the direction of the President or a majority of the Board. The Secretary shall give notice of each special meeting either personally, by mail or telegram, at least three (3) days before the date of such meeting, but the directors may, in writing, waive notice of the calling of the meeting, before or after such meeting.

C. A majority of the Board shall be necessary and sufficient at all meetings to constitute a quorum for the transaction of business, and the act of a majority present at any meeting at which there is a quorum shall be the act of the Board. If a quorum shall not be present at the meeting, the Directors then present may adjourn the meeting without notice other than announcement at the meeting until a quorum shall be present.

Section 9. Order of Business: The order of business at all meetings of the Board shall be as follows:

- A. Roll call;
- B. Proof of notice of meeting or waiver of notice;
- C. Reading of Minutes of last meeting;
- D. Consideration of communications;
- E. Elections of necessary Directors and officers;
- F. Reports of officers and employees;
- G. Reports of committees;
- H. Unfinished business;
- I. Original resolutions and new business;
- J. Adjournment.

Section 10. Annual Statement: The Board shall present, no less often than at the annual meeting, a full and clear statement of the business and condition of the corporation, including a report of the operating expenses of the corporation and the assessments paid by each member.

ARTICLE V

OFFICERS

Section 1. Officers: The officers of the Corporation shall be the President, a Vice President, the Secretary and the Treasurer (and such additional Vice Presidents, Assistant Secretaries and Assistant Treasurers as the Board may determine), all of whom shall be elected annually by the Board. The President shall be a member of the Corporation and all other officers shall be either members of the Corporation or employees of the Corporation except the Treasurer who may be the certified public accountant (or a member of the firm of certified public accountants) regularly servicing the books of the Corporation.

Section 2. Subordinate Officers: The Board may appoint such other officers and agents from the membership as they may deem necessary, who shall have such authority and perform such duties as from time to time may be prescribed by said Board.

Section 3. Tenure of Officers; Removal: All officers shall be subject to removal, with or without cause, at any time by action of the Board. The Board may delegate powers of removal or subordinate officers and agents to any officer.

Section 4. The President:

A. The President shall preside at all meetings of the members and directors; he shall have general and active management of the business of the corporation; he shall see that all orders and resolutions of the Board are carried into effect; he shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation.

B. He shall have general superintendence and direction of all the other officers of the corporation, and shall see that their duties are performed properly.

C. He shall submit a report of the operations of the corporation for the fiscal year to the Directors whenever called for by them, and to the members at the annual meeting, and from time to time shall report to the Board all matters within his knowledge which the interest of the corporation may require to be brought to their notice.

D. He shall be an ex-officio member of all committees, and shall have the general powers and duties of supervision and management usually vested in the office of the President of a corporation.

E. He shall appoint a Nominating Committee of at least three persons at least 90 days prior to the Annual Meeting of Members to present nominations for Directors to

be elected at the annual Meeting; and such other special committees as the Board may authorize in connection with the affairs of the Corporation.

Section 5. The Secretary:

A. The Secretary shall keep the minutes of the members' and of the Board's meetings in one or more books provided for that purpose.

B. He shall see that all notices are fully given in accordance with the provisions of these By-Laws or as required by law.

C. He shall be custodian of the corporate records and of the seal of the corporation and shall see that the seal of the corporation is affixed to all documents, the execution of which on behalf of the corporation under its seal is duly authorized in accordance with the provisions of these By-Laws.

D. He shall keep a register of the post office address of each member, which shall be furnished to the Secretary by such member.

E. In general, he shall perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 6. The Vice President and Treasurer:

A. The Vice President and Treasurer shall be vested with all the powers and required to perform all the duties of the President in his absence, and such other duties as may be prescribed by the Board.

B. He shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall deposit all monies and other valuable

effects in the name and to the credit of the corporation, in such depositories as may be designated by the Board.

C. He shall disburse the funds of the corporation as ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the corporation. Such records shall be open to inspection by members at reasonable times.

D. He may be required to give the corporation at the corporation's cost, a bond in a sum and with one or more sureties satisfactory to the Board, for the faithful performance of the duties of his office, and the restoration to the corporation, in case of his death, resignation or removal from office, of all books, papers, vouchers, money or other property of whatever kind in his possession belonging to the corporation.

E. He shall maintain a register for the names of any mortgage holders or lien holders on units who have requested in writing that they be registered and to whom the corporation will give notice of default in case of nonpayment of assessments. No responsibility by the corporation is assumed with respect to said register except that it will give notice of default to any registered mortgagee or lienor therein, if so requested by said mortgagee or lienor.

F. With the approval of the Board, he shall be authorized to delegate all or part of his responsibilities to competent accounting, collection or management personnel, pursuant to written definition of the responsibilities delegated, but, in such event, the Treasurer shall retain supervisory responsibilities.

Section 7. Vacancies: If the office of any Director or officer becomes vacant by reason of death, resignation, disqualification or otherwise, the remaining Directors, by a majority vote of the remaining Directors provided for in these By-laws, may choose a successor or successors who shall hold office for the unexpired term. If the number of Directors falls below three, a special members' meeting shall be called for the purpose of filling such vacancies in the Board of Directors.

Section 8. Resignations: Any Director or officer may resign his office at any time, such resignation to be made in writing, and to take effect from the time of its receipt by the Board of Directors, unless some time be fixed, in the resignation, and then from that date. The acceptance of a resignation by the Board shall not be required to make it effective.

ARTICLE VI

NOTICES

Section 1. Definition: Whenever under the provisions of the statutes, the Condominium Documents, the Certificate of Incorporation, or these By-Laws, notice is required to be given to any Director or member, it shall not be construed to mean personal notice; but such notice may be given in writing by mail, by depositing the same in a post office or letter box in a postpaid, sealed envelope, addressed as appears on the books of the corporation.

Section 2. Service of Notice Waiver: Whenever any notice is required to be given under the provisions of the statutes, the Condominium Documents, the Certificate of Incorporation, or these By-Laws, a waiver thereof, in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed the equivalent thereof.

Section 3. Address: The address for notice of the corporation is The Islander, North Lumina Avenue, Wrightsville Beach, North Carolina 28480.

ARTICLE VII

FINANCES

Section 1. Fiscal Year: The fiscal year shall be from May 1st through April 30th.

Section 2. Checks: All checks or demands for money and notes of the corporation shall be signed by any one of the following officers: President, Secretary, or Vice President and Treasurer, or by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Determination of Assessments:

A. The Board shall determine from time to time the sum or sums necessary and adequate for the common expenses of the condominium property. At the annual meeting of the Corporation, such budget shall be submitted to the members for approval. As approved, the budget shall constitute the basis for all Regular Assessments for common expenses against unit owners, which assessments shall be due and payable periodically as determined by the Board. Common expenses shall include expenses for the operation, maintenance, repair or replacement of the common areas and facilities and the limited common areas and facilities, costs of carrying out the powers and duties of the corporation, all insurance premiums and expenses relating thereto, and any other expenses from time to time by the Board of Directors of the corporation.

B. The Board is specifically empowered on behalf of the corporation to make and collect assessments and to maintain, repair and replace the common areas and facilities and the limited common areas and facilities of the condominium. Funds for the payment of common expenses shall be assessed against the unit owners in the proportions or percentages of sharing common expenses provided in the Declaration. Assessments shall be payable periodically as determined by the Board.

C. Special assessments for common expenses not adequately funded through the Regular Assessments may be required by the Board and shall be levied and paid in the same manner as hereinbefore provided for Regular Assessments. Notwithstanding anything in these By-Laws or the Declaration which authorize assessments and expenditures, no special Assessment exceeding \$50 per unit per annum or expenditure for the improvement of the common elements exceeding \$5,000 per annum for all units shall be made without the approval of a majority vote of the membership, except for the repair of the condominium property due to damage and destruction, which shall occur as provided in the Declaration.

D. When the Board has determined the amount of any assessment, the Vice President and Treasurer of the corporation or his designate shall mail or present a statement of the assessment to each of the assessed owners. All assessments shall be payable to the corporation, and upon request, the Vice President and Treasurer or his designated agent shall give a receipt for each payment made.

E. The Board may enter into a management contract with third parties to whom the Board may delegate the power to levy and collect assessments approved by the Board or required by the Condominium Documents.

F. All assessments not paid when due shall be subject to a penalty charge as determined from time to time by the Board of Directors.

Section 4. Non-Profit Corporation: The seal of the corporation shall have inscribed thereon the name of the corporation, the year of its organization, and the words "Non-Profit." Said seal may be used by causing it or a facsimile thereof to be impressed, affixed, reproduced, or otherwise.

ARTICLE VIII

DEFAULT

Section 1. Enforcement of Lien for Assessments: In the event an owner does not pay any sums, charges, or assessments required to be paid to the corporation by the due date, the corporation, acting on its own behalf or through its Board, may enforce its lien for assessments, or take such other action to recover the sums, charges or assessments to which it is entitled, in accordance with the Declaration and the statutes made and provided or both.

Section 2. Governmental Liens and Assessments: In the event that an owner fails to pay any tax or assessment lawfully assessed by any governmental subdivision within which the property is situated, by the date such tax or assessment is due, the Board may pay the same from the funds of the corporation and assess such owner for the amount paid, plus interest thereon.

Section 3. Legal Costs: In the event such legal action is brought against an owner and results in a judgment for the corporation, the owner shall pay the corporation's reasonable attorney's fees, costs of collection, and court costs.

Section 4. Foreclosure: If the corporation becomes the owner of a unit by reason of foreclosure, it shall offer said unit for sale and at such time as a sale is consummated, it shall deduct from the proceeds of said sale all sums of money due it for assessments and charges, all costs incurred in the bringing of the foreclosure suit, including reasonable attorney's fees, and any and all expenses incurred in the resale of the unit, which shall include but not be limited to advertising expenses, real estate brokerage fees and expenses necessary for the repairing and refurbishing of the unit in question. All monies remaining after deducting the foregoing items of expenses shall be returned to the former owner of subject unit.

Section 5. Other Remedies: In the event of violation of the provisions of the Condominium Documents as the same are defined in the Declaration, for thirty (30) days after

notice from the Association to the unit owners to correct said violation, the corporation, on its own behalf or by and through its Board of Directors, may bring appropriate action to enjoin such violation or may enforce the provisions of said Condominium Documents, or may sue for damages, or take such other courses of action, or other legal remedy as it or they may deem appropriate.

Section 6. Intent: Each owner, for himself, his heirs, successors and assigns, agrees to the foregoing provisions relating to default and abatement of nuisance, regardless of the harshness of the remedy available to the corporation and regardless of the availability of the other equally adequate legal procedures. It is the intent of all owners of family units to give to the corporation a method and procedure which will enable it at all times to operate on a business-like basis, to collect those monies due and owing it from the owners of units, and to preserve each unit owner's right to enjoy his unit, free from unreasonable restraint and nuisance.

ARTICLE IX

RULES AND REGULATIONS

In addition to the other provisions of these By-Laws, the Rules and Regulations (attached hereto as Exhibit A, but not incorporated in the By-Laws) together with any subsequent changes, shall govern the use of the units located in the property and the conduct of all residents and guests. Such Rules and Regulations shall be in effect until the first Board of Directors meeting at which time they shall be adopted subject to such changes as may be deemed appropriate. Any further modifications in the Rules and Regulations may be made by the Board of Directors in accordance with Article IV, Section 5 of the By-Laws.

ARTICLE X

JOINT OWNERSHIP

Membership may be held in the name of more than one owner. In the event ownership is in more than one person, all of the joint owners shall be entitled collectively to only one voice or ballot in the management of the affairs of the corporation, and the vote may not be divided between plural owners. The manner of determining who shall cast such vote shall be as set forth in Article II, Section 7.

ARTICLE XI

INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

Section 1. Definitions. For purposes of this Article XI, the following definitions shall apply:

- (a) “Act” means the North Carolina Nonprofit Corporation Act, effective July 1, 1994, and all amendments and additions thereto.
- (b) “Director” means an individual who is or was a director of the Corporation or an individual who, while a director of the Corporation, is or was serving at the Corporation’s request as a director, officer, manager, partner, trustee, employee or agent of another foreign or domestic corporation (whether a business or nonprofit corporation), limited liability company, partnership, joint venture, trust, employee benefit plan, or other enterprise. A director is considered to be serving as a director, officer, manager, partner, trustee, employee or agent of an employee benefit plan at the Corporation’s request if such director’s duties to the Corporation also impose duties on, or otherwise involve services by, the director to the plan or to participants in or beneficiaries of the plan. “Director” includes, unless the context requires otherwise, the estate or personal representative of a Director.

(c) “Expenses” means expenses of every kind incurred in defending a Proceeding, including, but not limited to, legal, accounting, expert and investigatory fees and expenses.

(d) “Indemnified Officer” shall mean each officer of the Corporation who is also a Director of the Corporation and each other officer of the Corporation who is designated by the Board of Directors from time to time as an Indemnified Officer. An Indemnified Officer shall be entitled to indemnification hereunder to the same extent as a Director, including, without limitation, indemnification with respect to service by the Indemnified Officer at the Corporation’s request as a director, officer, manager, partner, trustee, employee or agent of another foreign or domestic corporation (whether a business or nonprofit corporation), limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise. “Indemnified Officer” includes, unless the context requires otherwise, the estate or personal representative of an Indemnified Officer.

(e) “Liabilities” means any obligation to pay any or all of the following: a judgment, a settlement, a penalty, a fine (including an excise tax assessed with respect to an employee benefit plan) and reasonable expenses, including, but not limited to, attorneys’ fees of opposing parties incurred with respect to a Proceeding.

(f) “Proceeding” means any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, whether formal or informal, and any appeal therein (and any inquiry or investigation that could lead to such a proceeding).

Section 2. Statement of Intent. The Corporation shall indemnify the Directors and the Indemnified Officers to the maximum extent permitted by the Act.

Section 3. Indemnification. In addition to, and not in any way in limitation of, all indemnification rights and obligations otherwise provided by law, the Corporation shall indemnify and hold harmless its Directors and Indemnified Officers against all Liabilities and Expenses in any Proceeding (including, without limitation, a Proceeding brought by or on behalf of the Corporation itself) arising out of their status as Directors or officers, or their service at the Corporation's request as a director, officer, manager, partner, trustee, employee or agent of another foreign or domestic corporation (whether a business or nonprofit corporation), limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise, or their activities in any such capacity; provided, however, that the Corporation shall not indemnify a Director or an Indemnified Officer against Liabilities or Expenses that such person may incur on account of activities of such person which at the time taken were known or believed by him or her to be clearly in conflict with the best interests of the Corporation. The Corporation shall also indemnify each Director and Indemnified Officer for his or her reasonable costs, expenses and attorneys' fees incurred in connection with the enforcement of the rights to indemnification granted herein, if it is determined in accordance with Section 4 of this Article XI that the Director or Indemnified Officer is entitled to indemnification hereunder.

The Board of Directors shall have the authority to adopt such resolutions pertaining to the implementation of this Section 3 of this Article XI as it may from time to time determine, and such resolutions shall be given full effect, even though they supplement, amplify or go beyond the provisions of this Section 3 of this Article XI, provided and to the extent such resolution does not violate any provision of the Act or the articles of incorporation of the Corporation. This

Article XI, Section 3 shall be construed in a manner to fully effect the purpose and intent of the resolution of the Board of Directors approving and adopting this provision.

Section 4. Determination. Any indemnification under Section 3 of this Article XI shall be paid by the Corporation in a specific case only after a determination that the Director or Indemnified Officer has met the standard of conduct set forth in Section 3 of this Article XI.

Such determination shall be made:

(a) by the Board of Directors by a majority vote of a quorum consisting of the members thereof not at the time parties to the Proceeding;

(b) if a quorum cannot be obtained under Section 4(a), by a majority vote of a committee duly designated by the Board of Directors (in which designation members thereof who are parties to the Proceeding may participate), consisting solely of two or more members of the Board of Directors not at the time parties to the Proceeding;

(c) by special legal counsel (i) selected by the Board of Directors or a committee thereof in the manner prescribed in Section 4(a) or (b); or (ii) if a quorum of the Board of Directors cannot be obtained under Section 4(a) and a committee cannot be designated under Section 4(b), selected by a majority vote of the full Board of Directors (in which selection members thereof who are parties in the Proceeding may participate).

The Board of Directors shall take all such action as may be necessary and appropriate to enable the Corporation to pay the indemnification required by this Article XI.

Section 5. Advances for Expenses. The Expenses incurred by a Director or an Indemnified Officer in defending a Proceeding may be paid by the Corporation in advance of the final disposition of such Proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the Director or Indemnified Officer to repay

such amount unless it shall ultimately be determined that such person is entitled to be indemnified by the Corporation against such Expenses. Subject to receipt of such undertaking, the Corporation shall make reasonable periodic advances for Expenses pursuant to this Section 5, unless the Board of Directors shall determine, in the manner provided in Section 4 of this Article XI and based on the facts then known, that indemnification under this Article XI is or will be precluded.

Section 6. Reliance and Consideration. Any Director or Indemnified Officer who at any time after the adoption of this Article XI serves or has served in any of the aforesaid capacities for or on behalf of the Corporation shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right, however, shall not be exclusive of any other rights to which such person may be entitled apart from the provisions of this Article XI. No amendment, modification or repeal of this Article XI shall adversely affect the right of any Director or Indemnified Officer to indemnification hereunder with respect to any activities occurring prior to the time of such amendment, modification or repeal.

Section 7. Insurance. The Corporation may purchase and maintain insurance on behalf of its directors, officers, employees and agents and those persons who were or are serving at the request of the Corporation in any capacity with another corporation (whether a business or nonprofit corporation), limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against or incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article XI or otherwise. Any full or partial payment made by an insurance company under any

insurance policy covering any director, officer, employee, agent or other person identified above made to or on behalf of a person entitled to indemnification under this Article XI shall relieve the Corporation of its liability for indemnification provided for in this Article XI or otherwise to the extent of such payment, and no insurer shall have a right of subrogation against the Corporation with respect to such payment.

Section 8. Savings Clause. If this Article XI or any portion hereof shall be invalidated on any ground by any court or agency of competent jurisdiction, then the Corporation shall nevertheless indemnify each person indemnified hereunder to the fullest extent permitted by the portion of this Article XI that is not invalidated and also to the fullest extent permitted or required by applicable law.

ARTICLE XII

AMENDMENT

These By-Laws may only be altered, amended or added to at any duly called meeting of the members; provided 1) that the notice of the meeting shall contain a full statement of the proposed amendment; and 2) that the quorum requirement for such purposes shall be a majority of all the then members, in person or by proxy. In addition, it shall be necessary that there be an affirmative vote of owners holding not less than two-thirds (2/3) of the qualified votes of members represented at such quorum, as well as an affirmative vote of the Board of Directors, in order to amend the By-Laws. No amendment to these By-Laws shall be passed which would operate to impair or prejudice the rights and/or liabilities of any mortgagee, and no amendment shall become operative unless set forth in an amended Declaration and duly recorded. All unit owners shall be bound to abide by any amendment upon the same being passed and duly set forth in an amended Declaration, duly recorded in the office of the Register of Deeds of New Hanover County, North Carolina.

ARTICLE XIII
CONSTRUCTION

Wherever the masculine singular form of the pronoun is used in these By-Laws, it shall be construed to mean the masculine, feminine or neuter, singular or plural, wherever the context so requires.

Should any of the covenants herein imposed be void or be or become unenforceable at law or in equity, the remaining provisions of this instrument shall nevertheless be and remain in full force and effect.

The foregoing were adopted as the By-Laws of The Islander at the first meeting of its Board of Directors.

EXHIBIT "A"

RULES & REGULATIONS

INTRODUCTION

Because condominium living may be a new experience for many of us, this set of Rules and Regulations has been adopted as a guideline to enhance the enjoyment of the condominium way of life for owners, their families and guests.

These Rules and Regulations will be reviewed as required by the Board of Directors, and appropriate amendments will be made. If you have any questions or suggestions, please refer them to the Building Superintendent or Management Agent.

STAFF ASSISTANCE

If outside service is required for repairs or work in your unit, the Building Superintendent should be notified of such arrangements.

SECURITY

Because the Security Guard must be on duty, he cannot provide valet parking, dog walking, handling groceries, or other personal services. Please notify the Guard if any suspicious people or unusual activities are seen. Security should also be notified if your unit is to be unoccupied for an extended period.

GUESTS

The Management Agent and Security Guard should be notified when guests will be occupying a unit when the owner is absent. No guests will be allowed to use condominium facilities unless accompanied by or with permission of owner.

NOISE

Please refrain from playing stereo, television or musical instruments loudly from 11:00 PM to 8:00 AM.

FOOD & BEVERAGES

Arrangements should be approved by the Building Superintendent for functions requiring food and beverages in the Social Room, pool patio, and other public areas.

PETS

No pets are allowed without express permission from the Management Agent or Building Superintendent. If there is more than one pet involved, permission should be received for each

one. Dogs are not permitted in any common areas unless on a leash. If a dog or other animal is making excessive noise, it should be reported to the Building Superintendent. Animals should be walked only in specified areas.

TENNIS

The general principals of tennis etiquette will prevail at all times. Play on the courts will be limited to one hour when others are awaiting the use of the facility; and adult players have priority over children under 16 years of age on Saturday, Sunday, and holidays. Normal tennis attire should be worn at all times.

SWIMMING POOL AND BEACH AREA

Swimming in the pool is permitted between 8:00 AM and 11:00 PM. Since the pool is not guarded, persons using this facility do so at their own risk, and children under 10 years of age must be accompanied by a responsible adult.

1. Rubber rafts and other paraphernalia of a similar nature, except for swimming aids, are not permitted in the pool.
2. Pets are forbidden in the pool area.
3. Running in the general pool area is not permitted.
4. Pool furniture is not to be removed from pool area.
5. Children in diapers are not permitted in the pool.
6. Food is not to be consumed poolside or in any other common area except with permission of the Building Superintendent (parties, special events, etc.). Beverages are allowed only in non-breakable containers. At no time should glass be brought to the pool area.

LAUNDRY FACILITIES

Please use only the washer and dryer units located in a room off the corridor of your particular floor. These are available on a first-come, first-served basis, and it is requested that you do not leave laundry in the machines after the cycle has been completed. No tints or dyes should be used in washing machines.

TRASH CHUTES

Newspapers, magazines, bottles and other breakable items should be set in the utility room near the trash chute for daily pick-up by the maintenance staff. Please be sure to rinse all bottles before placing in the trash room. Trash, bones and other nonbreakable items should be put into heavy-duty, secured bags and placed into the trash chute.

HALLWAYS

Laundry, dry cleaning items, etc., should not be placed in halls or staircase landings. There will be no decorating or painting on the walls in foyers and halls. It is requested that doors to units remain closed except when in use.

BALCONIES

Clothing should not be hung from the balcony walls or from clotheslines on balconies. No objects should be placed on ledges of balconies, and glass table tops should be avoided unless securely fastened to the table.

No awnings, projections, umbrellas or enclosures are allowed on the balconies. Balcony floor may be painted or covered as desired.

To protect the balcony below, it is requested that owners avoid hosing off balcony floors.

No cooking is permitted on balconies.

STORM PRECAUTIONS

To prevent damage from sudden storms, windows and outside doors should be closed when leaving your units. Owners planning to be absent from their unit for prolonged periods should remove all furniture, plants and other objects from their balconies.

FIRE DOORS AND ROOF

Please do not use fire doors as regular entrance or exit. No one is permitted on the roof.

PARKING

Please park vehicles within the painted lines and refrain from washing cars in the parking lot. No boats, trucks, trailers or campers are permitted in parking area. It is requested that owners use only the parking spaces assigned to their unit except with written permission by owner for other owners, lessees, or guests.

ACCESS TO UNITS

The Building Superintendent will retain a passkey to each unit. Owners desiring to alter or install a new lock must inform him and provide him with an extra key. If the necessity arises for the Building Superintendent to enter a unit for purposes of maintenance, etc., every effort will be made to notify the resident in advance. However, if a resident cannot be reached, the Building Superintendent reserves the right to enter a unit at his discretion.

SIGNS

No "For Sale", "For Rent", or other signs are permitted in any unit or on any part of the condominium property.

CONCLUSION

Violations or disagreements concerning these Rules & Regulations should be referred to the Building Superintendent or discussed at the Regime Association meeting. Final decisions will be made by the Board of Directors.