

EXHIBIT G
BY-LAWS
OF
ISLANDER SUITES
OWNERS' ASSOCIATION, INC.

ARTICLE I

NAME AND PURPOSE OF THE CORPORATION

Section 1. Name:

This corporation shall be known as:

ISLANDER SUITES OWNERS' ASSOCIATION, INC.

Section 2. Purposes:

The corporation has been organized for the following purposes:

- A. To promote the health, safety and welfare of the owners of the Units;
- B. To provide for the preservation of the values and amenities of the Condominium;
- C. To operate and maintain on the Property open spaces and other Common Elements and facilities for the benefit of the Owners of the Units;
- D. To operate the Condominium as a hotel;
- E. To promote fellowship and friendship among its Members; and
- F. To provide a forum for the expression of ideas and plans with regard to the improvement of social, recreational and general conditions in the Condominium and to take steps toward the fulfillment of said ideas and plans.

ARTICLE II

DEFINITIONS

Section 1. "Declaration" shall mean the Declaration of Unit Ownership for The Islander Suites - A Hotel in Condominium Form of Ownership recorded in Book _____, Page _____, Carteret County Registry.

Section 2. "Common Elements" shall mean all portions of the Condominium except the Units. Limited Common Elements are Common Elements.

Section 3. "Member" shall mean and refer to all those owners who are members of the Association as provided in Article IV, Section 1, hereof.

Section 4. All defined terms in the Declaration are incorporated herein.

ARTICLE III

LOCATION

The principal office of the Association shall be located at 102 Islander Drive, Emerald Isle, North Carolina, or at such other places as determined by the Board of Directors.

ARTICLE IV

MEMBERSHIP

Section 1. Every person or entity who is an Owner of a fee or undivided fee interest in any Unit which is subject to the Declaration shall be a Member of the Association, provided that any such person or entity who holds such interest merely as a security for the performance of an obligation shall not be a Member.

Section 2. The rights of membership are subject to the payment of annual and special assessments levied by the Association, the obligation of said assessments is imposed against each Owner of and becomes a lien upon the property against which such assessments are made as provided by Article V of the Declaration or any Supplemental Declaration to which the Properties are subject.

Section 3. The rights and privileges of any person to use the Common Elements of the Association, which person's interest in the Units and Common Elements is subject to assessments under Article V, Section 1, of the Declaration whether or not he be personally obligated to pay such assessments, may be suspended by action of the Directors during the period when the assessments remain unpaid; but, upon payment of such assessments, his rights and privileges shall be automatically restored. If the Directors have adopted and published rules and regulations governing the use of the Common Elements and facilities and the personal conduct of any person thereon, as provided in Article X, Section 1, Paragraph D, and Article XIII, Section 1 hereof, they may, in their discretion, suspend the rights and privileges of any such person to use the Common Elements for violation of such rules and regulations for a period not to exceed thirty (30) days.

ARTICLE V

VOTING RIGHTS

Section 1. The Association shall have one class of voting membership. Members shall have one vote for each Unit in which they hold the interests required for membership. When more than one person holds such interests or interests in any Unit all such persons shall be Members, and the vote for such Unit shall be exercised as they among themselves determine but in no event shall more than one vote be case with respect to any such Unit.

Section 2. Designation of Voting Representatives.

If a Unit is owned by one person his right to vote shall be established by the record title to this property. If a Unit is owned by more than one person, the person entitled to cast the vote for said property shall be designated by a certificate signed by all of the record owners of said property and filed with the secretary of the Association. If a Unit is owned by a corporation, the person entitled to cast the vote for said property shall be designated by a certificate of appointment signed by the president, vice president or secretary of the corporation and filed with the secretary of the Association. Such certificates shall be valid until revoked or until superseded by a subsequent certificate or until a change in the ownership of the Unit.

Section 3. Declarant Control Period. Subject to the remainder of this paragraph, the Declarant may appoint and remove the officers and members of the Board of the Association during the period that shall terminate no later than the earlier of (i) 120 days after conveyance of 75% of the Units, including Units which may be created pursuant to special Declarant rights, to Unit Owners other than a Declarant; (ii) two years after Declarant has ceased to offer Units for sale in the ordinary course of business; or (iii) two years after any development right to add new Units was last exercised hereinafter referred to as the "Declarant Control Period". The Declarant may voluntarily surrender the right to appoint and remove officers and members of the Board of Directors before termination of the Declarant Control Period, but in that event Declarant shall have the right for the duration of the Declarant Control Period to specify that any or all of the following actions of the Association or Board be approved by the Declarant before they become effective:

1. Amend the Declaration or By-Laws;
2. Terminate the Condominium;

3. Prepare a budget for the Association.

During the Declarant Control Period, and at all times thereafter, the Board shall manage and operate the Association in a manner consistent with the terms and conditions of this Declaration, any and all supplements or amendments hereto, the Association's By-Laws and the North Carolina General Statutes. Upon the Declarant's written notification to each Unit Owner prior to the termination of the Declarant Control Period, said notice manifesting the Declarant's intention to surrender his right to appoint and remove the officers and members of the Board, the Association shall call a meeting of the membership for the purpose of electing a new Board for the Association from the membership of the Association. From that point on, the new Board shall then become responsible for the operation and management of the Association and the Declarant's responsibility for same terminates.

Not later than sixty (60) days after the conveyance of twenty-five percent (25%) of the Units, including Units which may be created pursuant to special Declarant rights, to Unit Owners other than the Declarant, at least one Member and not less than twenty-five percent (25%) of the Members of the Board shall be elected by Unit Owners other than the Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of the Units to Unit Owners other than the Declarant, not less than thirty-three percent (33%) of the Members of the Board shall be elected by Unit Owners other than the Declarant. Not later than the termination of the Declarant Control Period, the Unit Owners shall elect a Board of at least five (5) members, at least a majority of whom must be Unit Owners. The Board shall elect the officers. The Board members and officers shall take office upon election.

ARTICLE VI

PROPERTY RIGHTS AND RIGHTS OF ENJOYMENT
OF COMMON PROPERTY

Section 1. Each Member shall be entitled to the use and enjoyment of the Common Elements.

Section 2. Any Member may delegate his rights of enjoyment in the Common Elements to the hotel guests in his Unit. The rights and privileges of such person are subject to suspension under Article IV, Section 3, to the same extent as those of the Member.

Section 3. Each occupant of a Unit as a hotel guest shall be entitled to the use and enjoyment of the Common Elements and facilities subject to the rules and regulations of the Association.

ARTICLE VII

POWERS OF THE ASSOCIATION

Section 1. Mergers and Consolidations.

Subject to the provisions of the Declaration and to the extent permitted by law, the Association may participate in mergers and consolidations with other nonprofit corporations organized for the same purposes, provided that any such merger or consolidation shall have the assent of two-thirds (2/3) of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be mailed to all Members at least thirty (30) days in advance, and shall set forth the purpose of the meeting.

Section 2. Mortgages; Other Indebtedness.

The Association shall have power to mortgage the Common Elements only to the extent authorized under the Declaration and with such voting requirements as shall be required by the Act.

The total debts of the corporation, including the principal amount of such mortgages, outstanding at any time, shall not exceed the total of five years assessments current at that time, provided, that authority to exceed said maximum in any particular case may be given by an affirmative vote of two-thirds (2/3) of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be mailed to all Members at least thirty (30) days in advance and shall set forth the purpose of the meeting.

Section 3. Dedication.

The Association shall have the power to dispose of Common Elements only as authorized under the Declaration and with such voting requirements as shall be required by the Act.

ARTICLE VIII

BOARD OF DIRECTORS

Section 1. Generally.

The affairs of the Association shall be managed by a board of five (5) directors. The initial Board of Directors shall consist of three (3) directors who shall hold office until the first meeting of the Members of the Association or until their successors are elected and qualified. At the first membership meeting the

Members shall elect three (3) directors for two year terms and two (2) directors for one year terms. At the end of these terms, each director shall be elected for two (2) year terms. The election and removal of Directors shall be subject to the provisions of Article VII, Section 3 hereof with regards to the Declarant Control Period.

Section 2. Vacancies.

Vacancies on the Board of Directors shall be filled by majority vote of the remaining directors, and any such appointed directors shall hold office during the unexpired term of their predecessors.

Section 3. Removal.

Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association.

Section 4. Compensation.

No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without A Meeting.

The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE IX

ELECTION OF DIRECTORS; NOMINATING COMMITTEE; ELECTION COMMITTEE

The following provisions address election of Directors other than those appointed by Declarant during the Declarant Control Period:

Section 1. Election of the Board of Directors shall be by written ballot as hereinafter provided. At such election the Members or their proxies may cast, in respect of each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The candidates receiving the largest number of votes shall be elected. Votes may not be cast cumulatively.

Section 2. Nominations for election to the Board of Directors shall be made by a Nominating Committee which shall be one of the standing committees of the Association.

Section 3. The Nominating Committee shall consist of a Chairman who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each such annual meeting.

Section 4. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members, as the committee in its discretion shall determine. Additional nominations by Members from the floor may be made at the time of the election.

Section 5. All elections to the Board of Directors at and after the first annual meeting shall be made on written ballot which shall clearly list the names of the persons for whom the vote is being cast and the terms of office if necessary. The Chairman of the meeting shall appoint one or more persons to count the ballots and report the results.

ARTICLE X

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. The Board of Directors shall have power:

A. To call special meetings of the Members whenever it deems necessary, and it shall call a meeting at any time upon written request of one-fourth (1/4) of the voting membership;

B. To generally govern the Association in accord with the Declaration and the Articles of Incorporation and By-Laws of this Association, and with the Act and the laws related to nonprofit corporations in North Carolina, including, without limitation, to appoint and remove at pleasure all officers, agents and employees of the corporation, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient. Nothing contained in these By-Laws shall be construed to prohibit the employment of any Member, officer or director of the Association in any capacity whatsoever;

B1. To ensure that the Condominium is operated as a hotel as long as such hotel operation is necessary to keep the Condominium in compliance with the Town of Emerald Isle zoning ordinance. To accomplish zoning compliance as a hotel, the Board shall have, without limitation, the following power and authority:

a. To establish the terms, conditions, rules and

regulations of the hotel operation which are binding on the Units and Unit Owners;

b. To contract for the on-site management of the hotel that will be the only on-site manager which all Unit Owners must use (the "Hotel Manager"), and for a rental manager that may or may not be the Hotel Manager, which Unit Owners may choose to use to handle the booking of their rentals, but which they shall not be required to use;

c. To secure a hotel franchise for the Condominium;

d. To require Unit Owners to provide the Hotel Manager chosen by the Board with all rental and booking information, including rates and reservations, for the rental of the Unit Owner's Unit, and to provide the Hotel Manager with the name and contact information of any rental agent other than the Hotel Manager used by the Unit Owner for the marketing and booking of rentals of their Unit, and to permit the Hotel Manager to keep, and to cooperate in providing all information necessary for the Hotel Manager to keep, records of rates and rentals paid, and details of occupancy (including occupancy by the Unit Owner), including names and addresses of guests and dates of use, for all rentals of their Unit, and to require all guests to check in and out with the Hotel Manager, as part of the hotel operation;

e. To establish minimum Unit standards in terms of wall, floor, and ceiling coverings, furnishings, fixtures and appliances; and

f. To take all other action necessary to ensure compliance with Emerald Isle zoning.

Notwithstanding the authority and obligation of the Association to establish and operate the Condominium as a hotel, the Association may not "pool" rental revenues. The rental revenues for each Unit must be accounted for and distributed to the Unit Owners separately. The Association shall not take any actions which would subject the sale of the Units to the jurisdiction of the Securities and Exchange Commission.

C. To establish, levy and assess, and collect the assessments, fines, late fees, administrative fees or charges referred to in the Declaration and permitted by the Act;

D. To adopt and publish rules and regulations governing the use of the Common Elements and the personal conduct of the Members, their family members, their guests, and occupants of Units while on the Condominium;

E. To exercise for the Association all powers, duties and

authority vested in or delegated to this organization, except those reserved to the Members in the Declaration;

F. In the event that any member of the Board of Directors of this association shall be absent from three (3) consecutive regular meetings of the Board of Directors, the Board may by action taken at the meeting during which said third absence occurs, declare the office of said absent director to be vacant.

G. To prepare and enforce, directly or indirectly, the rules and regulations governing activities within the boundaries of the Properties.

Section 2. It shall be the duty of the Board of Directors:

A. To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members or at any special meeting when such is requested in writing by one-fourth (1/4) of the voting membership.

B. To supervise all officers, agents and employees of this organization, and to see that their duties are properly performed.

C. To employ and discharge such management as the Directors may deem necessary.

D. To adopt a budget and authorize expenditures.

E. As more fully provided in Article VI of the Declaration applicable to the Property:

1. To fix the amount of the assessment against each Unit for each assessment period at least thirty (30) days in advance of such date or period and, at the same time;

2. To prepare a roster of the Units and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Member and, at the same time;

3. To send written notice of each assessment to every Owner subject thereto.

F. To issue, or to cause an appropriate officer to issue, upon demand by any person a certificate setting forth whether any assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid. The Association may charge an appropriate fee for the issuance of such certificate.

ARTICLE XI

DIRECTOR'S MEETINGS

Section 1. A regular meeting of the Board of Directors shall be held as scheduled by the Board.

Section 2. Notice of such regular meeting shall be given to each director, personally or by mail, telephone, telefax or email, at least seventy-two (72) hours prior to the meeting.

Section 3. Special meetings of the Board of Directors shall be held when called by any officer of the corporation or by any two directors after not less than three (3) days' notice to each director.

Section 4. The transaction of any business at any meeting of the Board of Directors, however called and noticed, or wherever held, shall be as valid as though made at a meeting duly held after regular call and notice if a quorum is present and, if either before or after the meeting each of the directors not present signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records and made a part of the minutes of the meeting.

Section 5. The majority of the Board of Directors shall constitute a quorum thereof.

ARTICLE XII

OFFICERS

Section 1. Generally.

The officers of this Association shall be a President, Vice President, Secretary and a Treasurer, and if the Board so elects, an assistant Secretary and/or assistant Treasurer.

Section 2. Election of Officers.

The Officers of the Association shall be elected by the Board. The election shall be held annually at the first meeting of the Board held after the annual meeting of members, except that the first Board shall elect officers as soon as practicable after the filing of the Declaration.

Section 3. Term.

Each officer shall serve until his successor has been duly elected and has qualified.

Section 4. Removal.

Any officer may be removed, with or without cause, and without notice, by the Board.

Section 5. Vacancy.

Any vacancy in any office shall be filled by the Board, and an officer elected to fill a vacancy shall serve for the unexpired term of his predecessor in office.

Section 6. President.

The President shall be the chief executive officer of the Association, shall be deemed to be the Chairman of the Board, shall have all of the powers and duties incident to the office of a President of a corporation, and shall preside at all meetings of the Board and of the members, and the general supervision of officers in the management of the business and affairs of the Association; and shall see that all actions and resolution of the Board are carried into effect.

Section 7. Vice-President

In the absence of the President or in the event of his death, inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President.

Section 8. Secretary.

The Secretary shall be the ex-officio secretary of the Board of Directors and shall record the votes and keep the minutes of all proceedings in a book to be kept for that purpose. He shall keep the records of the corporation. He shall record in a book kept for that purpose the names of all Members of the Association together with their addresses as registered by such Members.

Section 9. Treasurer.

The Treasurer shall receive and deposit in appropriate bank accounts all monies of the corporation and shall disburse such funds as directed by resolution of the Board of Directors, provided however, that a resolution of the Board of Directors shall not be necessary for disbursement made in the ordinary course of business conducted within the limits of a budget adopted by the Board.

The Treasurer shall keep proper books of account and cause an annual review of the corporation books to be made by a certified public accountant, or by audit committee appointed by the Board of Directors, at the completion of each fiscal year. He shall prepare an annual budget and an annual balance sheet statement, and the budget and balance sheet statement shall be presented to the membership at its regular annual meeting. He shall be responsible for the preparation of such tax returns as may be required.

The duties set forth herein may be delegated by the Board of Directors to any manager hired by the Association to manage the day to day activities of the Association. The Treasurer shall supervise the manager when performing the delegated activities.

Section 10. Special Appointments.

The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 11. Multiple Offices.

The offices of the secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices.

ARTICLE XIII

COMMITTEES

Section 1. The standing committees of the Association shall be:

The Nominating Committee
The Maintenance Committee
The Aesthetics Committee
The Hotel Committee

Unless otherwise provided herein, each committee shall consist of a chairman and two or more members and shall include a member of the Board of Directors for board contact. The committees shall be appointed by the Board of Directors prior to each annual meeting to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each such annual meeting. The Board of Directors may appoint such other committees as it deems desirable.

Section 2. The Nominating Committee shall have the duties and functions described in Article IX.

Section 3. The Maintenance Committee shall advise the Board of Directors on all matters pertaining to the maintenance, repair or improvements of the Common Elements, and shall perform such other functions as the Board, in its discretion, determines.

Section 4. The Aesthetics Committee shall watch for any proposals, programs, or activities which may adversely affect the value of the Property and shall advise the Board of Directors regarding organization action on such matters.

Section 5. The Hotel Committee shall advise the Board of Directors on all matters pertaining to the operation of the hotel program at the Condominium.

Section 6. With the exception of the Nominating Committee (but then only as to the functions that are governed by Article IX of the By-laws), each committee shall have power to appoint a subcommittee from among its membership and may delegate to any such subcommittee any of its powers, duties and functions.

Section 7. It shall be the duty of each committee to receive complaints from Members on any matter involving Association functions, duties, and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate.

ARTICLE XIV

MEETINGS OF MEMBERS

Section 1. Meetings of the Members shall be held at the Condominium, or such other place as may be designated from time to time by the Board. The Members shall meet at least once each year as specified in the notice of such meeting. The Members shall elect the members of the Board of Directors and may transact any other business properly coming before them.

Section 2. Special meetings of the Members for any purpose may be called at any time by the president, the vice president, the secretary or treasurer, or by any two or more members of the Board of Directors or upon written request of Members who have a right to vote one-fourth (1/4) of the votes of the Class A membership.

Section 3. Notice of any meetings shall be given to the Members by the secretary. Notice may be given to the Member either personally, by delivery to his mailbox, or by sending a copy of the notice through the mail postage thereon fully prepaid to his address appearing on the books of the corporation. Each

Member shall register his address with the secretary and notices of meeting regular or special shall be sent no more than thirty days (30) or less than fourteen (14) days in advance of the meeting and, except for the annual meeting, shall set forth in general the nature of the business to be transacted.

Section 4. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, a majority of the votes of each class of membership shall constitute a quorum for any action governed by these By-Laws. Any action governed by the Articles of Incorporation or by the Declaration shall require a quorum as therein provided.

Section 5. The President, or in his absence the Vice-President, shall preside at the meeting and the Secretary shall be responsible for recording minutes of the proceedings.

ARTICLE XV

PROXIES

Section 1. At all corporate meetings of Members, each Member may vote in person or by proxy.

Section 2. All proxies shall be in writing and filed with the secretary. No proxy shall extend beyond a period of eleven (11) months, and every proxy shall automatically cease upon sale by the Member of his Unit or other interest in the Property.

ARTICLE XVI

BOOKS AND RECORDS

The books, records and papers of the corporation shall at all times, during reasonable business hours, be subject to the inspection of any Members.

ARTICLE XVII

CORPORATE SEAL

The corporate seal of the Association shall consist of two concentric circles between which are the words ISLANDER SUITES OWNERS' ASSOCIATION, INC., and in the center of which is inscribed "SEAL".

ARTICLE XVIII

AMENDMENTS

Section 1. These By-Laws may be amended at a regular or special meeting of the Members with notice as required by law, by a vote of two-thirds (2/3) of the votes cast, or a majority of the votes entitled to be cast on the amendment, whichever is less (with respect to all Members if class voting is not required, or with respect to each class if class voting is required pursuant to N.C.G.S. 55A-10-22), and by the Board, or in lieu thereof in writing by the number or proportion of Members entitled under N.C.G.S. 55A-7-02(a)(2) to call a special meeting to consider such amendment, provided that those provisions of these By-Laws which are governed by the Articles of Incorporation of this Association may not be amended except as provided in the Articles of Incorporation or applicable law; and provided further that any matter stated herein to be or which is in fact governed by the Declaration may not be amended except as provided in such Declaration.

Section 2. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

ARTICLE XIX

ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligations for Assessments.

(a) Each Owner of a Unit, by the acceptance of title thereto, shall be deemed to covenant and agree to pay to the Association assessments as outlined in these Bylaws, the Declaration, and the Act. The assessments may be classified as (A) Regular for operation, maintenance, repair, replacement and improvement of Common Elements, and other purposes of the Association, and (B) Special for capital improvements to Common Elements, emergencies, for damages and expenses created by less than all Unit Owners and to pay expenses and liabilities, including, but not limited to insurance premiums not covered by Regular assessments. Assessments are to be fixed, established and collected from time to time as hereinafter provided.

(b) The Regular and Special assessments, together with such interest thereon and cost of collection thereof as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the Unit, after filing of a claim of lien with the Clerk of Court of Carteret County pursuant to the Act, against which each such assessment is made. Each such assessment, together with

such interest thereon and cost of collection thereof as hereinafter provided, shall also be the personal obligation of the person who was the Owner of such Unit at the time the assessment was made.

(c) Each Unit will be assessed in accordance with the allocation of percentage ownership of the Common Elements to such Unit in the Declaration, except for assessments in connection with the maintenance, repair or replacement of Limited Common Elements, as provided below.

Section 2. Preparation of Budget

(a) For each fiscal year, beginning in 2008, the Board shall prepare and adopt a budget, including therein estimates of the amount necessary to pay the Common Expenses, together with amounts considered necessary by the Board for reserves. The budget may be amended by the Board from time to time during the fiscal year as the Board determines necessary.

(b) Within 30 days after adoption of any proposed budget for the Association, the Board shall provide a summary of the budget to all Owners, and shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) days nor more than thirty (30) days after mailing of the summary. Notwithstanding any other provisions of the Declaration or the By-laws, there shall be no requirement that a quorum be present at such meeting. Notwithstanding any other provision of the Declaration or the By-laws, the proposed budget shall be deemed ratified unless at that meeting a majority of all the Owners present and entitled to cast a vote reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board.

(c) The failure of the Board or delay of the Board in preparing any budget, and to levy or in levying assessments, shall not constitute a waiver or release of the Owner's obligation to pay assessments whenever the same shall be determined and levied by the Board. Until a new Regular assessment is levied by the Board, each Owner shall continue to pay on the schedule last determined by the Board Regular assessments in the amount previously levied as the Regular assessment. Any deficiencies or inadequacies in the procedure followed by the Board in levying an assessment shall not in any way affect its validity or the obligation of Owners to pay such assessments.

Section 3. Assessment.

(a) The Board shall assess the Units all sums necessary to meet the budget and shall allocate the assessments based on the percentage of ownership of Common Elements. The Board shall fix the date of commencement and the amount of the assessment against each Unit for each assessment period at least thirty (30) days in advance of such date or period and shall, at that time, prepare a roster of the Units and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Owner.

(b) Written notice of the assessment shall be sent to every Owner subject thereto; however failure to provide written notice shall not invalidate the assessment.

(c) The Association shall upon request furnish to any Owner liable for said assessment a certificate in writing signed by an officer of the Association or its designated manager, setting forth whether assessments against such Unit have been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

(d) Declarant shall pay an equitable sum to the Association to defray the cost to the Association for insuring and maintaining those areas shown on that plat recorded in Map Book ____, Page ____, Carteret County Registry which are designated as "Future Development Need Not Be Built" in which the Declarant has reserved future development rights to create additional units and to subject the same to the Declaration. Declarant's obligation set forth herein shall expire upon the earlier to occur of the following: (i) upon submitting a total of fifty-six (56) additional units to the Declaration, (ii) until the Declarant has released its right to develop the same, or (iii) until December 31, 2030 which earlier is the first to occur.

Section 4. Payment of Assessment.

Assessments shall be payable when notice thereof is given, but shall not be delinquent if paid at the times and in the amounts specified by the Board in the notice of assessment. Payment shall be made to the Association, or as the Board may from time to time otherwise direct.

Section 5. Common Expenses Associated With Limited Common Elements or Benefiting Less Than All Units.

(a) Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element shall be assessed against the Unit, or in equal shares to the Units, to which such Limited Common Element was allocated at the time the expenses was incurred.

(b) In addition, the Association may assess any item of Common Expense benefiting less than all of the Units against the Units benefited in proportion to their Common Expense liability.

Section 6. Assessment Roll; Certificate.

All assessments shall be set forth upon a roll of the Units, which shall be available in the office of the Association for inspection at all reasonable times by members and Security Holders, and their duly authorized representatives. Such rolls shall include, for each Unit, the names and addresses of the member or members, all assessments levied, and the amount of all assessments unpaid. The Association, upon written request, shall furnish to a Unit Owner, or his authorized agent, a recordable certificate setting forth the amount of unpaid assessments currently levied against his Unit. The certificate shall be furnished within seven (7) business days after receipt of the request and shall be binding upon the Association and all Unit Owners. For such certificate a reasonable fee may be charged by the Board.

Section 7. Default and Enforcement.

If any assessment, or installment thereof, levied against a Unit remains unpaid for a period of thirty (30) days or longer, it shall constitute a lien against that Unit when filed of record in the office of the Clerk of Superior Court of Carteret County as provided by the Act. The Association's lien may be foreclosed in like manner as a mortgage on real estate under power of sale under Article 2A of Chapter 45 of the General Statutes of North Carolina with the Association being deemed as holding the power of sale. Fees, charges, late charges, fines and interest charged pursuant to the Act are enforceable as assessments. The Association shall further be entitled to recover its reasonable attorneys' fees incurred in collection of assessments, subject to any limitations in amount and notice requirements in the Act.

If any action is taken by the Association to foreclose a lien on a Unit because of unpaid assessments, the Unit Owner shall be required to pay a reasonable rent for the use of the Unit during the period of redemption from such foreclosure, and the Association shall be entitled to the appointment of a receiver to collect the same.

In addition to the foregoing, and without waiving its lien, the Association may sue to obtain a money judgment for the amount of any delinquent assessment or installment thereof, together with interest, and the Member so sued and liable for such assessment shall pay all costs of collection, at the same rate as charged on the assessments being collected from the dates incurred

until paid.

In addition to the foregoing, the Association (including any manager of the hotel operation on the Condominium) may apply funds in a delinquent Owner's rental account to such Owner's unpaid assessments.

Section 8. Interest on Delinquent Assessments.

Assessments, or installments thereof, paid before they become delinquent shall not bear interest, but all delinquent sums shall bear interest at the rate set forth in the notice levying the assessment, not exceeding the rate of interest allowed by the Act, from the date delinquent until paid. If no interest rate is set forth in such notice, such interest rate shall be the maximum allowed by the Act. All payments upon account shall be applied first to interest and then to the assessment, or installment thereof, longest delinquent. All such interest shall have the same priority as the assessment on which such interest accrues.

Section 9. Common Expenses.

Common expenses shall mean and include all sums declared common expenses by the Act, or by any specific provisions of these By-Laws or the Declaration, and shall include, without limitation, the following: cost of maintenance and repair; cost of replacement of improvements; cost of new improvements on the Property; the general operating expenses of the Association including, but not limited to utility charges; expenses relating to operation of the hotel; real estate taxes; and other governmental assessments or charges against the Property until the Units are separately assessed; premiums for any and all insurance maintained by the Association, including any and all deductible or co-insurance amount not covered by insurance; utility charges not charged directly to Unit Owners; legal and accounting fees; costs and expenses incurred in connection with any litigation or administrative proceeding pursuant to any provision of the Declaration, these Bylaws, or the Act; deficits remaining from any prior assessment period; the cost, including fees and interest incurred in connection with any borrowing done by the Association; costs of all fidelity bonds; costs imposed upon the Association or any part of the Common Elements or the Property by, or incurred by the Association as a result of the performance, enforcement or amendment of, any agreement or easement to which the Association is a party, or to which the Common Elements or Property or any part of either thereof is or may be subject; amounts determined necessary for reserve funds; and indemnity payments made by the Association pursuant to Article XXIV hereof.

Section 10. Allocation of Common Surplus.

Any common surplus, including funds in reserve accounts, may be allocated to each Unit in accordance with its percentage of Common Expenses and, if allocated, may be paid to the Unit Owner or credited against such Unit's share of Common Expenses subsequently assessed in the discretion of the Board.

Section 11. Working Capital Fund.

Upon the initial transfer of title from the Declarant to the purchaser of each Unit, the Association may collect from such purchaser an amount equal to a minimum of three (3) months' estimated owner association dues as part of a working capital fund for the use and benefit of the Association. The purpose of this fund is to provide the Association with available cash to meet expenditures, or to acquire additional equipment or services deemed necessary or desirable by the Board of Directors. Amounts paid by purchasers into the working capital fund are not refundable and are not to be considered as advance payments of the assessments described in Article XIX hereof.

ARTICLE XX

CORPORATE EARNINGS

No director, officer, employee, committee member or other person or entity associated with the Corporation shall receive at any time any of the earnings or pecuniary profit from the operations of the corporation, except as provided in Article 13, Chapter 55A of the North Carolina General Statutes, as amended from time to time.

ARTICLE XXI

RELOCATION AND ALTERATION OF UNITS.

Section 1. Procedure.

If any unit owner desires to: (i) relocate the boundaries of his unit pursuant to N.C.G.S. Section 47C-2-112 of the Act, (ii) remove partitions or create apertures pursuant to N.C.G.S. Section 47C-2-111 of the Act, or (iii) make any improvements or alterations to his unit which impair the structural integrity or mechanical systems of, or lessen the support of any portion of, the Condominium, the procedures set out in this Article shall be followed.

Section 2. Notice to and Consent of the Board.

Prior to doing any work of the kind set out in Article

XXI, Section 1 the Unit Owner shall give notice to the Board of his intent to do such work and request and receive the written consent thereto of the Board. With such notice shall be given: (i) a statement of the work to be done, (ii) a copy of the plans and specifications for the work, and (iii) such additional information relative to the proposed work as the Board may reasonably request. Upon receiving all such information and any fees and charges requested by the Board, the Board shall set a date for a meeting on the proposed work which shall be within fifteen (15) days after such information and fees and charges are received. Notice of such meeting shall be given to all members of the Association in the same manner as a notice of a special Board meeting. At the meeting the Board shall receive such testimony and evidence as it deems appropriate. The meeting may be conducted from time to time by the Board. At the meeting or at such later time, but in any event not later than sixty (60) days after such meeting, the Board shall decide whether to consent or not to consent to such work. Written notice of such decision shall be given to such Unit Owner and all Members.

Section 3. Conditions.

The Board may impose conditions on any consent to such work to protect the Common Elements, Units and the Condominium, and to ensure that the provisions of the Act, Declaration, and these By-Laws are complied with, including, without limitation, the furnishing to the Association of payment and performance bonds, or other security acceptable to the Board, to ensure that the proposed work is timely completed pursuant to the plans and specifications therefor, and all costs there for paid.

Section 4. Controlling Procedure.

The procedure set out in this Article shall control over any contrary provision in the Act.

ARTICLE XXII

COMPLIANCE, ENFORCEMENT, FINES AND PENALTIES.

Section 1. Default and Remedies.

Default or failure to comply with any of the terms, conditions, obligations, and provisions of the Act, the Declaration, these By-Laws, the Articles, or the rules and regulations, as the same may be amended from time to time, by any Unit Owner or occupant, shall be grounds for relief that may include, without intending to limit the same, or to constitute an election of remedies, an action to recover fines and penalties as determined by the Board, sums due for damages, and injunction, or any combination thereof, and which relief may be sought by the

Association, an aggrieved unit owner, or by any person or class of persons adversely affected. Also if any Member fails to perform any obligation under the Act, the Declaration, these By-Laws, the Articles or such rules and regulations, then the Association may, but is not obligated to, perform the same for the Members' account, and for such purpose may enter upon his Unit, may make necessary repairs, advance expenses or other sums necessary to cure the default, and for such other expenses and costs, may levy a special assessment against the Unit owned by such defaulting Member. The Association also shall be entitled to suspend the right of a defaulting Unit Owner to vote as a Member of the Association until the default is cured.

Section 2. Notice of Default and Failure to Cure.

In the event of any such default or failure, the Board shall serve upon or mail to the defaulting Member, and to each first mortgagee of that Member's Unit when required under Section 12.7 of the Declaration, a written notice specifying the nature of the default, the cure thereof, and the time within which the cure shall be effected. Within the time limit specified in the notice, the defaulting Member may cure the default specified, or serve upon or mail a written notice to the Board requesting a hearing before the Board. If a hearing is so requested, the Board shall thereafter serve upon or mail to the defaulting Member, and to each such first mortgagee which was entitled to notice of the default as above provided, a notice specifying the time and place for such hearing. At the hearing, the Board shall take such evidence and hear such testimony as it deems necessary or desirable. The Board shall not exercise any remedies to obtain relief from the default until the hearing is over and the Board has made its determination and served upon or mailed the same to the defaulting Member and each such first mortgagee. The hearing may be continued from time to time as determined by the Board. Upon taking such evidence and hearing such testimony, the Board, at the hearing or at such later time, shall determine in writing, and at its sole option, to waive the default in whole or in part, to extend the time within which the default may be cured, or to proceed immediately to levy a fine or penalty, or to exercise any one or more of the remedies available to the Board due to such default. The Board shall serve upon or mail to the defaulting Member, and to each first mortgagee which was entitled to notice of the default as above provided, a copy of its determination. If the defaulting member: (i) does not cure the default or request a hearing within the time limit specified in the original notice of default given pursuant to this Section, or (ii) so request a hearing, but fails to cure the default (to the extent not waived by the Board) hearing, then the Board shall serve upon or mail to the defaulting Member, and to each such first mortgagee which was entitled to notice of the default as above provided, a written notice of such Member's failure to effect a cure, and the Board may then proceed to take such action as it deems necessary to

obtain relief. The hearings, fines or other actions taken shall be subject to any monetary limits, and due process requirements, in the Act.

Section 3. Remedy of Abatement in Addition to Other Remedies.

In the event a Member fails to effect the cure specified by the Board within the time period set out in (i) or (ii) of Article XXII, Section 2 hereof, whichever is applicable, where the default is a structure, thing, or condition existing in or on the premises of the Member's unit, the Board, or its duly authorized representative, shall have the right to enter upon the premises of the Member's unit in which, on which, or as to which, such default exists, and summarily to abate and remove, at the defaulting Member's expense (and levy an assessment therefor as provided in Article XXII, Section 1 hereof), the structure, thing, or condition constituting the default, and the Board, the Association, and their agents, employees, and representatives, shall not thereby be deemed guilty of any manner of trespass.

Section 4. Injunction.

Any person or class of persons entitled to seek relief for any such default or failure may obtain a temporary restraining order, injunction, or similar relief, without first using the procedure established by Article XXII, Section 2 hereof, if such default or failure creates an emergency or a situation dangerous to persons or property.

Section 5. Recovery of Attorneys' Fees and Costs.

In any proceeding arising because of an alleged default by a Member, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorneys' fees as may be allowed by the court.

Section 6. Non-Waiver of Covenants.

The failure of the Association, or of any Member thereof, to enforce any term, provision, right, covenant, or condition that may be granted by the Declaration, these By-Laws, the Articles, the rules and regulations, or the Act, as the same may from time to time be amended, shall not constitute a waiver or abrogation of the right of the Association or a Member to enforce such term, provision, right, covenant, or condition in the future irrespective of the number of violations or breaches thereof that may have occurred.

Section 7. Assessment Lien.

Assessment liens shall be enforced pursuant to Article XIX hereof and not pursuant to this Article XXII.

ARTICLE XXIII

GENERAL PROVISIONS.

Section 1. Rules and Regulations.

The Board, including the first Board, may promulgate from time to time such rules and regulations as it deems reasonable and necessary governing the administration, management, operation, and use of Common Elements, so as to promote the hotel operation on the Condominium and common use and enjoyment thereof by Unit Owners and occupants, and for the protection and preservation thereof. In addition, the Board may adopt such rules and regulations as it deems reasonable and necessary with respect to units to provide for the common good and enjoyment of all Unit Owners and occupants.

Section 2. Parliamentary Authority.

Robert's Rules of Order, newly revised, shall govern the conduct of Association proceedings when not in conflict with the Declaration, these By-Laws, the Act, and/or any statutes of the State of North Carolina applicable thereto. The Chairman of the meeting shall have the authority to appoint a parliamentarian.

Section 3. Compliance With The Act; Conflict; Severability.

These By-Laws are established in compliance with the Act, as amended. Should any of the terms, conditions, provisions, paragraphs, or clauses of these By-Laws conflict with any of the provisions of said Act, the provisions of said Act shall control unless the Act permits these By-Laws to override the Act, in which event these By-Laws shall control. In the case of any conflict between the provisions of these By-Laws and the Declaration, the Declaration shall control. If any term, provision, limitation, paragraph, or clause of these By-Laws, or the application thereof to any person or circumstance is judicially held to be invalid, such determination shall not affect the enforceability, validity, or effect of the remainder of these By-Laws, or the application thereof to any other person or circumstance.

ARTICLE XXIV

INDEMNIFICATION.

Any person who at any time serves or has served as a director or officer of the Association, or in such capacity at the

request of the Association for any other corporation, partnership, joint venture, trust or other enterprise, shall have a right to be indemnified by the Association to the fullest extent permitted by law against (a) reasonable expenses, including attorney fees, actually and necessarily incurred by him in connection with any threatened or pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Association, seeking to hold him liable by reason of the fact that he is or was acting in such capacity, and (b) reasonable payments made by him in satisfaction of any judgment, money decree, fine, penalty, or settlement for which he may become liable in any such action, suit or proceeding.

The indemnification provided by this section shall not automatically apply if a director or officer is charged with fraud or embezzlement. If either of these offenses is alleged, the Board of Directors excluding any director charged with fraud or embezzlement shall determine whether to provide a defense. If fraud or embezzlement are not proven (excluding a plea of no contest), the Association shall reimburse all costs of the defense.

The Board of Directors of the Association shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by these By-Laws, including without limitation, to the extent needed, making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him and giving notice to, and obtaining approval of, the members of the Association.

Any person who at any time after the adoption of these By-Laws serves or has served in any of the aforesaid capacities for or on behalf of the Association 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 shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provisions of these By-Laws.

The Association shall have authority to assess the members of the Association, in the manner of a special assessment, to collect monies necessary to carry out its obligations in accordance with the indemnity provisions of this Article. Such assessment may be made, however, without vote of the members as is required for other special assessments, as the payment of such obligation is an obligatory and not optional payment of the Association.

IN WITNESS WHEREOF, we, being all of the directors of the Association, have hereunto set our hands and seals, this the

day of , 2008.

Director (SEAL)

Director (SEAL)

Director (SEAL)