

BYLAWS
OF
BLUEWATER COVE HOMEOWNERS' ASSOCIATION, INC.

ARTICLE I
ASSOCIATION MEMBERS

Section 1. ANNUAL MEETING OF MEMBERS. The annual meeting of the Members of the Association shall be held at the principal office of the Association, at an hour to be fixed by the president, on the second Saturday in May of each year for the purpose of electing directors and for the transaction of such other business as may be brought before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day.

Section 2. SUBSTITUTE ANNUAL MEETING. If the annual meeting shall not be held on the day designated in these Bylaws, a substitute annual meeting at the principal office of the Association may be called in accordance with the provisions of Section 3 of this Article I. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 3. SPECIAL MEETINGS OF MEMBERS: Special meetings of the members may be held in the principal office of the corporation, or elsewhere by consent of the members, whenever called in writing by the President or any member of the Board of Directors of the corporation or by members representing twenty percent (20%) of the membership entitled to vote.

Section 4. NOTICE OF MEETING. Written or printed notices stating the time and place of meeting shall be mailed or delivered by the Secretary to each member of record at the member's last known address.

The notice of each meeting shall be mailed or delivered by the Secretary not less than ten days nor more than fifty days prior to the date set for such meeting and as to special meetings, the Notice shall indicate the purpose or purposes thereof.

Section 5. QUORUM. At any meeting of the members, ten percent (10%) of the members entitled to vote, present in person or represented by proxy, shall constitute a quorum of the membership for all purposes.

If a quorum is not present, the meeting may be recessed from time to time by announcement from the chair at the time such meeting was set and such shall be sufficient notice of

the time and place of the recessed meeting. The members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

Section 6. ORGANIZATION. The President, or, in his absence, the Vice President, shall preside over all meetings of members and the Secretary of the Association shall act as Secretary at all meetings of the members; provided, however, in the Secretary's absence the President may appoint a Secretary for the meeting of the members.

Section 7. VOTING. Each member of the Association, as defined in the Articles of Incorporation of said Association, shall be entitled to one vote on each matter submitted to a vote at a meeting of members.

The vote of a majority of the members at a meeting of members at which a quorum is present shall be the act of the members on that matter, unless the vote of a greater number is required by law or by the charter or other Bylaws of this Association. Cumulative voting shall not be allowed.

Section 8. VOTING BY PROXY. The vote allocated to a member may be cast pursuant to a dated written proxy signed by the member. A member may not revoke a proxy except by written notice delivered to the person presiding over a meeting of the Association. A proxy terminates one year after its date, unless it specifies a shorter term.

ARTICLE II BOARD OF DIRECTORS

Section 1. NUMBER AND TERM OF OFFICE. The affairs of the Association shall be managed by a Board of Directors of three (3) members, which shall be entitled to act on behalf of the Association, in all routine, day to day operation of the Association.

Section 2. ELECTION OF BOARD OF DIRECTORS. The members of the Board of Directors shall be elected from member-candidates of the Association nominated from the floor at the annual meeting of the Association. Election shall be by secret written ballot and by a majority of the members present at such meeting provided that a quorum is present. Cumulative voting shall not be allowed. Each member elected shall serve until the next annual election or until his successor shall have been elected and qualified.

Bluewater Associates of Emerald Isle, Inc. (hereinafter the "Developer") shall have the right to appoint the Board of Directors as set forth in the Declaration of Protective Covenants. After the Developer has relinquished control of the Association, thereafter,

the election of Directors shall take place at the annual meeting of the membership as set forth in this Article.

Section 3. COMPENSATION. No Board member shall receive compensation for any service he may render to the Association. However, with the prior approval of the Board, any Board member may be reimbursed for actual expenses incurred in the performance of his duties.

Section 4. ACTION WITHOUT MEETING. The Board shall have the right to take any action in the absence of a meeting which they could take at a duly held meeting by obtaining the written consent of all of the Board members to the action. Any action so approved shall be filed in the corporate books and records and shall have the same effect as though taken at a meeting of the Board.

Section 5. QUORUM. A majority of the Board members shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Board members present at a duly held meeting shall be regarded as the act of the Board.

Section 6. POWER AND AUTHORITY OF THE BOARD OF DIRECTORS. Subject to the provisions contained herein and applicable law, the Board shall have the power and authority to exercise all of the rights and powers of the Association, including, but not limited to, the following powers:

(a) To adopt rules and regulations governing the use of the community use areas and facilities, the personal conduct of the members and their guests thereon, and establish penalties for the infraction thereof;

(b) To suspend the voting rights and right of use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association or violations of other terms and conditions of Declaration of Protective Covenants, the Articles of Incorporation or the Bylaws; and to suspend such rights, after notice and hearing, for infraction of published rules and regulations for a period of at least 60 days;

(c) To declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board;

(d) To employ a manager, an independent contractor, or other employees as is deemed necessary, and prescribe their duties; provided, that any contract for professional management must contain a clause requiring not more than 90 days termination notice;

(e) To procure, maintain, and pay premiums on,

insurance policy(s) and equitably assess the members same for their pro rata portion of such expense;

(f) To impose and receive any payments, fees, or charges for the use, rental, or operation of the community use areas or elements other than for service provided to members;

(g) To exercise all other powers that may be exercised in this state by legal entities of the same type as the Association;

(h) To exercise any other powers necessary and proper for the governance and operation of the Association; and

(i) To have and to exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Corporation Law of the State of North Carolina by law may now or hereafter have or exercise.

Section 7. DUTIES OF THE BOARD OF DIRECTORS. It shall be the duty of the Board to do the following:

(a) To cause the community use areas or common elements to be maintained, repaired, and replaced as necessary, and to assess the members to recover the cost of the upkeep of the community use areas or common elements;

(b) To appoint the members of the architectural committee subject to the Developer's right to appoint committee members as set forth in the Declaration of Protective Covenants;

(c) To keep a complete record of all its acts and corporate affairs and present a statement thereof to the members at the annual meeting, or at any special meeting when such statement is requested in writing by 20% of the members;

(d) To supervise all officers, agents and employees of the Association, and see that their duties are properly performed;

(e) To fix the amount of the annual assessment at least three (3) months in advance of each annual assessment period based on the projected budget for the annual assessment period and pursuant to the provisions set forth in the Declaration of Protective Covenants;

(f) To send written notice of each assessment to every member at least thirty (30) days in advance of the due date for each annual assessment;

(g) To foreclose any unpaid assessments and liens

resulting therefrom against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the member personally obligated to pay the same;

(h) To issue, or have issued, for a reasonable charge, a certificate setting forth whether or not any assessment has been paid; provided, however, that if a certificate states that an assessment has been paid, such certificate shall be conclusive evidence of such payment as to all parties except the member and lot owner as of the date of the assessment;

(i) To procure and maintain, at all times, adequate hazard insurance on the property owned by the Association and all property for which the Association has the duty to maintain, and sufficient liability insurance to adequately protect the Association as provided in the Declaration of Protective Covenants; and

(j) To cause all officers or employees, including officers and employees of professional management, having fiscal responsibilities to be bonded, as it may deem appropriate.

Section 8. REMOVAL. Any member of the Board, may be removed with or without cause, by a vote of at least sixty-seven percent (67%) of all members present and entitled to vote at any meeting of the members at which a quorum is present. In the event of death, resignation or removal of a member of the Board, his successor shall be selected by the Board to serve until the next annual meeting of the members at which election of The Board of Directors shall be had when his successor shall be elected.

ARTICLE III OFFICERS

Section 1. OFFICERS. The Executive officers of this Association shall be a President, Vice President, and Secretary/Treasurer.

Section 2. ELECTION OF OFFICERS. The officers shall be elected by majority vote of the Directors. All officers shall hold office at the pleasure of the Board of Directors.

Section 3. POWERS AND DUTIES OF THE EXECUTIVE OFFICERS.

(a) The President shall preside at all meetings of the Board; he shall see that all orders and resolutions of the Board are carried out; he shall sign all leases, mortgages, deeds and other written instruments; and he shall co-sign all checks and promissory notes.

(b) The Vice President shall act in the place of the President in the event of his absence, or his inability; or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; he shall keep the associate seal and affix it on all papers requiring said seal; he shall serve notice of meetings of the Board and of the members; he shall keep appropriate current records showing the members of the Association together with their addresses; he shall prepare, execute, certify, and record amendments to the Declaration of Protective Covenants on behalf of the Association; and he shall perform such other duties as required by the Board.

(d) The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and disburse such funds as directed by the Board; he shall sign all checks and promissory notes (such as checks and promissory notes to be co-signed by the president) of the Association; he shall keep proper books of account; he shall cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and he shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its annual meeting, and deliver a copy to each member.

Section 4. ACTION WITHOUT MEETING. The Officer shall have the right to take any action in the absence of a meeting which they could take at a duly held meeting by obtaining the written consent of all of the Officer members to the action. Any action so approved shall be filed in the corporate books and records and shall have the same effect as though taken at a meeting of the Officers.

ARTICLE IV BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any members or a mortgagee of any member. The Articles of Incorporation and the Declaration of Protective Covenants and Bylaws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE V FORMS OF PROXY AND WAIVER

Section 1. FORMS OF PROXY. The following form of proxy

shall be deemed sufficient, but any other form may be used which is sufficient in law:

BLUEWATER COVE HOMEOWNERS' ASSOCIATION, INC.

Know all men by these presents that the undersigned member of Bluewater Cove Homeowners' Association, Inc. hereby constitutes and appoints _____ the attorney and proxy of the undersigned to annual and special meeting of the members of Bluewater Cove Homeowner's Association, Inc., at which I am not present, until the secretary of the Association receives from me a letter revoking this proxy and for and on behalf of the undersigned to vote as the undersigned would be entitled to vote if personally present, hereby ratifying and confirming all that said attorney and proxy shall do in the premises, and giving and granting unto said attorney and proxy full power of substitution and revocation.

Dated: _____, 2002

Member

Witness:

Section 2. FORM OF WAIVER OF NOTICE. The following form of waiver of notice shall be deemed sufficient, but any other form may be used which is sufficient in law:

BLUEWATER COVE HOMEOWNERS' ASSOCIATION, INC.

We the undersigned (Board of Association Members) of Bluewater Cove Homeowners' Association, Inc. do hereby severally waive notice of the time, place, and purpose of (the annual or a special meeting of the Board or Association members) of the said association, and consent that same be held at _____ on the _____ day of _____, 20____ at _____ o'clock _____ .m., and we do further consent to the transaction of any and all business of any nature that may come before the meeting.

Dated: _____, 20____.

ARTICLE VI
GENERAL PROVISIONS

Section 1. AMENDMENTS. Except as otherwise provided herein or in the Declaration of Protective Covenants, these Bylaws may be amended or repealed and new bylaws may be adopted by the affirmative vote of a majority of the Board then holding office at any regular or special meeting of the Board; at a regular or special meeting of the members at which a quorum is present, by a vote of the majority of the members.

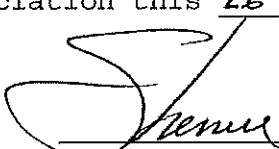
Section 2. ASSOCIATION SEAL. A seal with the word "Bluewater Cove Homeowners' Association, Inc." on the outer circle and the date "2002" within the circle, shall be the common corporate seal of the Association and shall be in the custody of the secretary.

CERTIFICATION

I, the undersigned, do hereby certify: That I am the duly elected and acting Secretary of BLUEWATER COVE HOMEOWNERS' ASSOCIATION, INC., a North Carolina corporation; and

That the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted by the Board of Directors thereof, held on the 26th day of July, 2002.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 26 day of July, 2002.


Secretary