

EXHIBIT "E"

**BYLAWS OF
BLUE WATER AT ATLANTIC BEACH HOMEOWNERS' ASSOCIATION, INC.,
A North Carolina Non-Profit Corporation**

ARTICLE I

IDENTITY

These are the Bylaws of Blue Water at Atlantic Beach Homeowners' Association, Inc., a North Carolina non-profit corporation. For purposes of these Bylaws, terms specifically defined in the Declaration of Blue Water at Atlantic Beach Condominiums (The "Declaration"), or in the North Carolina Condominium Act (N.C. Gen. Stat. §47C-1-101, et seq.) shall have the same meaning herein.

ARTICLE II

QUALIFICATIONS AND RESPONSIBILITIES OF MEMBERS

2.1 Members.

Each Unit Owner shall be a Member of the Association, and shall remain a Member until he ceases to be a Unit Owner.

2.2 More Than One Owner.

When there is more than one Unit Owner of a Unit, all such persons shall be Members of the Association.

2.3 Registration.

It shall be the duty of each Unit Owner to register his name and the number of his Unit with the Secretary of the Association. If a Unit Owner does not so register, the Association shall be under no obligation to recognize his membership.

2.4 Prohibition of Assignment.

The interest of a Member in the Association assets cannot be transferred or encumbered except as an appurtenance to his Unit.

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ARTICLE III
MEMBERS, MEETINGS AND VOTING

3.1 Place.

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.

3.2 Annual Meetings.

The Members shall meet at least once each year as specified in the notice of such meeting given pursuant to Section 3.4. At each annual meeting, the Members shall elect Members of the Board of Directors and may transact any other business properly coming before them.

3.3 Special Meetings.

Special meetings of the Members may be called at any time by the President or by the Board, and shall be called and held within thirty (30) days after written request therefor signed by Members of the Association entitled to cast at least one-half of the total votes of the Association is delivered to any officer or director of the Association. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

3.4 Notices.

Notices of all meetings of the Members, stating the time and place, and accompanied by a complete agenda thereof, shall be given by the President or Secretary to each member. Such notice shall be in writing and shall be hand-delivered or sent by United States Mail to the members at the addresses of their respective Units and to other addresses as any Member may have designated to the President or Secretary, at least twenty-one (21) days in advance of any annual or regularly scheduled meeting, and at least seven (7) days in advance of any other meeting.

3.5 Quorum; Adjournment If No Quorum.

A quorum shall consist of Members present, in person, or by proxy, entitled to cast at least 50% of the total votes of the Association. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present.

3.6 Votes; Association Shall Not Vote.

The total votes in the Association are allocated to Units by the Declaration. The votes allocated to a Unit may be cast by the Owner of that Unit. If there is more than one Unit Owner of a Unit, the votes for that Unit shall be cast as they shall determine. The

votes allocated to a Unit shall not be split but shall be voted as a single whole. When there is more than one Unit Owner of a Unit, and said Unit Owners cannot agree on how the vote for the Unit shall be cast, the vote for such Unit shall be cast by the Owner holding the greatest ownership interest in the Unit, or, if there is no such Owner, by an Owner designated by the Board.

3.7 Manner of Casting Votes.

Votes may be cast in person or by proxy. A proxy must be in writing, be signed by all Unit Owners of the Unit, the votes of which are subject to the proxy, be given only to another Member or to a security holder in that Unit, and be filed with the Secretary before or at the meeting. The proxy shall be valid until revoked in writing by all Unit Owners of such Unit.

3.8 Required Votes.

All questions shall be decided by majority vote on the question, unless otherwise specified in the Act, the Declaration or these Bylaws.

3.9 Action by Members Without Meeting.

Any action that may be taken at a meeting of the Members, may be taken without a meeting if such action is authorized in a writing setting forth the action taken, and is signed by all Members, or if such action is taken in any other manner permitted by law.

3.10 Prohibition of Cumulative Voting.

There shall be no cumulative voting.

ARTICLE IV

DIRECTORS

4.1 First Board.

The first Board shall be named by Declarant, and shall serve until the first annual meeting of members. The Declarant has constructed two (2) buildings containing a total of eight (8) units, the owners of which shall become members of the Association. Declarant shall select two (2) Directors until the earlier to occur of the following:

- (a) Conveyance of eight (8) Units to third parties;

or

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(b) The giving of written notice by the Declarant to the Association of his intent to release its right to elect two (2) directors.

4.2 Number and Qualification of Directors.

The Board shall consist of three natural persons. Each director shall be a Unit Owner or the individual nominee of a Unit Owner which is other than an individual, except that Directors selected by Declarant need not be Members.

4.3 Election of Directors.

At the first annual meeting of the Members, and at each subsequent annual meeting, the Members shall elect the directors by a majority of the votes cast in the election, except as limited by Section 4.1 hereinbefore.

4.4 Term.

The terms of the directors shall be one year but, the directors shall serve until new directors are elected at the annual meeting.

4.5 Removal.

Any director elected by the Unit Owners may be removed with or without cause, by a vote of the members entitled to cast 60% of the total votes in the Association, at a special meeting called for such purpose, and a successor may then be elected by the Members to serve for the balance of the removed director's term. Any Director selected by Declarant may be replaced by Declarant at any time.

4.6 Vacancies.

Any vacancy in the Board arising by death or resignation of a director shall be filled by act of the remaining directors, whether or not constituting a quorum, and a director so elected shall serve for the unexpired term of his predecessor in office, except that Declarant may select replacement directors for directors selected by Declarant.

4.7 Regular Meetings.

Regular meetings of the Board may be held at such time and place as shall be determined by a majority of the directors. Notice of regular meeting shall be given to each director, personally or by mail, telephone, or telegraph, at least seventy-two (72) hours prior to the meeting.

4.8 Special Meetings.

Special meetings of the Board may be called by the President and shall be called by the President or the Secretary and held within ten (10) days after written request therefore signed by two (2) directors is delivered to the President or the Secretary. Not less than seventy-two (72) hours notice of such special meeting shall be given personally or by mail, telephone, or telegraph, to each director; provided that in case the President or any two (2) directors determines that an emergency exists, a special meeting may be called giving such notice as is possible under the circumstances. All notices of a special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

4.9 Quorum; Adjournment If No Quorum.

A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present. The signing by a director of the minutes of a meeting shall constitute the presence of such director at that meeting for the purpose of determining a quorum.

4.10 Manner of Acting.

Each director shall be entitled to one vote. Except as otherwise provided by the Declaration or the Act, the majority consent of Directors shall constitute the Act of the Board.

4.11 Board Action Without Meeting.

Any action that may be taken at a meeting of the Board may be taken without meeting if such action is authorized in a writing setting forth the action taken and signed by all directors.

4.12 Compensation of Directors Restricted.

Directors shall receive no compensation for their services, but may be paid for out-of-pocket expenses incurred in the performance of their duties as directors.

4.13 Powers and Duties of the Board.

All of the powers and duties of the Association shall be exercised by the Board, including those existing under the common law, applicable statutes, the Act, the Declaration, and these Bylaws, as any thereof may from time to time be amended. Such powers and duties shall be exercised in accordance with the provisions of applicable law, the Declaration, the Articles, and these Bylaws, and shall include, but not be limited to, the following:

(a) To prepare and provide to Members annually, a report containing at least the following:

(i) A statement of any capital expenditures in excess of 2% of the current budget, or \$5,000.00, whichever is greater, anticipated by the Association during the current fiscal year or succeeding two fiscal years.

(ii) A statement of the status and amount of any reserve or replacement fund and any portion of the fund designated for any specific project to the Board.

(iii) A statement of the financial condition of the Association for the last fiscal year period.

(iv) A statement of the status of any pending suits or judgments in which the Association is a party.

(v) A statement of the insurance company provided by the Association.

(vi) A statement of any unpaid assessments payable to the Association, identifying the Unit and the amount of the unpaid assessment.

(b) To adopt and amend budgets and to determine and collect assessments to pay the Common Expenses.

(c) To regulate the use of, and to maintain, repair, replace, modify and improve the Common Elements.

(d) To adopt and amend rules and regulations and to establish reasonable penalties for infractions thereof.

(e) To enforce the provisions of the Declaration, these Bylaws, the Act, and rules and regulations, by all legal means, including injunction and recovery of monetary penalties.

(f) To hire and terminate managing agents and to delegate to such agents such powers and duties as the Board shall determine, except such as are specifically required by the Declaration, the Articles, these Bylaws, or the Act, to be done by the Board or the Members.

(g) To hire and terminate agents and independent contractors.

(h) To institute, defend, intervene in, or settle any litigation or administrative proceedings in its own name on behalf of itself or the Unit Owners on matters affecting

the Condominium or the Common Elements, and to give indemnities relating thereto from and against Unit Owner actions against third parties.

(i) To establish and dissolve and liquidate, from time to time, reserve accounts for any purpose.

(j) To borrow money for the maintenance, repair, replacement, modification or improvement of Common Elements, and to pledge and pay assessments, and any and all other revenues and income for such purpose.

(k) To buy Units in foreclosure of any assessment lien or at any other time or for any other reason, and to sell, lease, mortgage and otherwise deal in Units from time to time owned by the Association.

(l) To impose and receive payments, fees, and charges for the use, rental or operation of the Common Elements, other than the Limited Common Elements.

(m) To grant leases, licenses, concessions and easements through and over the allotted common areas and Common Elements.

(n) To impose and collect reasonable charges, including reasonable costs and attorney's fees, for the evaluation, preparation and recordation of amendments to the Declaration, resale certificates required by the Act, or certificates of unpaid assessments.

(o) To provide for indemnification of the Association's officers and directors and maintain officers' and directors' liability insurance.

(p) To impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, these Bylaws, or the rules and regulations.

ARTICLE V

OFFICERS

5.1 Designation of Officers.

The officers of this Association shall be a President and Secretary/Treasurer. Each Officer shall be a Unit Owner or the individual nominee of a Unit Owner which is other than an individual.

5.2 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

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Members, except that the first Board shall elect officers as soon as practicable after filing of the Declaration.

5.3 Term.

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

5.4 Removal.

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

5.5 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.

5.6 Powers and Duties of Officers.

(a) President.

The president shall be the chief executive officer of the Association; shall have all of the powers and duties incident to the office of a President of a corporation, including, but not limited to, the duty to 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 resolutions of the Board are carried into effect.

(b) Secretary/Treasurer.

The Secretary/Treasurer shall keep the minutes of all meetings and actions of the Board and of the Members; shall give all required notices to the directors and Members; shall keep the records of the Association; shall have custody of all intangible property of the Association, including funds, securities, and evidences of indebtedness; shall keep the books of the Association in accordance with good accounting practices and, upon request, shall submit them, together with all vouchers, receipts, records, and other papers to the Board for examination and approval; shall deposit all moneys and other valuable effects in depositories designated by the Board; shall disburse funds of the Association as directed by the Board; and shall perform all other duties incident to the office of Secretary/Treasurer of a corporation.

5.7 Execution of Agreements.

All agreements, deeds, mortgages, or other instruments shall be executed by two officers of the Association.

5.8 Compensation of Officers Restricted.

No officer shall be compensated for his services in such capacity, but may be reimbursed for out-of-pocket expenses incurred in performing his duties.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Association shall indemnify and save the officers and Members of the Board of Directors harmless from and against all claims, demands and suits, and expenses incurred in defending the same, relating to actions they took or did not take in their terms of office, except in the event of fraud or criminal malfeasance.

ARTICLE VII

FISCAL MANAGEMENT

7.1 Depository.

The Board shall designate a depository for the funds of the Association, and may change such depository. Withdrawal of funds from such depository shall be only by checks signed by a designated officer of the Association.

7.2 Fidelity Bonds.

Fidelity bonds may be maintained by the Association in an amount determined by the Board.

7.3 Annual Audit.

The officers of the Association shall prepare an annual statement of income and disbursements which shall be distributed to the Members of the Association. At the request of a Unit Owner, an audit of the accounts of the Association shall be made by a certified public accountant.

7.4 Fiscal year.

The fiscal year of the Association shall be the calendar year, provided that the Board, from time to time, by resolution may change the fiscal year to some other designated period.

ARTICLE VIII

ASSESSMENTS

8.1 Obligation of Members to Pay Assessments; Amount of Levy.

Until the Association levies a Common Expense assessment, Declarant shall pay all accrued expenses of the Condominium. Thereafter, each Unit Owner shall be personally and severally liable for the Common Expenses that are levied against his Unit while a Unit Owner. Each Unit shall be assessed in accordance with the Unit's percentage of Common Expenses as allocated by the Declaration as amended.

8.2 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, shall be owned by the Unit Owner of that Unit and, if allocated, may be paid to the Unit Owner or credited against that Unit's share of Common Expenses subsequently assessed.

8.3 Preparation of Budget and Levying of Assessment.

For each fiscal year, beginning with the fiscal year beginning January 1, 2005, 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. After preparation and adoption of each such budget, the Board shall provide each Member with a copy, and shall give each Member notice of the assessment made against that Member's Unit based upon such budget and may also state the interest to be charged on delinquent payments therefore. The assessments shall be deemed levied upon the giving of such notice.

The Board shall prepare a partial year budget from the period of conveyance of the first Unit in 2004 through December 31, 2004. A copy of such budget shall be provided to each member at time of purchase of a Unit. The delivery of such budget shall be deemed a levy of an assessment based upon such budget, and each Owner shall be responsible for payment of a monthly assessment beginning with the first month following closing of a Unit.

8.4 Assessment Lien.

Every assessment shall constitute a lien upon such Unit assessed from the date the assessment is levied, prior to all other liens except only (i) real estate taxes and other governmental assessments or charges against that Unit; (ii) liens and encumbrances recorded before the recordation of the Declaration; and other liens given priority by the Declaration.

8.5 Payment of Assessments.

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

8.6 Funds and Reserves.

All sums collected by the Association from assessments shall be accounted for as follows:

(a) Reserve Funds for Repairs and Replacements.

To this fund shall be credited all sums, if any, collected for the purpose of effecting repairs and replacements of structural elements and mechanical equipment, and other Common Elements, of the Condominium.

(b) General Operating and Reserve Fund.

To this fund shall be credited all sums, if any, collected to provide a reserve for purposes of providing a measure of financial stability during period of special stress, and may be used to meet deficiencies from time to time as a result of delinquent payments and assessments and other contingencies.

(c) Common Expense Fund.

This fund shall be credited collections of assessments for all Common Expenses for the current year as well as common profits and surplus from the previous year, and not to be credited to either of the above reserve funds.

8.7 Special Assessments.

In addition to the assessments levied pursuant to Section 8.3, the Board, in its discretion may levy special assessments at such other and additional times as in its judgment are required for:

(a) Maintenance, repair, restoration and reconstruction of the Common Elements, and operation of the Condominium.

(b) Alterations, improvements, and additions to the Common Elements; provided, however, that any such special assessment involving an expenditure in excess of \$1,000.00 shall be first approved by Members entitled to cast 80% of the total votes in the Association at a regular or special meeting of the Association; however, there shall be no member approval required for any assessment required to maintain the wastewater disposal collection, distribution or storage facilities, as such may be required by any regulatory agency, including Carteret County or the State of North Carolina.

(c) Payment of costs and expenses incurred in curing defaults pursuant to Sections 10.1 and 10.3 hereof.

Special assessments made pursuant to this Section shall be a Common Expense, shall be deemed levied upon notice thereof being given to the Member subject to such special assessment, and shall be payable as determined by the Board and as set out in such notice. No special assessment shall be levied prior to January 1, 2005, without unanimous consent of all Unit Owners.

8.8 Failure to Prepare Budget and to Levy Annual Assessment; Deficiencies in Procedure.

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 Members' obligation to pay assessments whenever the same shall be determined and levied by the Board. Until a new assessment is levied by the Board pursuant to Section 8.3, each Member shall continue to pay the assessment then previously levied pursuant to Section 8.3 in the same amount and at the same periodic times as levied, or as the Board may otherwise advise in writing. Also, 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 Members to pay such assessment.

8.9 Assessment Roll; Certificate.

All assessments shall be set forth upon a role 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 the written request, shall furnish to 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

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request and shall be binding upon the Association and all Unit Owners. For such certificate a reasonable fee may be charged by the Board.

8.10 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 in the manner provided therefor in Article 8 of Chapter 44 of the General Statutes of North Carolina. 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. Fees, charges, late charges, fines and interest charged pursuant to the Act are enforceable as assessments.

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, including attorney fees.

8.11 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.

8.12 Common Expenses.

Common Expenses shall mean and include all sums declared Common Expenses by the Act, or by any specific provisions of these Bylaws or the Declaration, and shall include, without limitation, the following: 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 amounts 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 Section 4.13(h) hereof; 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 VI hereof.

ARTICLE IX

RELOCATION AND ALTERATION OF UNITS.

9.1 Procedure.

If any Unit Owners desires to: (i) relocate the boundaries of his Unit pursuant to N.C. Gen. Stat. §47C-2-111 of the Act, (ii) remove partitions or create apertures pursuant to N.C. Gen. Stat. §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.

9.2 Notice to and Consent of the Board.

Prior to doing any work of the kind set out in Section 9.1 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.

9.3 Conditions.

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

9.4 Controlling Procedure.

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

ARTICLE X

COMPLIANCE, ENFORCEMENT, FINES AND PENALTIES.

10.1 Default and Remedies.

Default or failure to comply with any of the terms, conditions, obligations, and provisions of the Act, the Declaration, these Bylaws, 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 Bylaws, 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.

10.2 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, 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 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, 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 requests a hearing, but fails to cure the default (to the extent not waived by the Board), then the Board shall serve upon or mail to the defaulting Member, 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.

10.3 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 Section 10.2 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 Section 10.1 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.

10.4 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 Section 10.2 hereof, if such default or failure creates an emergency or a situation dangerous to persons or property.

10.5 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.

10.6 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 Bylaws, 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.

10.7 Assessment Liens.

Assessment liens shall be enforced pursuant to Article VIII hereof and not pursuant to this Article X.

ARTICLE XI

AMENDMENT.

An amendment to these Bylaws shall be made and approved in the manner as set forth in Article X of the Declaration, and once made shall become effective when recorded in the same manner and place as an amendment to the Declaration. No amendment to these Bylaws shall be made, however, without consent of Declarant as long as Declarant has the right to select two (2) members of the Board.

ARTICLE XII

GENERAL PROVISIONS.

12.1 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 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, including, without limitation, the right to adopt such rules and regulations with reference to tenants and leases.

12.2 Parliamentary Authority.

Robert's Rules of Order, newly revised, shall govern the conduct of Association proceedings when not in conflict with the Declaration, these Bylaws, 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.

12.3 Compliance With The Act; Conflict; Severability.

These Bylaws are established in compliance with the Act, as amended. Should any of the terms, conditions, provisions, paragraphs, or clauses of these Bylaws conflict with any of the provisions of said Act, the provisions of said Act shall control unless the Act permits these Bylaws to override the Act, in which event these Bylaws shall control. In the case of any conflict between the provisions of these Bylaws, 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 Bylaws, or the application thereof to any other person or circumstance.

IN TESTIMONY WHEREOF, these Bylaws are executed by the Declarant of the Condominium effective the day the Declaration for Blue Water at Atlantic Beach Condominiums Homeowners Association, Inc. is recorded in the office of the Register of Deeds of Carteret County.

BLUE WATER AT ATLANTIC BEACH
HOMEOWNERS' ASSOCIATION, INC.

BY: [Signature]
WILLIAM J. SPARKMAN, President

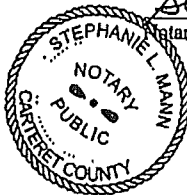
STATE OF NORTH CAROLINA
COUNTY OF Carteret

I, Stephanie L. Mann, Notary Public, certify that WILLIAM J. SPARKMAN, personally came before me this day and acknowledged that he (or she) is PRESIDENT, of BLUE WATER AT ATLANTIC BEACH HOMEOWNERS' ASSOCIATION, INC., a corporation, and that he/she as PRESIDENT, being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and official seal, this the 18 day of March, 2004.

My Commission Expires:

3-19-05



Stephanie L. Mann
Notary Public