

BYLAWS OF
WATERS EDGE HOA, INC.

ARTICLE 1. INTRODUCTION

These are the Bylaws of Waters Edge HOA, Inc. Capitalized terms used herein shall have the meaning set out in the Declaration of Covenants, Conditions and Restrictions for Waters Edge at Deerfield (the "Declaration") unless otherwise defined in these Bylaws.

ARTICLE 2. BOARD OF DIRECTORS

Section 2.1. Number and Qualification; Developer Control.

a. The administration of the Common Elements and the Association shall be governed by a Executive Board, consisting of not less than three nor more than seven persons, each of whom shall be members of the Association. If any Lot is owned by a partnership or corporation, any officer, partner or employee of that Lot Owner shall be eligible to serve as a Director and shall be deemed to be a Lot Owner for the purposes of the preceding sentence. Directors shall be elected by the Lot Owners. At any meeting at which Directors are to be elected, the Lot Owners may, by resolution, adopt specific procedures for conducting the elections, not inconsistent with these Bylaws.

b. After termination of the Declarant Control Period provided for in the Declaration, the Lot Owners shall elect an Executive Board of at least three members, at least a majority of whom shall be Lot Owners.

Section 2.2. Powers and Duties. The Executive Board may act in all instances on behalf of the Association, except as provided in the Declaration, its charter, these Bylaws or the laws of North Carolina. The Executive Board shall have the powers and duties set forth in the Association's Articles of Incorporation.

Section 2.3. Standard of Care. In the performance of their duties, the officers and members of the Executive Board shall be deemed to stand in a fiduciary relationship to the Association and the Lot Owners and shall discharge their duties in good faith, and with that diligence and care which ordinarily prudent men would exercise under similar circumstances in like positions.

Section 2.4. Removal of Directors. The Lot Owners, by a two-thirds (2/3rds) vote of all persons present and entitled to vote at any meeting of the Lot Owners at which a quorum is present, may remove any Director of the Executive Board with or without cause.

Section 2.5. Vacancies. Vacancies in the Executive Board caused by any reason other than the removal of a Director by a vote of the Lot Owners, may be filled at a special meeting of the Executive Board held for that purpose at any time after the occurrence of any such vacancy, even though the Directors present at such meeting may constitute less than a quorum, in the following manner:

a. as to vacancies of Directors whom Lot Owners other than the Declarant elected, by a majority of the remaining such Directors constituting the Executive Board;

b. as to vacancies of Directors whom the Declarant has the right to appoint, by the Declarant.

Section 2.6. Regular Meetings. The first regular meeting of the Executive Board following each annual meeting of the Lot Owners shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Lot Owners at the meeting at which such Executive Board shall have been elected. No notice shall be necessary to the newly elected Directors in order to legally constitute such meeting, provided a majority of the Directors shall be present. The Executive Board may set a schedule of additional regular meetings by resolution and no further notice is necessary to constitute such regular meetings, except such notice as may be required by the Declaration.

Section 2.7. Special Meetings. Special meetings of the Executive Board may be called by the President or by a majority of the Directors on at least three (3) business days' notice to each Director. The notice shall be hand-delivered or mailed and shall state the time, place and purpose of the meeting.

Section 2.8. Meetings to Fix Annual Assessments and Special Assessments. Meetings to fix Assessments may, upon giving of the required notice, be held at the annual meeting or at any special meeting of Lot Owners.

Section 2.9. Location of Meetings. All meetings of the Executive Board shall be held within New Hanover County, North Carolina.

Section 2.10. Waiver of Notice. Any Director may waive notice of any meetings in writing. Attendance by a Director at any meeting of the Executive Board shall constitute a waiver of notice. If all the Directors are present at any

meeting, no notice shall be required and any business may be transacted at such meeting.

Section 2.11. Quorum of Directors. At all meetings of the Executive Board, a majority of the Directors shall constitute a quorum for the transaction of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute the decision of the meeting. If, at any meeting, there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any adjourned meeting at which a quorum is present any business which may have been transacted at the meeting originally called may be transacted without further notice.

Section 2.12. Compensation. Directors shall serve without compensation but may be reimbursed by the Association for necessary expenses actually incurred in connection with his or her duties.

Section 2.13. Consent to Association Action. If all of the Directors or all of the committee members of a committee established for such purposes, as the case may be, severally or collectively consent in writing to any action taken or to be taken by the Association, such action shall be a valid Association action as though it had been authorized at a meeting of the Executive Board or the committee, as the case may be. The Secretary shall file such consents with the minutes of the meetings of the Executive Board.

ARTICLE 3. LOT OWNERS

Section 3.1. Annual Meeting. Annual meetings of Lot Owners shall be held each year on the date specified in the notice of such meeting. At such meeting, the Directors shall be elected by ballot of the Lot Owners. The Lot Owners may

transact other business at such meetings as may properly come before them.

Section 3.2. Special Meetings. Special meetings of the Lot Owners may be called by the President, by a majority of the members of the Executive Board, or by Lot Owners comprising ten percent (10%) of the votes in the Association.

Section 3.3. Place of Meetings. Meetings of the Lot Owners shall be held at the Planned Community, or may be adjourned to such suitable place in New Hanover County convenient to the Lot Owners as may be designated by the Executive Board or the President.

Section 3.4. Notice of Meetings. Except to the extent otherwise provided in the Declaration, not less than ten (10) nor more than sixty (60) days in advance of a meeting, the Secretary shall cause notice to be hand-delivered or sent prepaid by United States mail to the mailing address designated in writing by the Lot Owner. No action shall be adopted at a meeting except as stated in the notice.

Section 3.5. Waiver of Notice. Any Lot Owner may, at any time, waive notice of any meeting of the Lot Owners in writing, and such waiver shall be deemed equivalent to the receipt of such notice.

Section 3.6. Adjournment of Meeting. At any meeting of Lot Owners a majority of the Lot Owners who are present at such meeting, either in person or by proxy, may adjourn the meeting to another time.

Section 3.7. Order of Business. The order of business at all meetings of the Lot Owners shall be as follows:

- a. Roll call;

- b. Proof of notice of meeting;

- c. Reading of minutes of preceding meeting;

- d. Reports;

- e. Establish number and term of members of the Executive Board (if required and noticed);

- f. Election of Directors (when required);

- g. Ratification of budget (if required and noticed);

- h. Unfinished business; and

- i. New business.

Section 3.8. Voting.

- a. If only one of several Owners of a Lot is present at a meeting of the Association, the Owner present is entitled to cast the vote allocated to the Lot. If more than one of the Owners are present, the vote allocated to the Lot may be cast only in accordance with the agreement of a majority in interest of the Owners. There is majority agreement if any one of the Owners cast the vote allocated to the Lot without protest being made promptly to the person presiding over the meeting by another Owner of the Lot.

- b. The vote allocated to a Lot may be cast under a proxy duly executed by a Lot Owner. If a Lot is owned by more than one person, each Owner of the Lot may vote or register protest to the casting of a vote by the other Owners of the Lot through a duly executed proxy. A Lot Owner may revoke a proxy given under this section only by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without

notice. A proxy terminates one year after its date, unless it specifies a shorter term.

c. The vote of a corporation or business trust may be cast by any officer of such corporation or business trust in the absence of express notice of the designation of a specific person by the Executive Board or bylaws of the owning corporation or business trust. The vote of a partnership may be cast by any general partner of the owning partnership in the absence of express notice of the designation of a specific person by the owning partnership. The moderator of the meeting may require reasonable evidence that a person voting on behalf of a corporation, partnership or business trust owner is qualified so to vote.

d. Votes allocated to a Lot owned by the Association may not be cast.

Section 3.9. Quorum. Except as otherwise provided in these Bylaws, or in the Declaration, a majority of the Lot Owners within the Development must be present in person or by proxy at any meeting of Lot Owners in order to constitute a quorum at such meeting. In the event business cannot be conducted for lack of a quorum, the meeting may be adjourned to a later date by the affirmative vote of a majority of those present in person or by proxy. The required quorum at a subsequent meeting shall be one-half of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This provision shall continue to reduce the quorum by fifty percent from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

Section 3.10. Majority Vote. The vote of a majority of the Lot Owners present in person or by proxy at a meeting at which a quorum shall be present shall be binding upon all Lot Owners for all purposes except where a higher percentage vote is required in the Declaration, these Bylaws, or the corporate laws of North Carolina.

ARTICLE 4. OFFICERS

Section 4.1. Designation. The principal offices of the Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Executive Board. The Executive Board may appoint an Assistant Treasurer and Assistant Secretary, and such other officers as in its judgment may be necessary. The President and Vice President, but no other officers, need be Directors. Any two offices may be held by the same person, except the offices of President and Secretary. The office of Vice President may be held by the Treasurer.

Section 4.2. Election of Officers. The officers of the Association shall be elected annually by the Executive Board at the organization meeting of each new Executive Board and shall hold office at the pleasure of the Executive Board.

Section 4.3. Removal of Officers. Upon the affirmative vote of a majority of the Directors, any officer may be removed, either with or without cause, and his or her successor may be elected at any regular meeting of the Executive Board, or at any special meeting of the Executive Board called for that purpose.

Section 4.4. President. The President shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Lot Owners and of the Executive

Board. He or she shall have all of the general powers and duties which are incident to the office of President of a non-profit corporation organized under the laws of the State of North Carolina, including but not limited to the power to appoint committees from among the Lot Owners from time to time as he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association. He or she may fulfill the role of Treasurer in the absence of the Treasurer. The President, as attested by the Secretary, may cause to be prepared and may execute amendments to the Declaration and the Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 4.5. Secretary. The Secretary shall keep the minutes of all meetings of the Lot Owners and the Executive Board. He or she shall have charge of such books and papers as the Executive Board may direct and he or she shall, in general, perform all the duties incident to the office of Secretary of a non-profit corporation organized under the laws of the State of North Carolina. The Secretary may cause to be prepared and may attest to execution by the President of amendments to the Declaration and the Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 4.6. Treasurer. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data. He or she shall be responsible for the deposit of all monies and other valuable effects in such depositories as may from time to time be designated by the Executive Board, and he or she shall, in general, perform all the duties incident to the office of Treasurer of a non-profit corporation organized under the laws of the State of North

Carolina. He or she may endorse on behalf of the Association for collection only, checks, notes and other obligations, and shall deposit the same and all monies in the name of and to the credit of the Association in such banks as the Executive Board may designate. He or she may have custody of and shall have the power to endorse for transfer on behalf of the Association, stock, securities or other investment instruments owned or controlled by the Association or as fiduciary for others.

Section 4.7. Agreements, Contracts, Deeds, Checks, etc. All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by the President or Vice President of the Association or by such other person or persons as may be designated by the Executive Board.

Section 4.8. Compensation. No officer of the Association shall receive compensation for acting as such but may be reimbursed by the Association for necessary expenses actually incurred in connection with his or her duties.

Section 4.9. Resale Certificates and Statements of Unpaid Assessments. The Treasurer, Assistant Treasurer, or a manager employed by the Association, or, in their absence, any officer having access to the books and records of the Association, may prepare, certify, and execute statements of unpaid Assessments.

The Association may charge a reasonable fee for preparing and statements of unpaid Assessments. The amount of this fee and the time of payment shall be established by resolution of the Board. The Association may refuse to furnish resale certificates and statements of unpaid Assessments until the fee is paid.

ARTICLE 5. ENFORCEMENT

The powers and remedies of the Association for violation of the Declaration, its

Charter, these Bylaws or any Rules and Regulations adopted by it are set forth in the Declaration.

ARTICLE 6. INDEMNIFICATION

The Directors and officers of the Association shall be entitled to indemnification as provided in Chapter 55A (the Non-Profit Corporation Act) of the North Carolina General Statutes, the provisions of which are incorporated herein by reference.

ARTICLE 7. RECORDS

Section 7.1. Records. The Association shall keep the following records:

a. An account for each Lot which shall designate the name and address of each Lot Owner, the name and address of each mortgagee who has given notice to the Association that it holds a mortgage on the Lot, the amount of each Assessment, the dates on which each Assessment comes due, the amounts paid on the account, and the balance due.

b. An account for each Lot Owner showing any other fees payable by the Lot Owner.

c. A record of any capital expenditures approved by the Executive Board.

d. A record of the amount, and an accurate account of the current balance of any reserves for capital expenditures, replacement and emergency repairs, together with the amount of those portions of reserves designated by the Association for a specified project.

e. Balance sheets and income and expense statements of the Association.

f. The current operating budget.

g. A record of any unsatisfied judgments against the Association and the existence of any pending suits in which the Association is a defendant.

h. A record of insurance coverage provided for the benefit of Lot Owners and the Association.

i. Tax returns for state and federal income taxation.

j. Minutes of proceedings of Lot Owners, Directors, committees of Directors and waivers of notice.

Section 7.2. Examination. All records maintained by the Association shall be available for examination and copying by any Lot Owner, or by any holder of a security interest in a Lot, or by any of their duly authorized agents or attorneys, at the expense of the person examining the records, during normal business hours and after reasonable notice.

ARTICLE 8. MISCELLANEOUS

Section 8.1. Notices. All notices shall be in writing. All notices to the Association or the Executive Board shall be delivered to the office of the manager, or if there is no manager, to the office of the Association, or to the residence address of any member of the Executive Board. Except as otherwise provided, all notices to any Lot Owner shall be sent to his or her address as it appears in the records of the Association. All notices to mortgagees shall be sent by registered or certified mail to their respective addresses, as designated by them from time to time, in writing, to the Association. All notices shall be deemed to have been given when mailed except notices of changes of address which shall be deemed to have been given when received.

Section 8.2. Fiscal Year. The Executive Board shall establish the fiscal year of the Association.

Section 8.3. Waiver. No restriction, condition, obligation, or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

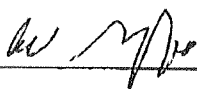
Section 8.4. Office. The principal office of the Association shall be at the Planned Community or at such other place as the Executive Board may from time to time designate.

Section 8.5. Amendment. So long as there is Class B membership in the Corporation, the amendment of these Bylaws must be approved by HUD/VA if either of those agencies have approved the making, insuring or guaranteeing of loans within the Development.

Section 8.6. Conflict. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

The foregoing Bylaws are certified to be the Bylaws adopted by consent of the Directors of Waters Edge HOA, Inc., dated April __, 2004.

WATERS EDGE HOA, INC.

By:  _____
Secretary

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COMMENTS : Waters Edge HOA, Inc.

Attached are the bylaws

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