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ARTICLES OF INCORPORATION
WATERSEGE PROPERTY OWNERS ASSOCIATION, INC.

SEP 30 1991

I, the undersigned, being a natural person of full age, do hereby acknowledge these Articles of Incorporation for the purpose of forming a nonprofit corporation under the laws of the State of North Carolina, as set forth:

8:01 AM
RUFUS L. EDWINSTEN
SECRETARY OF STATE
NORTH CAROLINA

ARTICLE I

The name of the corporation is the WatersEdge Property Owners Association, Inc., hereinafter called the "Association."

ARTICLE II: DURATION

The period of duration for the corporation shall be perpetual.

ARTICLE III: REGISTERED OFFICE AND AGENT

The principal and initial registered office of the Association is located in the Southern Shores Office Building, 15 Ocean Boulevard, Southern Shores, Kitty Hawk, Dare County, North Carolina, 27949; and Charles J. Hayes, Jr., is the initial registered agent of the Association located in the Southern Shores Office Building at the address shown above.

ARTICLE IV: PURPOSE OF THE ASSOCIATION

This Association does not contemplate pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide for beautification, maintenance, preservation, and architectural control of the exterior of the buildings, the residential lots, and the common areas and streets within those certain tracts of property described as:

WatersEdge Subdivision, on Little Colington Island, Atlantic Township, Dare County, North Carolina, as shown on the map recorded in Plat Cabinet C, Slides 131A & 131B, of the Dare County Registry.

And to promote the health, safety and welfare of the residents within the above described property and any additions thereto that hereafter may be brought within the jurisdiction of this Association for this purpose.

ARTICLE V: POWERS OF THE ASSOCIATION

The Association shall have the following general powers and any others impliedly arising therefrom, to be exercised in the manner provided and in conformity with applicable law, the Declaration hereinafter referred to, the By-Laws of the Association, and these Articles:

(a) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in that certain Declaration of Protective Covenants and Conditions, herein called the "Declaration", applicable to the property, and recorded in the Office of the Register of Deeds of Dare County, North Carolina, in Book 739, Page 0771, and as the same may be amended from time to time as herein provided, said Declaration being specifically incorporated herein by reference as if fully herein set out;

(b) To fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including but specifically not limited to, licenses, taxes, and any other governmental charges levied or imposed against the property of the Association.

(c) To acquire (by gift, purchase, or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use, or otherwise dispose of real or personal property in connection with the affairs of the Association, subject always to the provisions and requirements of the Declaration;

(d) To borrow money, mortgage, pledge, deed in trust, or hypothecate its real or personal property as security for money borrowed or debts incurred, subject always to the provisions and limitations of the Declaration;

(e) To participate in mergers and consolidations with other non-profit corporations organized for the same purposes or annex additional residential property and common areas, subject always to the provisions and limitations set forth in the Declaration;

(f) To have and to exercise any and all powers, rights and privileges which a corporation organized under the Nonprofit Corporation Act of the State of North Carolina (Chapter 55A, North Carolina General Statutes) by law may now or hereafter exercise.

ARTICLE VI: MEMBERSHIP

The Declarant and every person or entity who is a record owner of a fee or undivided fee interest in any lot which is subject by covenants of record to assessments by the Association, including contract sellers, but excluding persons who hold an interest merely as security for the performance of an obligation, shall be a member of the Association. Ownership of such interest shall be the sole qualification for membership (other than Declarant); no owner shall have more than one membership and there shall be only one vote per lot. Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment. The Board of Directors may make reasonable rules relating to the proof of ownership of a lot in this Subdivision.

ARTICLE VII: VOTING RIGHTS

Section 1. Classes of Membership. The Association shall have two classes of voting membership:

(a) Class A. Class A members shall be all owners as defined in Article VI other than the Declarant. However, Declarant shall be a Class A member to the extent provided in (b) hereinafter. Class A members shall be entitled to one vote for each lot in which they hold the interest required for membership by Article VI. When more than one person holds such interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as the owners thereof determine, but in no event shall more than one vote be cast with respect to any lot, and no fractional vote may be cast with respect to any lot.

(b) Class B. The Class B member shall be the Declarant, and it shall be entitled to one vote for each lot until such time as each lot is fully completed and conveyed, at which time the Developer shall have no vote for said lot, provided that the Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

1. When the total votes outstanding in Class A membership totals 50; provided that the Class B membership shall be reinstated with all rights, privileges, and responsibilities, if after conversion of the Class B membership to Class A membership as herein provided, additional lands are annexed to the property by the Declarant in the manner provided in Article IV, Subparagraph (b) hereof; or

2. On June 1, 1995.

Section 2. Suspension of Voting Rights. The right of any member to vote may be suspended by the Board of Directors for just cause pursuant to its rules and regulations and for any period during which any assessment against the lot of a member remains unpaid.

ARTICLE VIII: BOARD OF DIRECTORS

Section 1. Number - Initial Board. The affairs of the Association shall be managed by a Board of no fewer than three nor more than five Directors, who need not be members of the Association. The number of directors required by the By-Laws of the Association may be changed by amendment thereof. The

initial Board shall consist of three directors and the names and addresses of the persons who are to act in the capacity of and constitute the initial Board of Directors until the selection and qualification of their successors are:

Name	Address
Charles J. Hayes, Jr.	13th Avenue & Ocean Front Southern Shores Kitty Hawk, NC 27949
Lee M. Whitley	44 Spindrift Trail Southern Shores Kitty Hawk, NC 27949
Douglas E. Anderson	1021 Noell Lane Rocky Mount, NC 27802

Section 2. Election - Term. At or within ten days after the first annual meeting, the members shall elect the number of directors required by the By-laws. One-third or up to three directors shall be elected for a term of one year, and one-third or up to three directors for a term of two years and one-third or up to three directors for a term of three years; and their successors shall be elected for terms of three years.

Section 3. The method of election of directors after the first election held pursuant to Section 2 shall be as provided in the By-Laws.

ARTICLE IX: MERGERS AND CONSOLIDATIONS

To the extent permitted by law, the Association may participate in mergers and consolidations with other nonprofit corporations organized for the same or similar purposes; provided, no merger or consolidation may be effectuated unless two-thirds of all the votes entitled to be cast by each class of membership are cast in favor of merger or consolidation at an election held for such purpose.

ARTICLE X: DISSOLUTION OR INSOLVENCY

Section 1. Voluntary Dissolution. The Association may be dissolved with the assent given in writing and signed by members having not less than two-thirds of the votes of the Class A membership and two-thirds of the votes of the Class B membership, if any.

Section 2. Election of Successor. Upon dissolution or insolvency of the Association, the members may elect to:

(a) Form a nonprofit corporation and transfer and assign to such corporation the property of the Association for beautification, maintenance and preservation of lots, yards, common areas, and streets within the Subdivision, with power to assess the owners for such purposes; or

(b) Transfer, assign and convey the property of the Association to any nonprofit corporation, association, trust or other organization which is or shall be devoted to purposes and uses that would most nearly conform to the purposes and uses to which the common areas and streets were required to be devoted by the Association.

Section 3. Transfer of Assets. The Association shall have no capital stock, and in the event of dissolution, no member, director, or officer of the Association, and no private individual shall be entitled to share in the distribution of the assets of the Association. If any assets shall remain after satisfaction of its just debts, the Association shall grant, convey, and assign such assets to any entity or entities that have accepted and undertaken the care and management of the common area or portions thereof. In the event that more than one entity has undertaken such care and management, the Association may distribute the assets among such entities in a manner which the Association, in its discretion, deems fair and equitable.

ARTICLE XI: AMENDMENTS

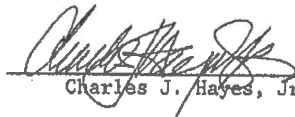
Section 1. Amendment by Membership. Except as herein provided, any amendment of these Articles shall require the assent of members or proxies

entitled to cast 75 percent of the entire vote of the Class A and B membership. In the event that the Class B membership has been converted to Class A membership, such amendment shall require the assent of members or proxies entitled to cast 75 percent of the entire vote of the Class A membership.

Section 2. Amendment of Declaration Without Approval of Owners. The Declarant, Collington Shores Associates, its successors and assigns, without the consent or approval of any other owner, shall have the right to amend these Articles to conform to the requirements of any law or governmental agency having legal jurisdiction over the property or to qualify the property or any lots and improvements thereon for mortgage or improvement loans made or insured by a governmental agency or to comply with the requirements of law or regulations of any corporation or agency belonging to, sponsored by, or under the substantial control of, the United States Government or the State of North Carolina, regarding purchase or sale of such lots and improvement, or mortgage interests therein, as well as any other law or regulation relating to the control of property including without limitation, ecological controls, construction standards, aesthetics, and matters affecting the public health, safety and general welfare. A letter from an official of any such corporation or agency, including without limitation, the Veterans Administration, U.S. Department of Housing and Urban Development, the Federal Home Loan Mortgage Corporation, Government National Mortgage Association, or the Federal National Mortgage Association, requesting or suggesting an amendment necessary to comply with the requirements of such corporation or agency, shall be sufficient evidence of the approval of such corporation or agency, provided that the changes made substantially conform to such request or suggestion.

No amendment made pursuant to this Section shall be effective until duly recorded in the Secretary of State's Office and the Office of the Register of Deeds of Dare County.

IN WITNESS WHEREOF, for the purpose of forming this corporation under the laws of the State of North Carolina, the undersigned, as incorporator, has executed these Articles of Incorporation, this the 1st day of March, 1991.

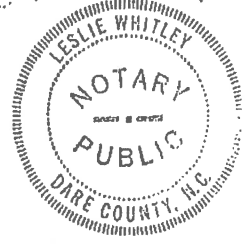
 (SEAL)
Charles J. Hayes, Jr.

STATE OF NORTH CAROLINA
COUNTY OF DARE

I, a Notary Public of the County and State aforesaid, certify that Charles J. Hayes, Jr., personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and notarial seal, this 1st day of March, 1991.


Notary Public



My commission expires: 4-26-93