

BY-LAWS  
OF  
WATERSEDGE PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I: NAME AND OFFICE

Section 1. Name. The Name of the Corporation shall be WatersEdge Property Owners Association, Inc.

Section 2. Office. The principal office of said Association shall be at 15 Ocean Boulevard, Kitty Hawk, Atlantic Township, Dare County, North Carolina. The Association may also have offices at such other places as the Board of Directors may from time to time select for the purposes the Association may from time to time require.

ARTICLE II: DEFINITIONS

The following words when used in these By-Laws (unless the context shall otherwise require) shall have the following meaning:

(a) The "Association" shall mean the WatersEdge Property Owners Association, Inc., its successors and assigns.

(b) The "Development" shall mean the real property described in the Declaration of Protective Covenants and Conditions, WatersEdge Subdivision, Dare County, North Carolina, and as recorded in the Dare County Registry in Book 739, on Page 0771, and as shown on the plats recorded in the Dare County Registry in Plat Cabinet C, Slides 131A and 131B.

(c) The "Common Areas" shall mean those areas of land so designated on the recorded plat.

(d) "Owner" shall mean the record owner, whether one or more persons or entities, of the fee simple title to any lot, but shall not mean or refer to any mortgagee or subsequent holder of a mortgage, unless and until such mortgagee or holder has acquired title pursuant to foreclosure or any other proceeding in lieu of foreclosure.

(e) The "Developer" shall mean Collington Shores Associates, together with its successors and assigns.

(f) The "Declaration" shall mean the Declaration of Protective Covenants and Conditions recorded in Book 739, Page 0771, of the Dare County Registry and any amendments or supplements thereto recorded in the office of the Register of Deeds of Dare County, North Carolina.

(g) "Lot" shall mean any lot on which a single family detached house is or may be constructed.

(h) "Member" shall mean and refer to all those owners who are members of the Association as provided in Article IV of the Declaration recorded in the Dare County Registry.

(i) "Street" shall mean those access avenues shown on the recorded plat and more specifically identified on the plat as Bay Drive.

ARTICLE III: OBJECTIVES

The objectives of the Association shall be (a) to acquire, construct, maintain and operate the common areas and streets in the Development; (b) to enforce any and all covenants, restrictions and agreements applicable to the common areas, streets and the lots in the Development found in the Declaration or in similar declarations as may be made with respect to the Development, and which hereafter may be recorded in the Office of the Register of Deeds of Dare County, North Carolina; and (c) to make and perform any contracts and do any acts or things, and exercise any powers suitable, convenient, proper or incidental for the accomplishment of any of the objectives enumerated herein.

#### ARTICLE IV: MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. Every person who is an owner of any lot which is subject to the Declaration's assessment by the Association shall be a member of the Association.

Section 2. Voting Rights. The Association shall have two classes of voting membership:

Class A. Class A members shall be all owners except the Developer. Each Class A member shall be entitled to one vote for each lot in which he/she holds the interest required for membership by Section 1 of this Article IV. In no event shall more than one vote be cast in the Association with respect to any such lot.

Class B. The Class B member shall be the Developer, its successors and assigns. The Class B member shall be entitled to one vote in the Association for each unsold lot, provided that upon the happening of either of the following events, whichever first occurs, the Class B membership in the Association shall cease and be converted to a Class A membership: (a) When the total votes outstanding in Class A membership in the Association equals 50; or (b) On June 1, 1995.

When a purchaser of a lot takes title thereto from the Developer, the purchaser becomes a Class A member of the Association and the membership of the Developer with respect to that lot shall cease.

Section 3. Suspension of Membership. The rights of membership are subject to the payment of annual and special assessments levied by the Association. The obligation for payment of assessments is imposed upon each owner. The obligation for payment of assessments of all owners subject to the Declaration's assessments (or the assessment or any supplement thereto) becomes a lien upon the lot against which such assessments are made as provided by Article V of the Declaration. If a member fails to make payment of any annual or special assessment levied by the Association within thirty days after same shall become due and payable, the voting rights of such member and such member's right to use of the Association's facilities may be suspended by the Board of Directors until such assessment has been made. Such rights of a member may also be suspended after notice and hearing for violation of any rules and regulations established by the Board of Directors governing the use of common areas.

#### ARTICLE V: ASSESSMENTS

The obligations with respect to Assessments are governed in Article V of the Declaration, as the same may be amended from time to time.

#### ARTICLE VI: MEETINGS

Section 1. Annual Meetings. The annual meeting of members for the election of directors, the presentation of the annual financial report of the Association and for the transaction of such other business as the Board of Directors may determine, shall be held at the principal office of the Association on the first Tuesday in May, or at such other time and place as may be fixed by the Board of Directors, but in no event later than June 30.

Section 2. Special Meetings. Special meetings of members for any purpose may be called at any time by (a) the President of the Association, or (b) any three directors of the Association, and (c) shall be called by the Secretary of the Association forthwith upon receipt of the written request of members of the Association entitled to cast one-third of all votes of the entire membership or who are entitled to cast one-third of all votes of the Class A membership. Special meetings shall be held solely for such purpose or purposes as are set forth in the notice or waiver of notice of the meeting.

Section 3. Special Meetings for the Election of Directors.

(a) If for a period of one month after the date fixed herein for the annual meeting of members, there is a failure to elect a sufficient number of directors to conduct of the Association, the Board of Directors

shall call a special meeting for the election of directors. If such special meeting is not called by the Board within two weeks after the expiration of such period or if it is called but there is a failure to elect such directors for a period of two months after the expiration of such period, members entitled to cast ten votes or ten percent of the total number of votes entitled to be cast in an election of directors, whichever is less, may, in writing, demand the call of a special meeting for the election of directors specifying the date and month thereof, which shall not be less than two nor more than three months from the date of such written demand. The Secretary of the Association upon receiving the written demand shall promptly give notice of such meeting, or, if he fails to do so within five business days thereafter, any member signing such demand may give such notice. The meeting shall be held at the principal office of the Association or at such other place as may be fixed in the notice of meeting.

(b) At any such special meeting called on the demand of members, notwithstanding the provisions of these By-Laws, members attending, in person or by proxy, and entitled to vote in an election of directors shall constitute a quorum for the purpose of electing directors, but not for the transaction of any other business.

Section 4. Notice and Waiver of Notice of Annual and Special Meetings.

Notice of the time, place and purpose or purposes of every meeting of the members shall be served (except as provided in Section 3, of this Article), either personally or by mail, not less than ten nor more than fifty days before the meeting, upon each person who appears upon the books of the Association as a member and if mailed, such notice shall be directed to the member at his address as it appears on the books of the Association, unless he shall have filed with the Secretary of the Association a written request that notices intended for him be mailed to some other address, in which case it shall be mailed to the address designated in such request. The notice provided for herein is not indispensable and any meeting of members shall be deemed validly called for all purposes if all members are represented thereat in person or by proxy, or if a quorum is present and waivers of notice of the time, place and purpose of such meeting shall be duly executed in writing either before or after said meeting by those members not so represented or not given such notice. The attendance of any member at a meeting in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him.

Section 5. Quorum. At any meeting of members the presence in person or by proxy of fifty percent of members entitled to vote thereat shall be necessary to constitute a quorum for the transaction of business, except as otherwise expressly provided by law, by the Articles of Incorporation of the Association, the Declaration, or elsewhere in these By-Laws. In the absence of a quorum, or when a quorum is present, a meeting may be adjourned from time to time by a vote of a majority of members entitled to vote present in person or by proxy, without notice other than by announcement at the meeting and without further notice to any absent member. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might be transacted at the meeting as originally scheduled.

Section 6. Voting. If a quorum is present, the affirmative vote of a majority of members represented at the meeting shall be the act of all members, unless the act of a greater number is expressly required by law or by the Articles of Incorporation of the Association, the Declaration, or elsewhere in these By-Laws. Any member may vote either in person or by proxy appointed by an instrument executed in writing by such member or his duly authorized attorney-in-fact and delivered to the secretary of the meeting. No proxy shall be valid after the expiration of eleven months from the date of its execution unless the member executing it shall have specified therein its duration. Every proxy shall be revocable at the pleasure of the person executing it, or his personal representatives or assigns. Upon direction of the presiding officer or upon demand of a member, the vote upon any business before a meeting shall be by ballot, but otherwise any such vote need not be by ballot.

Section 7. Action Without a Meeting. Whenever members are required or permitted to take any action by vote, such action may be taken without a

meeting on written consent setting forth the action so taken, signed by all members entitled to vote thereon.

Section 8. Inspectors of Election. The Board of Directors in advance of any meeting of members may appoint one or more inspectors of election to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a members' meeting may, and on the request of any member entitled to vote thereat shall, appoint one or more inspectors. In case any person appointed as inspector fails to appear or act, the vacancy may be filled by the Board in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability, and the oath so taken shall be signed by the inspector before the person presiding at the meeting and shall be filed with the Secretary of the Association. No director, or candidate for director at a meeting, one of the purposes of which is to elect directors, shall act as inspector thereat.

#### ARTICLE VII: BOARD OF DIRECTORS

Section 1. Management of the Affairs of the Association. The management of the affairs of the Association shall be vested in a Board of Directors which may exercise all such powers of the Association and do all such lawful acts and things as are not by statute or by the Articles of Incorporation of the Association, or by the Declaration, or by these By-Laws directed or required to be exercised or done by the members. The Board of Directors is authorized to hire a property manager to handle these affairs at a fee to be determined by the Board and as adjusted from time to time.

Section 2. Election of Directors. The Board of Directors shall consist of not less than three nor more than nine directors, the number of persons constituting the whole Board of Directors to be fixed from time to time by resolution of the Board of Directors. Directors shall be at least twenty-one years of age and need not be members of the Association. Except as otherwise provided by law or in these By-Laws, the directors shall be elected at each annual meeting of members by a plurality of votes cast.

Section 3. Vacancies. Vacancies in the Board of Directors resulting from death, resignation or removal may be filled without notice to any members by a vote of a majority of the remaining directors present at the meeting at which such election is held, even though a quorum is not present, which election may be held at any regular meeting of the Board of Directors or any special meeting thereof called for such purpose. A director elected to fill a newly created directorship vacancy shall serve in office during the unexpired portion of the term of his predecessor and until his successor is elected and qualified.

Section 4. Nomination of Directors. Not later than four weeks prior to the date set for each annual meeting of members, the President of the Association shall appoint a committee of members to nominate candidates for election as directors at the annual meeting. The recommendations of the nominating committee, together with a brief description of each candidate, shall be transmitted to the membership at the same time the notice of annual meeting of members is distributed. Additional nominations may be made from the floor by any member at the annual meeting.

Section 5. Meetings. Meetings of the Board of Directors, regular or special, shall be held in the State of North Carolina. The first meeting of the Board of Directors following the annual meeting of members shall be held not later than one week after the annual meeting of members. Thereafter, regular meetings of the Board of Directors shall be held not less than once every quarter. Meetings may be held upon such notice, or without notice, and at such time and place, as shall be determined by the Board. Special meetings of the Board of Directors may be called by the President, at such time and place as he shall determine, on five days' notice to each director, either personally or by mail or by telegram; special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of three directors. Notice of a meeting need not be given to any director who submits a signed waiver of notice, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at

its commencement, the lack of notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting, except where otherwise required by law or by these By-Laws. A majority of the entire Board of Directors shall constitute a quorum for the transaction of business except as otherwise expressly provided by law or by the Articles of Incorporation of the Association, or by the Declaration or elsewhere in these By-Laws. The act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by the Articles of Incorporation of the Association, or by the Declaration or elsewhere in these By-Laws. If a quorum shall not be present at any meeting of directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. At all meetings of the Board of Directors, each director shall be entitled to one vote.

Section 6. Resignation and Removal. Any director may resign at any time by written notice delivered or sent by certified or registered mail, return receipt requested to the President or Secretary of the Association. Such resignation shall take effect at the time specified therein and unless specifically requested, acceptance of such resignation shall not be necessary to make it effective.

Any director may be removed from office with or without cause by members of the Association at a meeting duly called for that purpose or with cause by the Board.

Section 7. Compensation. No salary or other compensation for services shall be paid to any director of the Association for services rendered as such director, but this shall not preclude any director from performing any other service for the Association and receiving compensation therefor.

Section 8. Executive Committee. The Board of Directors may, by resolution adopted by a majority of the entire Board, appoint from among its members an executive committee consisting of three or more persons, which shall have and may exercise during the intervals between the meetings of the Board, all powers vested in the Board, with the exceptions of those forbidden by law. The Board may at any time change the members of and fill vacancies in the executive committee. The executive committee shall keep regular minutes of its proceedings and shall report same to the Board of Directors when required. The executive committee may make rules for the conduct of its business and may appoint any subcommittees and assistants it considers necessary. A majority of the members of the executive committee shall constitute a quorum for the transaction of business.

Section 9. Other Committees. From time to time the Board of Directors may appoint, from among the directors, members and other persons, other committees for any purpose, or purposes, with such powers as are permitted by law. The President of the Association shall be an ex-officio member of all committees so appointed.

Section 10. Annual Report. The Board of Directors shall present at the annual meeting of members a report of the financial and other affairs of the Association during the preceding year. The Board of Directors shall provide all members, at the expense of the Association and within four months of the end of each year, a copy of an annual audited financial statement of the Association prepared by an independent certified public accountant.

#### ARTICLE VIII: OFFICERS

Section 1. Election. The Board of Directors, at its first meeting after the annual meeting of members, shall elect from their number a President and Vice President, and shall elect a Secretary and Treasurer, each officer to hold office until the meeting of the Board of Directors following the next annual meeting of members and until their successors are elected and qualified. The Board may from time to time appoint such other officers as it considers desirable to hold office at the pleasure of the Board. Any two of such offices, except those of President and Secretary, may be held by the same person.

Section 2. Assistants. The Board of Directors may at any time or from time to time appoint one or more assistant secretaries and one or more assistant treasurers to hold office at the pleasure of the Board. Such assistants, if any, in order of their seniority, or in any other order determined by the Board of Directors shall, in the absence or disability of the Secretary or Treasurer, as the case may be, perform the duties and exercise the powers of the Secretary or Treasurer, as the case may be, and shall perform such other duties as the Board of Directors or the Secretary or Treasurer, as the case may be, shall prescribe.

Section 3. Qualifications, Removal and Vacancies. Officers neednot be members of the Association. Any officer elected or appointed by the Board of Directors pursuant to the provisions of Section 1 and 2 of this Article VIII may be removed by the Board of Directors at any time, with or without cause. Vacancies occurring in any office may be filled by the Board of Directors at any time.

Section 4. Duties of President and Vice President. The President shall be the chief executive and operating officer of the Association and shall preside at all meetings of the members and of the Board of Directors. The President or the Vice President may sign the name of the Association on all certificates and contracts and other instruments which are authorized from time to time by the Board of Directors. The President, subject to the control of the Board of Directors, shall general management of the affairs of the Association and perform all the duties incidental to the office. If the President is absent from the State of North Carolina or is unable to act, the Vice President shall have the powers and perform the duties of the President.

Section 5. Duties of Treasurer. Subject to the control of the Board of Directors, the Treasurer shall have the care and custody of all funds and securities of the Association, all books and records relating thereto, shall deposit such funds in the name of the Association in such bank or trust companies as the Board of Directors may determine, and shall perform all of the duties incidental to this office. If so required by the Board of Directors, he shall, before receiving any such funds, furnish to the Association a bond with a surety company as surety, in such form and amount as the Board of Directors from time to time shall determine. The premium upon such bond shall be paid by the Association.

Section 6. Duties of Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors and of the meetings of the members. He shall attend to the giving and serving of all notices of the Association, and shall be empowered to affix the corporate seal to all written instruments authorized by the Board of Directors or these By-Laws. He shall also perform all other duties incidental to his office. He shall cause to be kept a record book containing the names, alphabetically arranged, and addresses, of all members and the date they became such.

Section 7. Compensation. No salary or other compensation for services shall be paid to any officer of the Association for services rendered as such officer, but this shall not preclude an officer of the Association from performing any other service for the Association and receiving compensation therefor.

#### ARTICLE IX: FINANCIAL MATTERS

Section 1. Depositories. The Board of Directors shall select such depositories as it considers proper for the funds of the Association. All checks and drafts against such deposited funds shall be signed by the person or persons specified by the Board.

Section 2. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, in addition to those specified in these By-Laws, to enter into any contract or execute and deliver any instrument in the name of, or on behalf of the Association, and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or render it liable for any purpose or to any amount.

Section 3. Fiscal Year. The fiscal year of the Association shall be determined by the Board of Directors of the Association.

#### ARTICLE X: INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

Section 1. Right to Indemnification. Any person made a party to any action, suit or proceeding, by or in the right of the Association, to procure a judgment in its favor by reason of the fact that he, his testator or intestate, is or was a director or officer of the Association, shall be indemnified by this Association, to the extent permitted and in the manner provided by law, against the reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with the defense of such action, suit or proceeding, or in connection with an appeal therein, except in relation to matters as to which such director or officer is adjudged to have breached his duty to the Association under the Laws of the State of North Carolina, but such indemnification shall in no case include:

(a) Amounts paid in settling or otherwise disposing of a threatened action, suit or proceeding, or a pending action, suit or proceeding, with or without court approval, or

(b) Expenses incurred in defending a threatened action, suit or proceeding, or a pending action, suit or proceeding, which is settled or otherwise disposed of without court approval.

Any person, made, or threatened to be made, a party to an action, suit or proceeding other than one by or in the right of the Association to procure a judgment in its favor, whether civil or criminal, including an action, suit or proceeding by or in the right of any other corporation of any type or kind, domestic or foreign, which any director or officer of the Association served in any capacity at the request of the Association, or served such other corporation in any capacity, shall be indemnified by this Association against judgments, fines, amounts paid in settlement and reasonable expenses, including attorney's fees actually and necessarily incurred as a result of such action, suit or proceeding, or any appeal therein, if such director or officer acted, in good faith, for a purpose which he reasonably believed to be in the best interests of the Association and, in addition, had no reasonable cause to believe that his conduct was unlawful. The termination of any such civil or criminal action, suit or proceeding by judgment, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not in itself create a presumption that any such director or officer did not act in good faith, for a purpose which he reasonably believed to be in the best interest of the Association, or that he had reasonable cause to believe that his conduct was unlawful.

Section 2. Other Rights; Payment. Any such right of indemnification as set forth in Section 1 of Article X of these By-Laws shall not be deemed exclusive of any other rights to which any such director or officer may be lawfully entitled apart from the provisions of Laws of the State of North Carolina. Any amount payable by reason of indemnity under this Article shall be determined and paid in accordance with the Laws of the State of North Carolina or in any other lawful manner.

#### ARTICLE XI: DISSOLUTION

In the event the Association is dissolved in accordance with the provisions of the Association's Articles of Incorporation and the assets, both real and personal, of the Association are dedicated to a governmental authority, the covenants and restrictions contained in the Declaration, other than those applying to assessments, shall remain in full force and effect. It shall be a requirement of the Association, prior to its dissolution, to establish an appropriate authority or corporation for enforcing said covenants and restrictions.

In the event that such dedication to a governmental authority is refused acceptance, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted to purposes as nearly as practicable the same as those to which they were

required to be devoted by the Association. In such event, the covenants and restrictions contained in the Declaration, including those applying to assessments, shall remain in full force and effect. No such disposition of the Association's properties shall be effective to divest or diminish any right or title of any member vested in him under the Declaration and deed applicable to his property unless made in accordance with the provisions of the Declaration and deed.

ARTICLE XII: CONSTRUCTION

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

ARTICLE XIII: AMENDMENTS

These By-Laws may amended or repealed in conformity with the Articles of Incorporation of the Association and the Declaration by the affirmative vote of two-thirds of the directors present at any meeting of the Board of Directors or by affirmative vote of a majority of the membership entitled to vote for the election of directors provided, however, that no such amendment or repeal adopted by the Board of Directors shall become effective until thirty days after notice thereof shall have been transmitted to the members of the Association. The notice of any meeting of members and the Board of Directors at which such action shall be considered shall contain a notice of the proposed amendment or repeal. Any by-law adopted by the Board of Directors may be amended or repealed by the members, and unless otherwise provided in the Articles of Incorporation of the Association, the Declaration or these By-Laws, any by-law adopted by the members, may be amended or repealed by the Board.

IN WITNESS WHEREOF, we, being all the directors of WatersEdge Property Owners Association, Inc., hereby adopt these By-Laws, and hereunto set our hands and seals this 1st day of March, 1991.

Charles H. Hayes (SEAL)

Leslie M. Whitley (SEAL)

Donald E. Cudde (SEAL)

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly elected and acting secretary of WatersEdge Property Owners Association, Inc., a North Carolina nonprofit corporation, and that the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 1st day of March, 1991.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 1st day of March, 1991.

Leslie M. Whitley (SEAL)



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91 263 5030      ARTICLES OF INCORPORATION  
WATERSEdge PROPERTY OWNERS ASSOCIATION, INC.

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:

9:01 AM  
RUFUS L. EDMISTEN  
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

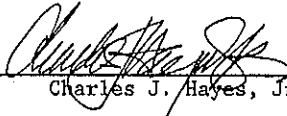
Section 1. Amendment by Membership. Except as herein provided, any amendment of these Articles shall require the assent of members or proxies

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.

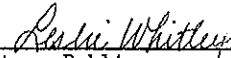
IN WITNESS WHEREOF, for the purpose of forming this corporation under the laws of the State of North Carolina, the undersigned, as incorporator, has executed these Articles of Incorporation, this the 1st day of March, 1991.

 (SEAL)  
Charles J. Hayes, Jr.

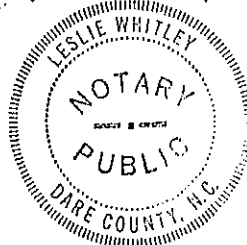
STATE OF NORTH CAROLINA  
COUNTY OF DARE

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



PREPARED BY AND RETURN TO VANDEVENTER BLACK LLP

BK 1293PG0401

Book 1293  
Pages 0401 - 0403

**AMENDMENT TO THE BYLAWS  
OF THE WATSEdge PROPERTY  
OWNERS ASSOCIATION, INC.**

FILED  
DARE COUNTY NC  
09/14/1999 9:54 AM  
BARBARA M. GRAY  
Register Of Deeds

Document #  
000005

This Amendment to the Bylaws of the Watersedge Property Owners Association, Inc. (hereinafter the "Association") is made this 22 day of June, 1999.

**WITNESSETH:**

**WHEREAS**, Article XIII of the Bylaws of the Association (the "Bylaws") permits the Bylaws to be amended by the affirmative vote of two-thirds of the directors present at any meeting of the Board of Directors or by affirmative vote of a majority of the membership entitled to vote for the election of directors, provided, however, that no such amendment or appeal adopted by the Board of Directors shall become effective until thirty (30) days after notice thereof shall have been transmitted to the members of the Association; and

**WHEREAS**, Section 10 of Article VII provides that a copy of an annual audited financial statement of the Association prepared by an independent certified public accountant shall be provided to all members within four months of the end of each year; and

**WHEREAS**, it is in the best interest of the Association to amend the Bylaws to allow the annual audited financial statement to be audited by an internal financial committee rather than by an independent certified public accountant.

**NOW, THEREFORE**, pursuant to the rights given to and reserved by the Association and the members to amend the Bylaws and in accordance with Part 2 of Article 10 of the North Carolina Nonprofit Corporation Act, 55A-10-20 through 55A-10-30, the Bylaws are hereby amended as follows:

1. Section 10 of Article VII of the Bylaws as presently constituted as deleted and new Section 10 is adopted as follows:

**Section 10. Annual Report**

The Board of Directors shall present at the annual meeting of members a report of the financial and other affairs of the Association during the preceding year. The Board of Directors shall provide all members, upon request, with a copy of an annual financial statement, which has been audited by an internal audit committee.

BK 1293PG0402

2. The following paragraph is added to Article VII and adopted as follows:

Section 11. Audit Committee

An audit committee, consisting of three or more members, shall be appointed by the Board of Directors, and shall annually audit the books and records of the Association.

Except as modified by this Amendment, the Bylaws are expressly ratified, affirmed and remain in full force and effect.

The officers and directors executing this Amendment certify that at the quarterly meeting of the Board of Directors held on March 10, 1999 the Board, by unanimous consent, approved this Amendment and that notice thereof was sent to all members of the Association on March 17, 1999.

IN WITNESS WHEREOF, the Board of Directors and the Association have caused this Amendment to be executed on the date first above written.



WATERSEdge PROPERTY OWNERS  
ASSOCIATION, INC.

By: Jody Daley  
President

ATTEST:  
[Signature]  
Secretary

STATE OF NORTH CAROLINA )  
  ) ss.:  
COUNTY OF CURRITUCK        )

I, the undersigned notary public, do hereby certify that Jody Minor personally came before me this day and acknowledged that she/he is Secretary of the Watersedge Property

BK 1293PG0403

Owners Association, Inc., a North Carolina corporation, and that by the authority duly given and as the secretary of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested to by himself/herself as Secretary.

WITNESS my hand and notarial stamp/seal, this 22 day of June, 1999.

Stacey Partington  
Notary Public

My Commission Expires:

8-17-02



North Carolina  
Dare County

The foregoing certificate of Stacey Partington  
a Notary Public of Dare Co., NC  
is certified to be correct. This instrument and this certificate are duly registered at  
the date and time in the Book and Page shown on the first page hereof.

Barbara M. Gray, Register of Deeds

By Kangella McManan Asst. Register of Deeds