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SECRETARY OF STATE
NORTH CAROLINA

ARTICLES OF INCORPORATION
OF
BALD HEAD ASSOCIATION

In compliance with the requirements of the laws of the State of North Carolina, the undersigned, who is a resident of Wake County, North Carolina, and is of full age, has signed and acknowledged these Articles of Incorporation for the purpose of forming a non-profit corporation and does hereby certify:

ARTICLE I

NAME

The name of the corporation is Bald Head Association, hereinafter called the "Association".

ARTICLE II

DURATION

The Association shall exist perpetually.

ARTICLE III

REGISTERED OFFICE AND AGENT

The principal and initial registered office of the Association is located at 704 East Moore Street, Southport, Brunswick County, North Carolina 28461; and John A. Messick is the initial registered agent of the Association at that address.

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 single family homes, multi-family units and non-residential areas, the residence lots, assessable properties and the common areas within those certain tracts of property described as:

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- (a) Such property located on Smith (Bald Head) Island, Brunswick County, North Carolina as more fully described in Exhibit A attached hereto.
- (b) Such additional lands on Smith (Bald Head) Island or in Brunswick County as may be annexed by Bald Head Island Corporation, a North Carolina corporation, its successors and assigns (hereinafter known as the "Declarant"), without the consent of members within fifteen (15) years after the date of this instrument.
- (c) Such property as may be annexed at any time with the express consent of two-thirds (2/3) of the members of the Association;

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 Bylaws 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 Covenants, Conditions and Restrictions, herein called the "Declaration", applicable to the property, and recorded or to be recorded in the Office of the Register of Deeds of Brunswick County, North Carolina, 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 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 nypothecate 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 area 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 Non-Profit 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, for so long as it shall be an Owner, and every person or entity who is a record owner of a fee or undivided fee interest in any assessable property, including any lot, multi-family unit or site, parcel or non-residential area 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 per assessable property owned and there shall be only one vote for each assessable property, unit, lot or area. Membership shall be appurtenant to and may not be separated from ownership of any assessable property (including any lot, Unit or parcel) which is subject to assessment. The Board of Directors may make reasonable rules relating to the proof of ownership of such assessable property, lot, unit or area.

ARTICLE VII

VOTING RIGHTS

Section 1. Classes of Membership. The Association shall have one class of voting membership:

Members shall be entitled to one vote for each assessable property, lot, unit or area in which they hold the interest required for membership by Article VI. When more than one person holds such interest in

any assessable property, lot, unit or area, all such persons shall be members. The vote for such assessable property, lot, unit or area shall be exercised as the owners thereof determine, but in no event shall more than one vote be cast with respect to such property and no fractional vote may be cast with respect to any such property.

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 not fewer than three (3) nor more than six (6) Directors, who need not be members of the Association. The number of Directors required by the Bylaws of the Association may be changed by amendment thereof. The initial Board shall consist of five (5) 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:

<u>Name</u>	<u>Address</u>
James E. Harrington	114 Overview Road, Cary, NC 27511
John A. Messick	704 East Moore St., Southport NC 28461
George F. Freeman	P. O. Box 2103, High Point, NC 27261 2060 Brentwood, High Point NC 27261
Thad B. Wester	103 West 27th St., Lumberton, NC 28358
P. A. Thomas	1206 Lancaster Place, High Point, NC 27262

Section 2. Election; Term. At or within ten (10) days after the first annual meeting, the members shall elect the number of Directors required by the Bylaws. The term of Directors thereafter elected shall be as provided in the Bylaws. All directors shall serve until their successors have been duly elected and qualified.

Section 3. The method of election of Directors after the first election held pursuant to Section 2 shall be as provided in the Bylaws.

ARTICLE IX

MERGERS AND CONSOLIDATIONS

To the extent permitted by law, the Association may participate in mergers and consolidations with other non-profit corporations organized for the same or similar purposes; provided, no merger or consolidation may be effectuated unless two-thirds (2/3) 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 (2/3) of the votes of the membership.

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

(a) form a non-profit corporation and transfer and assign to such corporation the property of the Association for beautification, maintenance, and preservation of lots, yards, and common areas within the properties, with power to assess the owners for such purposes; or

(b) transfer, assign, and convey the property of the Association to any non-profit 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 area was 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 seventy-five percent (75%) of the entire vote of the membership.

Section 2. Amendment of Declaration Without Approval of Owners. The Declarant, 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 in such lots and improvements, 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 Brunswick County.

ARTICLE XII

INCORPORATOR

The name and address of the incorporator is as follows: Charles L. Hinton, III, 1155 Kildaire Farm Road, Post Office Box 550, Cary, Wake County, North Carolina 27511.

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 29th day of January, 1982.

 (SEAL)
Charles L. Hinton, III

North Carolina
Wake County

I, Elizabeth H. Machen, a Notary Public, do hereby certify that Charles L. Hinton, III, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

This the 29th day of January, 1982.

My commission expires: 7/24/85


Notary Public

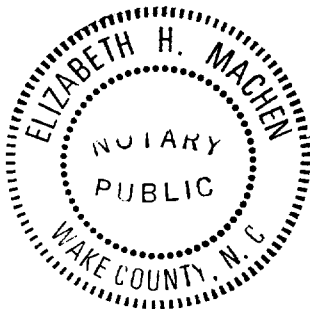


EXHIBIT A

Being all of the tracts or parcels located on Bald Head Island, Smithville Township, Brunswick County, North Carolina as follows:

A. Stage I, as shown on the following recorded maps:

- Map Book 12, Pages 1-11, 14-17, 36, 37 and 39
- Map Cabinet J, Pages 178-184 and 319
- Map Cabinet I, Page 373
- Map Cabinet L, Page 195
- Map Cabinet M, Pages 84, 85 and 86

Bald Head Inn tract as described in Deed of Trust recorded in Book 288, Page 470, as amended by Modification Agreement recorded in Book 342, Page 129, both of Brunswick County Registry.

B. A 4.944 acre parcel conveyed to Robin Hayes by Deed dated August 12, 1977, recorded in Book 379, Page 583, Brunswick County Registry.

C. Middle Island and 2,000 feet of ocean frontage adjacent thereto conveyed to Young Realty Company by Deed recorded in Book 399, Page 448, Brunswick County Registry.