

ARTICLES OF INCORPORATION
OF
VILLAS AT MEGANS BAY III ASSOCIATION, INC.
A NON-PROFIT CORPORATION

In compliance with the requirements of Chapter 55A of the North Carolina General Statutes entitled "Nonprofit Corporation Act," and the several amendments thereto, the undersigned, natural person of full age, has this day executed these Articles of Incorporation for the purpose of forming a non-profit corporation and hereby certifies:

ARTICLE I.

The name of the corporation is Villas at Megans Bay III Association, Inc. (hereinafter called "the Corporation" or "Association").

ARTICLE II.

The registered office of the Corporation is located at 9816 Clarendon Drive, Emerald Isle, Carteret County, North Carolina 28594. The principal office of the Corporation is located at 9816 Clarendon Drive, Emerald Isle, Carteret County, North Carolina 28594.

ARTICLE III.

Henry Gorham, whose address is 9816 Clarendon Drive, Emerald Isle, Carteret County, North Carolina 28594, is hereby appointed the initial Registered Agent of the Corporation.

ARTICLE IV.

The Corporation does not contemplate pecuniary gain or profit to the members thereof and no part of the Corporation's net income shall inure to the benefit of any of its officers, directors or members or any other private individual. The purposes and objects of the corporation shall be to administer the operation and management of properties and common areas conveyed, transferred or leased to said Corporation within or without Villas at Megans Bay III Condominium, being developed in the Town of Cedar Point, White Oak Township, Carteret County, North Carolina, by Villas at Megans Bay III, LLC, said condominium development consisting of not more than 12 residential units as shown on a site plan to be recorded in the Carteret County Registry, with as-built drawing to be hereafter recorded and reflected on the Exhibit B to the Declaration for Villas at Megans Bay III Condominiums; to undertake the performance of the acts, duties, rights and responsibilities incident to the administration of the operation and management of the common areas and property of Villas at Megans Bay III Condominium as more particularly assigned and described

in the Declaration of Condominium of Villas at Megans Bay III Condominium as recorded in the Carteret County Registry; and to own, operate, lease, sell, trade and otherwise deal with such property, whether real or personal, as may be necessary or convenient in the administration and management of association properties located within said condominium development.

ARTICLE V.

The Corporation shall have the following powers:

1. The Corporation shall have all of the powers and privileges granted to Non-Profit Corporations under the law pursuant to which this Corporation is chartered, and all of the powers and privileges which may be granted unto said Corporation under any other applicable laws of the State of North Carolina.

2. The Corporation shall have all the powers reasonably necessary to implement and effectuate the purposes of the Corporation, including, but not limited to, the following:

(a) To make and establish reasonable rules and regulations governing the use of Association properties and Common Elements within the condominium development as said terms may be defined herein and in the Declaration of Condominium for Villas at Megans Bay III Condominium.

(b) To levy and collect assessments against members of the Corporation to defray the common expenses of the Association as may be provided in the Declaration of Condominium for Villas at Megans Bay III Condominium and in the By-Laws of this Corporation which may be hereafter adopted, including the right to levy and collect assessments for the purpose of acquiring, operating, leasing, managing and otherwise trading and dealing with Association properties, whether real or personal, which may be necessary or convenient in the operation and management of the Association Properties and Common Elements within or without Villas at Megans Bay III Condominium, and for the purpose of accomplishing the purposes set forth in the Declaration of Condominium for Villas at Megans Bay III Condominium.

(c) To maintain, repair, replace, operate and manage Association Properties, real or personal, including the right to reconstruct improvements after casualty and to make further improvements to Association Properties within Villas at Megans Bay III Condominium and to make and enter into any and all contracts necessary or desirable to accomplish said purpose.

(d) To contract for the management of the Association and to delegate to such management firm all of the powers and duties of the Association except those which may be required by these Articles of Incorporation, By-Laws hereafter adopted, or the Declaration of Condominium, to have the approval of the Board of Directors or membership of the Corporation.

(e) To acquire and enter into, now or at any time hereafter, leases and agreements whereby the Association acquires leaseholds, undivided interests in real property, memberships, and

their possessory, ownership or use interests in land or facilities including, but not limited to, swimming pools and other recreational facilities, whether or not contiguous to the lands of Villas at Megans Bay III Condominium, to provide enjoyment, recreation or other use or benefit to the owners of units within said development.

(f) To enforce the provisions of the Declaration of Condominium for Villas at Megans Bay III Condominium, these Articles of Incorporation, the By-laws of the Corporation which may be hereafter adopted, and the rules and regulations governing the use of Association Properties as the same may be hereafter established from time to time.

(g) To exercise, undertake and accomplish all of the rights, duties and obligations which may be granted to or imposed upon the Corporation pursuant to the Declaration of Condominium for Villas at Megans Bay III Condominium.

ARTICLE VI.

The qualification of the members, the manner of their admission to membership and termination of such membership, and voting by members shall be as follows:

1. There shall only be one type of membership. Every purchaser of a condominium unit within Villas at Megans Bay III Condominium shall be required to be a regular member of the Association, and regular membership shall be limited to purchasers of condominium units within said development.

2. Regular memberships shall be appurtenant to and may not be separated from ownership of a condominium unit. Persons or entities who hold an interest in the unit merely as security for the performance of an obligation shall not be regular members.

3. When more than one person holds an interest in any condominium unit, all such persons shall be entitled to the privileges and responsibility of a regular membership, but said condominium unit shall only have one vote, and the purchasers of said unit shall designate one of them as the voting regular member. If the unit is owned by a corporation or other business entities, an officer or employee shall be designated as the voting regular member.

4. Each unit shall have a vote at all meetings of the membership of the Association in the amount of the undivided percentage of ownership in the Common Elements appurtenant to said unit as shown on Exhibit C to the Declaration of Condominium for Villas at Megans Bay III Condominium as recorded in the office of the Carteret County Register of Deeds.

5. The interest of a member in the funds and assets of the Corporation cannot be assigned, hypothecated or transferred in any manner except as an appurtenance to ownership of the condominium unit. The funds and assets of the Corporation shall belong solely to the Corporation subject to the limitation that the same be expended, held or used for the benefit of the membership and for the purposes authorized herein, and the Declaration of Condominium for Villas at Megans Bay III Condominium and in the By-Laws which may be hereafter adopted.

6. As each condominium unit is sold and conveyed to a purchaser, a roster or other written documentation shall be maintained containing the names and addresses of all purchasers of units. The vote of each unit may be cast or exercised by the Owner or Owners of each condominium units in such manner as may be provided in the By-Laws hereafter adopted by the Corporation.

ARTICLE VII.

The Corporation shall have perpetual existence.

ARTICLE VIII.

The affairs of the Corporation shall be managed by the Executive Board, and the Chief Officer of the Corporation shall be the President, assisted by the Secretary/Treasurer, subject to the directions of the Executive Board. The Executive Board may employ a management firm and/or such other managerial and supervisory personnel or entities to administer or assist in the administration of the operation and management of the Association, and the affairs of the Corporation, and any such person or entity may be a member of the Corporation or a Director or Officer of the Corporation, as the case may be.

ARTICLE IX.

The number of members of the First Executive Board of the Corporation shall be three (3). The number of members of the succeeding Executive Board shall be as provided from time to time by the By-Laws of the Corporation but shall not be less than three (3). The members of the Executive Board shall be elected by the members of the Corporation at the annual meeting of the membership as provided by the By-Laws of the Corporation. A majority of directors shall be members of the Association. The Villas at Megans Bay III, LLC as the Declarant in the Declaration of Condominium shall initially appoint the first three members of the Executive Board and any successors thereto until control of the Executive Board has been completely transferred to the unit owners, and the three members so appointed need not be members of the association. Not later than 120 days after conveyance of 75% of the units within Villas at Megans Bay III to unit owners other than the Declarant, which are to be submitted to condominium ownership, a special meeting of the Association shall be held for the purpose of electing members to the Executive Board to replace those members of the Executive Board appointed by the Declarant.

ARTICLE X.

The Executive Board shall elect a President and Secretary/Treasurer. The President and Secretary/Treasurer shall be elected from among the membership of the Executive Board. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created by the Executive Board.

ARTICLE XI.

The names and post office addresses of the initial Executive Board who, subject to the provisions of these Articles of Incorporation, the By-Laws and the laws of the State of North Carolina, shall hold office until the first annual meeting of the Membership (or until their successors are elected and qualified) are as follows:

Richard Farrington
8802 Sound View Court
Carteret County
Emerald Isle, NC 28594

David A. Barefield
394 Yacht Club Drive
Carteret County
Newport, NC 28570

Kathryn Gorham
9816 Clarendon Drive
Carteret County
Emerald Isle, NC 28594

ARTICLE XII.

The original By-Laws of the Corporation shall be adopted by a majority vote of the initial members of the Corporation as provided for in Paragraph 1 Article VI, herein, present at a meeting of said members at which a majority of the membership is present, and thereafter, such By-Laws may be altered or amended only in such manner as said By-Laws provide.

ARTICLE XIII.

Every Director and every officer of the Corporation shall be indemnified by the Corporation against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a Director or officer of the Corporation, whether or not he is a Director or officer at the time such expenses are incurred, except in such cases wherein the Director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that, in the event of any claim for reimbursement or indemnification hereunder based upon a settlement by the Director or officer seeking such reimbursement or indemnification, the indemnification herein shall only apply if the Board of Directors approves such settlement and reimbursement as being in the best interests of the Corporation. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Director or officer may be entitled.

ARTICLE XIV.

An amendment or amendments to these Articles of Incorporation shall require the assent of sixty six and two thirds percent (66-2/3%) of the Board of Directors.

ARTICLE XV.

In the event of dissolution of this Corporation, all of its then assets shall be distributed as follows:

(i) The dissolution shall be conducted under Court supervision, if required or permitted under the statutes of the State of North Carolina, as now enacted or as hereafter amended or supplemented, and, subject to prior compliance with N.C.G.S. 47C-2-118 et. seq. of the North Carolina Statutes, as then amended or supplemented, the assets of this Corporation shall be distributed to the members of this Corporation pro rata in accordance with their respective interests in the common elements of the condominium property.

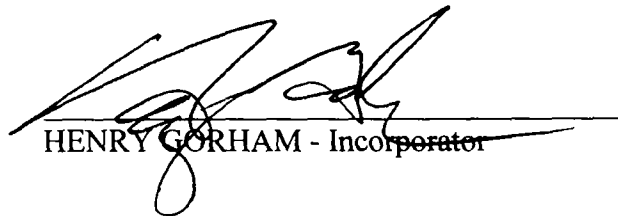
(ii) If the dissolution under Court supervision is not required or permitted under the Statutes of the State of North Carolina, as now enacted or as hereafter amended or supplemented, the assets of this Corporation shall be distributed, subject to prior compliance with N.C.G.S. 47C-2-118 et. seq. of the North Carolina Statutes, as then amended or supplemented, to the members of this Corporation pro rata in accordance with their respective interests in the common elements of the condominium property.

ARTICLE XVI.

The name and address of the incorporator is as follows:

Henry Gorham
9816 Clarendon Drive
Emerald Isle, NC 28594

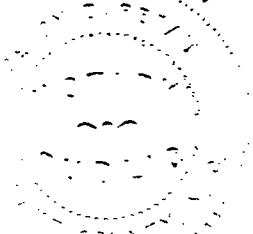
IN TESTIMONY WHEREOF, I, being the incorporator, have hereunto set my hand and seal on this the 30th day of September 2004.


HENRY GORHAM - Incorporator

STATE OF NORTH CAROLINA
COUNTY OF WAKE

I, Betsy Barbeau, the undersigned Notary Public, hereby certify that Henry Gorham, personally appeared before me, and being by me first duly sworn, declares that he signed the foregoing document in the capacity indicated and that the statements therein contained are true.

Witness my hand and official stamp or seal, this 30th of September 2004.



Betsy Barbeau
Notary Public

My Commission Expires: 05/13/2008

State of North Carolina
Department of the Secretary of State

ARTICLES OF CORRECTION

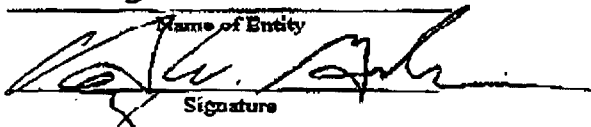
Pursuant to §55D-14 of the General Statutes of North Carolina, the undersigned entity hereby submits these Articles of Correction for the purpose of correcting a document filed by the Secretary of State.

1. The name of the entity is: Villas at Megans Bay III Association, Inc.
2. The type of business entity is: Domestic Corporation, Foreign Corporation,
 Domestic Nonprofit Corporation, Foreign Nonprofit Corporation,
 Domestic Limited Liability Company, Foreign Limited Liability Company
 Domestic Limited Partnership, Foreign Limited Partnership
 Domestic Limited Liability Partnership, Foreign Limited Liability Partnership.
3. On the 6th day of October, 2004, the business entity filed:
 - a. The following described document: Articles of Incorporation

-OR-

 - b. The attached document (Check here if applicable).
4. This document was incorrect in the following manner (specify the incorrect statement and the reason it is incorrect or the manner in which the execution was defective):
"Megans" in the corporate name was misspelled.
5. The incorrect matters stated in Item 4 above should be revised as follows or the corrected document may be attached:
"Megans" should be changed to "Magens."

This the 4th day of January, 2005

Villas at ^{Megans} Bay III Association, Inc.
Name of Entity

Signature
Henry W. Gorham, Incorporator
Type or Print Name and Title

- NOTES:
1. Filing fee is \$10. This document must be filed with the Secretary of State.
 2. For effective date of these Articles of Correction, see N.C.G.S. §55D-14.