

STATE OF NORTH CAROLINA



RECORDED & VERIFIED
MARY SUE OCTS
REGISTER OF DEEDS
NEW HANOVER CO. NC

Department of The
Secretary of State

To all whom these presents shall come, Greetings:

I, **ELAINE F. MARSHALL**, *Secretary of State of the State of North Carolina*, do hereby certify the following and hereto attached to be a true copy of

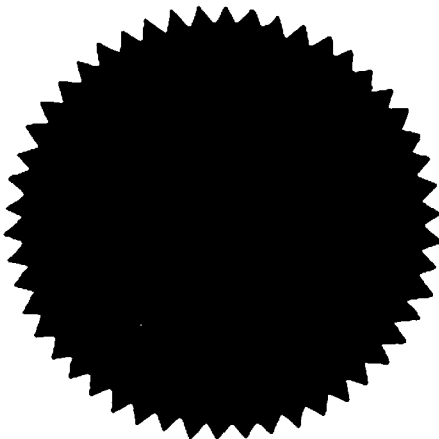
ARTICLES OF INCORPORATION
OF

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CHESNEY PLACE OWNERS ASSOCIATION, INC.

the original of which was filed in this office on the 14th day of August, 1998.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this 14th day of August, 1998.



Elaine F. Marshall

Secretary of State

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EFFECTIVE
ELAINE F. MARSHALL
SECRETARY OF STATE
NORTH CAROLINA

ARTICLES OF INCORPORATION

FOR

CHESNEY PLACE OWNERS ASSOCIATION, INC.

A Nonprofit Corporation

I, the undersigned individual, hereby do make and acknowledge these Articles of Incorporation for the purpose of forming a nonprofit corporation under and by virtue of the laws of the State of North Carolina as contained in Chapter 55A of the General Statutes of North Carolina, entitled "North Carolina Nonprofit Corporation Act," and the several amendments thereto, and to that end hereby do set forth:

1. Name: The name of the corporation is Chesney Place Owners Association, Inc. (the "Association").

2. Duration: The period of duration of the Association shall be perpetual.

3. Definitions: As used in these Articles of Incorporation ("Articles"), the following definitions shall apply:

a. Capitalized terms shall have the same meaning specified for such terms as more particularly set forth in the Declaration for Chesney Place recorded in the office of the Register of Deeds of New Hanover County, North Carolina; and,

b. References to the "Code" shall mean the Internal Revenue Code of 1986, as amended, and any amendments thereto or any corresponding provisions of any future United States Internal Revenue Laws; and,

c. References to provisions of the General Statutes of North Carolina shall include any amendments thereto or any corresponding provisions of any future North Carolina Statutes; and,

d. References to the "North Carolina Nonprofit Corporation Act" shall mean Chapter 55A of the General Statutes of North Carolina and shall include any amendments thereto or any corresponding provisions of any future North Carolina Statutes.

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4. Purposes: The Association is organized and will be operated as a "homeowners association" within the meaning of Section 528 of the Code for the following specific purposes:

a. To provide for the acquisition, construction, management, maintenance, and care of "association property," within the meaning of, and as such property is defined in, Section 528 of the Code; and,

b. To own, manage, administer and maintain the Common Elements and provide for the Upkeep of the Common Elements and, to the extent provided in the Association Documents, of the Lots; and,

c. To own, manage, administer and maintain and provide for the Upkeep of any Additional Property which hereafter may be acquired by purchase, gift, annexation, dedication or otherwise; and,

d. To own, manage, administer, maintain and provide for the Upkeep of and operate any improvements now or hereafter located on any portion of the Common Elements.

In order to achieve the foregoing purposes, the Association shall have the following powers and authority:

a. To exercise all powers and rights and perform all of the acts and duties and obligations of the Association as more particularly described in the Association Documents with respect to all or any portion of the Property; and,

b. To undertake any activity whatsoever that is in furtherance, directly or indirectly, of the purposes of the Association set forth above; and

c. To exercise any and all powers that may be conferred upon nonprofit corporations under Chapter 55A of the General Statutes of North Carolina in furtherance of the purposes of the Association; and

d. To take any and all action necessary and appropriate to qualify the Association under Section 528 and to elect that the Association be taxed under Section 528 of the Code.

Provided, however, and notwithstanding any power or authority set forth above in this Article, the Association shall have the power and authority to engage only in activities that meet each of the following requirements:

a. Such activities are not broader than those activities that may be undertaken by a homeowners association within the meaning of and as defined in Section 528 of the Code; AND,

b. Such activities are not broader than those activities that may be undertaken by a homeowners association pursuant to Section 105-125(a)(8) and Section 105-130.11(a)(11) of the General Statutes of North Carolina; AND,

c. Such activities are not broader than those activities that may be undertaken by a nonprofit corporation pursuant to Chapter 55A of the General Statutes of North Carolina; AND,

d. Such activities are not broader than those activities that may be undertaken by the Association pursuant to the Association Documents.

5. Membership: The Association shall have members, and the class or classes of members and the qualifications and rights of members shall be set forth in the Bylaws of the Association.

6. Veto Over Board: Notwithstanding any contrary provisions in the Association Documents, at all times during the Development Period as specified in the Declaration, the Declarant shall have veto power over all actions of the Board of Directors or any committee as may have been appointed by the Board of Directors or established by the Bylaws, which veto power shall be exercised by the Declarant as follows: During the Development Period, the Secretary of the Association shall provide the Declarant with a

written copy of the minutes of any directors' meeting (and the minutes of any meeting of any committee appointed by the Board of Directors or established by the Bylaws) OR a copy of any unanimous consent minutes executed by the Board or any committee thereof within five (5) business days following such meeting or date of execution, as applicable, and the Declarant shall have ten (10) business days following the Declarant's receipt of a copy of such minutes to veto any or all action taken therein, which veto shall be communicated in writing by the Declarant to the Secretary of the Association at the Association's principal office within the aforementioned ten (10) day period, and any action taken in such meeting or unanimous consent minutes of the Board or a committee thereof shall not become effective until the end of the aforementioned ten (10) veto period; provided, that however, in the event that immediate or emergency action of the Board of Directors or a committee thereof becomes necessary, which action must be completed or taken before the aforementioned veto period will expire and which emergency has not occurred through a lack of due diligence by the Board of Directors, then notice of such emergency meeting and the purpose therefor (or in lieu thereof, unanimous consent minutes containing such purpose) shall be delivered to the Declarant in person or sent to Declarant by United States Mail, registered or certified mail, return receipt requested, and Declarant shall be deemed to have consented to any such action taken by: (a) attendance by the Declarant at such meeting with no objection to the action taken therein stated in the record of such meeting, (b) if Declarant does not attend the meeting and if Declarant is notified of any action taken by the calendar day after the meeting by any usual means of communication by the Secretary of the Association, before midnight of the fifth (5th) calendar day after the date of such meeting if objection to the action taken therein is not communicated in writing by the Declarant to the Secretary of the Association within such five (5) day period,

(c) if there is no meeting, before midnight of the fifth (5th) calendar day after the date of the Declarant's receipt of a copy of unanimous consent minutes of the Board or a committee thereof if notice of objection is not communicated in writing by the Declarant to the Secretary of the Association within such five (5) day period, or (d) regardless of whether a meeting is held by the Board or committee thereof, within such earlier time as may be consented to by the Declarant in writing to the Secretary of the Association after receipt of notice of such emergency; and such emergency action by meeting or unanimous consent minutes is not effective until the Declarant's consent is deemed given pursuant to the above stated emergency consent procedures.

7. Nonprofit Issues: The Association is not organized and shall not be operated for pecuniary gain or profit. No part of the net earnings of the Association shall inure to the benefit, or be distributable to its members, directors, officers, or any other individuals, except that the Association shall be authorized and empowered to pay reasonable compensation for services actually rendered, and other than by acquiring, constructing, or providing management, maintenance, and care of association property, and other than by a rebate of excess membership dues, fees, or assessments. It is intended that the Association will qualify at all times as an organization eligible to elect to be taxed under Section 528 of the Code.

8. Amendment: Any amendment to these Articles to be adopted shall be approved by:

- a. a majority of the Executive Board; and
- b. by the members upon an affirmative vote of two-thirds of those members entitled to vote.

9. Dissolution: In the event of dissolution of the Association, any net assets remaining after the satisfaction of the Association's liabilities shall be transferred and delivered to one (1) or more public agencies that are exempt from state and federal

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taxation as shall be selected by the Board of Directors of the Association, and such assets are to be used for purposes similar to those for which this Association was created. In the event that such transfer and delivery is refused acceptance, any net assets remaining as of the satisfaction of the Association's liabilities shall be transferred and delivered to one or more organizations, as shall be selected by the Board of Directors of the Association, that are organized generally for purposes similar or related to those set forth in Section 4 hereof, as long as any such organization is exempt from tax pursuant to Section 501 of the Code or has elected to be taxed under Section 528 of the Code.

10. Registered Office and Agent: The street address of the initial registered office of the Association is 7208 Wrightsville Avenue, Wilmington, New Hanover County, North Carolina 28403; the mailing address of the initial registered office of the Association is Post Office Box 1370, Wrightsville Beach, New Hanover County, North Carolina 28480; and the name of the initial registered agent at such address is Rodney Q. Harris.

11. Principal Office: The principal office address of the Association is 7208 Wrightsville Avenue, Wilmington, New Hanover County, North Carolina 28403.

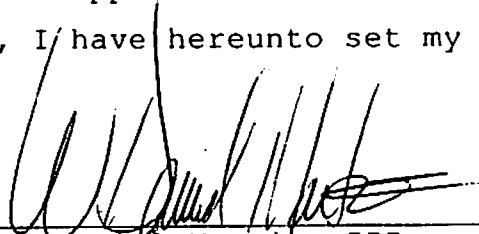
12. Incorporator: The name and address of the incorporator are: W. Daniel Martin, III, Ward and Smith, P.A, University Corporate Center, 127 Racine Drive, Post Office Box 7068, Wilmington, North Carolina 28406-7068.

13. HUD/VA Approval: Until the end of the Development Period as specified in the Declaration, AND if necessary for qualification of any sections of the Property (or after any section of the Property has qualified) for Department of Housing and Urban Development or Veterans Administration loan approval, the dissolution of the Association, amendment to these Articles, mortgaging the Common Elements, and annexation of Additional Property by the Association (in addition to any requirements

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pursuant to these Articles, the Bylaws, and the North Carolina Nonprofit Corporation Act) shall require written approval from the Department of Housing and Urban Development or Veterans Administration, as applicable. The foregoing right of approval is applicable only until the end of the Development Period as specified in the Declaration and only after Declarant has notified the Secretary of the Association in writing at the Association's principal office of an intent to qualify, or the qualification of, any section of the Property for Department of Housing and Urban Development or Veterans Administration loan approval, as applicable. Correspondence from the applicable agency or agencies to the Association stating that a proposed dissolution of the Association or a proposed amendment to these Articles is acceptable shall constitute evidence of such approval.

IN TESTIMONY WHEREOF, I have hereunto set my hand, this the 10th day of August, 1998.



W. Daniel Martin, III
Incorporator

Prepared by and return to:

W. Daniel Martin, III
For the firm of
Ward and Smith, P.A.
University Corporate Center
127 Racine Drive
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