

September 6, 2004

ARTICLES OF INCORPORATION
LOCKWOOD FOLLY PROPERTY OWNERS ASSOCIATION

The attached Articles of Amendment to the Lockwood Folly Property Owners Association Articles of Incorporation was signed September 3, 2004 and filed with the North Carolina Secretary of State. The Amendment is a Revision of Article X, subsection (b) Class "B" members that was approved by the LWFPOA membership at the Special Meeting held on May 18, 2004. The revision reflects the changes in the Lockwood Folly Country Club's (owners of the golf course) voting rights.

Board of Directors

Lockwood Folly Property Owners Association
Board of Directors

18 Club House Drive, SW Supply, North Carolina 28462

State of North Carolina

Department of the Secretary of State

ARTICLES OF AMENDMENT BUSINESS CORPORATION

Pursuant to §55-10-06 of the General Statutes of North Carolina, the undersigned corporation hereby submits the following Articles of Amendment for the purpose of amending its Articles of Incorporation,

1. The name of the corporation is: LOCKWOOD FOLLY PROPERTY OWNERS ASSOCIATION, INC.
2. The text of each amendment adopted is as follows: Revision of Article X, subsection {b) entitled "Class B" by deleting subsection (b) and substituting therefore the following:
(B) Class "B
Class "B" members shall be the Owners of the (1) golf course and its related amenities (2) the dry boat storage and its related facilities once constructed and (3) any other Recreational Amenity which is operated as an ongoing business enterprise. The Owner of the golf course recreational amenity shall be entitled to 50 votes in the event that a special assessment for major maintenance and/or enhancement to the Clubhouse or roads and requires a vote for approval by the membership for approval by class to borrow funds.
3. If an amendment provides for an exchange, reclassification or cancellation of issued shares, provisions for implementing the amendment, if not contained in the amendment itself, are as follows: NA
4. The date of adoption of each amendment was as follows: May 18, 2004 at 5:00 PM
- 5 (Check either a, b, c, or d, whichever is applicable)
 - a. ___ The amendment(s) was (were) duly adopted by the incorporators prior to the issuance of shares.
 - b. ___ The amendment(s) was (were) duly adopted by the board of directors prior to the issuance of shares.
 - c. ___ The amendments(s) was (were) duly adopted by the hoard of directors without shareholder action as shareholder action was not required because (set forth a brief explanation of why shareholder action was not required)
 - d. X The amendments(s) was (were) approved by shareholder action, and such shareholder approval was obtained as required by Chapter 55 of the North Carolina Genera! Statutes.
6. Those articles will be effective upon filing, unless a delayed time and date is specified:

This the 3rd day of September, 2004

LOCKWDOD POLLY PROPERTY OWNERS ASSOCIATION, INC.

Joseph E. Parnell

JOSEPH E PARNELL, Treasurer

fee is \$50. This document must be filed with the Secretary of State.

CORPORATIONS DIVISION

P. O BOX 29622

RALEIGH, NC 27626-0622 (Revised January 2002)

(Form B-02)

ARTICLES OF INCORPORATION
OF
LOCKWOOD FOLLY PROPERTY OWNERS ASSOCIATION, INC.
A Non-Profit -Corporation

The undersigned, acting as incorporator of a non-profit corporation under Chapter 55A of the North Carolina General Statutes, does hereby adopt the following Articles of Incorporation for such corporation.

ARTICLE .I

The name of the corporation (hereinafter called the Association) is LOCKWOOD FOLLY PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE.II

The specific primary purposes for which the Association is formed is to carry out the function's as set out for the Association in the Master Declaration of Covenants, Conditions and Restrictions for Lockwood Folly.

In furtherance of such purposes, the Association shall have the power to:

- (a) Perform all of the duties and obligations of the Association as set forth in the Master Declaration for Lockwood Folly Property Owners Association, Inc. applicable to the development and to be recorded in the Public Records of Brunswick County, North Carolina;
- (b) Affix, levy, collect, and enforce payment by any lawful means of all penalties, charges and assessments pursuant to the terms of the Master Declaration and pay all expenses in connection therewith, and all office and other expenses incidental to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied on or imposed against the property of the Association;
- (c) Acquire (by gift, purchase or otherwise), own, hold, and improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate to public use, or otherwise dispose of real and personal property in connection with the affairs of the Association;
- (d) Borrow money and, subject to the consent by vote or written instrument of two-thirds'(2/3) of each class of members, mortgage, pledge, convey by deed of trust, or hypothecate any or all of its' real, or personal property as security for money borrowed or debts incurred;
- (e) Dedicate, sell, or transfer all or any part of the common areas to any municipality, public agency, authority, or utility for such purposes;

(f) Have and exercise any and all powers, rights, and privileges that a non-profit corporation organized under Chapter 55A of the North Carolina General Statutes by law may now or hereafter have;

(g) Retain a management entity to perform any of the services or duties set forth above or in the Declaration.

The Association is organized and shall be operated exclusively for the purpose set forth above. The activities of Association will be financed by assessments against members as provided in the Declaration, and no part of any net earnings of the Association will inure to the benefit of any member.

ARTICLE III

Every person or entity who is an Owner of (a) a Lot, (b) a Dwelling and (c) any Recreational Amenity situated in the Development shall be a member of the Association, provided that any such person or entity who holds an interest merely as security for the performance of an obligation shall not be a member.

ARTICLE IV

The period of duration of the Association shall be perpetual.

ARTICLE V

The name and mailing address of the subscriber is:

Mason H. Anderson, P. O. Box 345 Shallotte, NC 28459

ARTICLE VI

The affairs of the Association shall be managed by a Board of Directors; a President and a Vice President. Prior to turnover as defined in the Master Declaration, the Board of Directors will be appointed by Channel Side Corporation, the Developer of the Lockwood Folly Project. Neither the officers or the directors need be members of the Association. After turnover, both the officers and directors must be members of the Association (or an officer of any corporate member). The officers shall be elected at the first meeting of the Board of Directors each year.

The names of the officers who are to serve until the first election are:

<u>Name</u>	<u>Office</u>
	President
Paul Dennis	Vice President
	Secretary-Treasurer
Mason H. Anderson	Asst. Secretary-Treasurer

ARTICLE VII

The number of persons constituting the first Board of Directors of the Association shall be four (4); and thereafter, the membership shall consist of not more than seven (7); and the names and addresses of the persons who shall serve as Directors until the first election are:

<u>Name</u>	<u>Address</u>
Paul D. Dennis	P. O. Box 102 Sunset Beach, NC 28459
William D. Benton	No. 1 Seaside North Shallotte, NC 28459
George A. Sloane, III	16 Causeway Road Ocean Isle Beach, NC 28459
Mason H. Anderson	P. O. Box 345 Shallotte, NC 28459

ARTICLE VIII

The Board of Directors shall adopt the initial Bylaws. Thereafter the Board of Directors shall have the power, to alter, amend or repeal the By-laws or adopt new By-laws provided such action and the resulting Bylaws are not inconsistent with the Articles of Incorporation or the Master Declaration.

ARTICLE IX

These Articles may be amended at any annual meeting of the Association, or at any special meeting duly called and held for such purpose / on the affirmative vote of a majority of each class of voting members existing at the time of, and present in person or by proxy at such meeting. The procedure for proposing an amendment shall be as set out in N.C.G.S. Sec. 55-A-35

ARTICLES X

The Association shall have three classes of voting members as follows:

(a) Class "A"

Class "A" Members shall be all those Owners as defined in Section 1 of this Article with the exception of the Declarant and the Owner of any Recreational Amenity. Class "A" members shall be entitled to one vote for each Lot or Dwelling Unit in which they hold the interest required for membership by Section 1. When more than one person holds such interest in any Lot or Dwelling Unit, all such persons shall be members and the vote for such Lot or Dwelling Unit shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot or Dwelling Unit. The Bylaws may establish procedures for voting when the title to a Dwelling Unit or Lot is held in the name of a corporation or more than one person or entity.

(b) Class "B"

Class "B" members shall be the Owners of the (1) golf course and its related amenities (2) the dry boat storage and its related facilities once constructed and (3) any other Recreational Amenity which is operated as an ongoing business enterprise. The Owner of the golf course recreational amenity shall be entitled to 100 votes, the Owner of the dry boat storage and related facilities shall be entitled 50 votes. Should the Declarant build or erect any other Recreational Amenity as an ongoing business enterprise' it shall have the right to assign the number of votes in the Association to the Owner of that Recreational Amenity.

(c) Class "C"

Class "C" Member is the Declarant. The Class "C" Member shall be entitled to three votes for each Lot or Dwelling Unit in which it holds the interest required for membership by Section; provided that Class "C" membership shall cease and become converted to Class "A" membership on the happening of the earlier of any of the following events:

1. When the total votes, outstanding in the Class "A" membership equal the total votes outstanding in the Class "C" membership; or
2. At any earlier time that the Declarant, in its sole discretion, voluntarily converts its Class "C" membership to Class "A" membership.
3. On December 31, 1997, if not sooner converted under (1) or (2). From and after the happening of the earlier of these events, the Class "C" member shall be deemed to be a Class "A" Member' entitled to one vote for each Lot or Dwelling Unit in which it holds the interest required for membership under Section 1.

ARTICLE XI

On dissolution, the assets of the Association shall be distributed to an appropriate public agency to be used for purposes similar to those for which the Association was created. In the event such distribution is refused acceptance, such assets shall be granted, conveyed, and assigned to any non-profit corporation, association, trust, or other organization organized and operated for such similar purposes.

ARTICLE XII

The initial registered agent of the corporation shall be Mason H. Anderson, P. O. Box 345, Shallotte, NC 28459.

ARTICLE XIII

The effective date of this corporation shall be upon filing with the Office of the Secretary of State of North Carolina.

ARTICLE XIV

Each Director and Officer of this Association shall be indemnified by the Association against all costs and expenses reasonably incurred or imposed upon him in connection with or arising out of any action, suit or proceeding in which he may be involved or to which he may be made a party by reason of his having been a Director or Officer of this Association, such expense to include the cost of reasonable settlements (other than amounts paid to the Association itself).

IN WITNESS WHEREOF, the undersigned subscriber has executed these Articles of Incorporation on this 8th day April, 1987.


Mason H. Anderson
Mason H. Anderson
Incorporator

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, Charles L. Smith, a Notary Public of the County and State aforesaid, certify that MASON H. ANDERSON personally appeared before me this day and acknowledged the execution of the foregoing instrument.

Witness my hand and official stamp or seal, this 8th day of April, 1987.

Charles L. Smith
Notary Public


My Commission Expires: April 15, 1991