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STATE OF NORTH CAROLINA

PROTECTIVE COVENANTS AND RESTRICTIONS FOR
INDIAN SHORES SUBDIVISION

COUNTY OF CARTERET

THESE PROTECTIVE COVENANTS AND RESTRICTIONS made this 31st day of October, 2001, by Clyde Harris Realty, Inc., a North Carolina Corporation, 3105D Ward Boulevard, Wilson, North Carolina 27893, said Protective Covenants and Restrictions for Indian Shores Subdivision being for the use and benefit of all future Owners of lots in Indian Shores Subdivision, as the same is identified on that certain plats prepared by Powell Surveying Company, dated September 24, 2001 and recorded in Map Book 30, Page 09, Carteret County Registry;

W I T N E S S E T H:

WHEREAS, Clyde Harris Realty, Inc., hereinafter designated "Developer", in order to promote a uniform and harmonious development of said lands as a desirable residential community, and so as to provide for lot owners the joint use of common areas as shown on the recorded subdivision plats, and as hereinafter described for the use and enjoyment of owners of lots within said Subdivision, desires to adopt these Protective Covenants and Restrictions for the purposes herein expressed:

NOW, THEREFORE, in order to provide for the foregoing, the Developer does hereby covenant and agree with all persons, firms or corporations now owning or hereafter acquiring any portion of Indian Shores Subdivision, that the use of lots in Indian Shores Subdivision is hereby made subject to the following restrictions, covenants, terms and conditions which shall run with said land and shall be binding on all property Owners within said Subdivision and their successors and assigns.

SECTION I - DEFINITIONS.

As used throughout this Declaration and Agreement of Association, the following terms shall have the definitions set out herein as follows:

A. "Developer" shall mean and refer to Clyde Harris Realty, Inc., a North Carolina Corporation, and its successors and assigns.

B. "Association" shall mean and refer to Indian Shores Association, Inc., an incorporated non-profit association, and its successors and assigns, established for the administration, maintenance

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and regulation of common areas to be used for the owners of lots within Indian Shores Subdivision.

C. "Owner" shall mean and refer to the Owner of record of any lot in Indian Shores Subdivision as said lots are shown on the recorded maps herein referred to, but excluding those holding an interest in any lot or lots for security purposes.

D. "Lot" refers to any of those numbered lots shown on maps of Indian Shores Subdivision recorded aforesaid.

E. "Common Area" shall mean all real property (including the improvements thereto) owned by, leased to, or otherwise provided by these Covenants for administration and management by the Association for the common use and enjoyment of the Owners. The Common Areas under the management and control of the Association with regard to Indian Shores Subdivision at the outset shall be the water access area and Indian Shores Court, which are part of Section III of Indian Shores Subdivision as shown on the recorded plat.

SECTION II - COVENANTS AND RESTRICTIONS:

1. Applicability. Lots 1 through 4(A) and Lots 5 through 7, Section I, Lots 8 through 12, Section II, and Lots 13 through 24, Section III, Indian Shores Subdivision are expressly made subject to the operation of these Covenants.

2. Additional Lands. Developer at any time prior to December 31, 2011, reserves the right to add or bring additional lands under this Declaration by filing in the Office of the Register of Deeds for Carteret County, North Carolina, a Supplementary Declaration of Covenants and Restrictions with respect to the additional property. Said Supplementary Declaration would extend the scheme of development and the binding effect of these Covenants and Restrictions on the additional property, and such Supplementary Declarations may contain complementary additions and modifications of these Covenants and Restrictions as may be necessary to reflect the different character of the added properties. In no event shall the Supplementary Declaration revoke, modify or add to these Covenants as they are applicable to the Lots set forth in Section I above.

3. Reservations. The Developer reserves the right absolutely to change, alter or redesignate the allocated, planned, platted, or recorded use, area, or designation of any of the lots shown on the map of Indian Shores Subdivision recorded aforesaid so long as the Developer retains title to the property involved, so long as any changes or alterations are in conformance with Carteret County's Subdivision and Zoning Ordinances, including, but not limited to the

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right to change, alter or redesignate roads, utility and drainage facilities, and to change, alter or redesignate such other present or proposed lot lines and facilities as may, in the sole judgment of the Developer, be necessary or desirable.

4. Residential Use.

A. All numbered lots shall be used for single family residential purposes only. No structures shall be constructed, altered, placed or permitted to remain on any lot in the subdivision unless the same is a single family residence.

B. Mobile homes, trailers, manufactured homes, modular homes, tents and all other structures of a temporary character are expressly prohibited from being placed, put or maintained on any lot at any time. Provided, this prohibition shall not apply to shelters used by a Contractor or Builder during the construction of a single family dwelling so long as said temporary shelter is not used at any time as a resident and said temporary shelter is immediately removed following completion of the dwelling. As used herein, the term "mobile home" and "manufactured home" shall have those definitions and meanings set forth in G.S. 41-2.5, G. S. 143-143.9(6), and G.S. 143-145(7). Provided, that the width and length of a manufactured home, or mobile home shall be irrelevant and inapplicable as it is the intent of these covenants to prohibit manufactured homes, modular homes and mobile homes of all sizes regardless of length or width.

C. All single family homes shall either be stick built or a combination of either stick built, built in place, or the installation of building component panels or sections constructed off the lot and then transported and installed as part of the completion of the home. The construction and placement of a modular home on the lot is prohibited and "modular" as used herein refers to or is defined as a prefabricated structure, having floors, walls, ceilings or roof composed of sections or panels of varying sizes which is prefabricated off the property and transported to the property for erection on a building foundation.

D. All fuel tanks or similar storage receptacles are prohibited from being exposed to view. Any such receptacles may be installed only within the main dwelling house, within a permitted accessory building, within a screened area, or buried underground. Provided, the Developer shall be permitted to erect, place or permit the placement of tanks, equipment other apparatus within the Subdivision for uses related to the provision of sewage, water and other utilities to the Subdivision.

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5. Minimum Building Requirements.

A. No residential structure shall be constructed on any of the residential lots within the Subdivision unless the residential structure shall contain a minimum of 1,500 square feet of enclosed dwelling area. Any dwelling containing more than a single story, must contain a minimum of 1800 square feet of enclosed dwelling area. As used herein the term "enclosed dwelling area" shall mean the total enclosed heated area within a dwelling, excluding garages, terraces, decks, unenclosed porches, and similar areas.

B. No building shall be erected or allowed to remain on any lot in said Subdivision within 30 feet of the street abutting the front of each lot or within 15 feet of any side line of each lot, or within 50 feet of the rear lot line, or as said setbacks may be shown on the recorded maps of the Subdivision, whichever is the greater amount of setback. If due to topography, irregular lot shape or similar factors directly related to other lots within the Subdivision, the setbacks herein would create a hardship or burden on an Owner, upon written application to the Developer, the Developer is authorized to vary said setbacks the minimum amount necessary in order to provide for a suitable and aesthetically pleasing structure on the subject lot. However, any such variance by the Developer would be subject to prior approval by Carteret County or other governmental agency having authority over the issuance of building permits and enforcement of Subdivision or zoning setback requirements.

C. The exterior of all houses and other structures must be completed within twelve (12) months after construction is commenced, except under such circumstances where such completion is impossible or would result in great hardship to the Owner or builder due to strikes, fires, national emergency or natural calamities.

D. Each lot Owner shall provide space for parking two automobiles off the street prior to the occupancy of any dwelling constructed on said lot and automobiles shall not be parked on State Road 1154.

E. Each lot Owner shall be permitted to build, erect or maintain one primary dwelling on any lot as well as one or more detached accessory buildings or structures. Said detached or

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accessory structure or building shall not be used for any activity normally conducted as a business, and the detached building shall not be constructed prior to the construction of the main dwelling. All detached buildings shall comply with all of the setback requirements set forth herein for the main dwelling, and shall be built of the same quality and type of materials and design so as to be compatible with the main dwelling house located on the lot. Each additional building shall be located no closer to the street on which the lot fronts than the detached single family dwelling located on the same lot.

F. In order to protect the shoreline from erosion and to cut down on the amount of stormwater run-off of soil and lot coverings, each lot Owner shall be prohibited from cutting, killing, or otherwise providing for the removal either directly or indirectly of any tree on any lot within the Subdivision exceeding six inches in diameter except for any tree or vegetation within the proposed "footprint" of the dwelling or outbuilding to be constructed on the lot, or suitable safety zone around the same, without the prior written approval of the Developer or its designee. The Developer is authorized to allow the cutting or removal of trees that are diseased or damaged, or constitute a potential damage to structures, automobiles or persons on the subject lot or adjoining lots.

"Footprint" as used herein is defined as the specific location on each lot where the dwelling, outbuilding, driveway, decks, terraces, and utilities systems are proposed to be located. Trees and vegetation within the footprint may be removed so long as the footprint of each lot is submitted to and approved in advance by the Developer. The Developer shall be guided by the intent of the Declarant herein that existing vegetation outside the footprint be protected.

G. Clothes lines and television satellite disks exceeding twenty four (24) inches in diameter are expressly prohibited.

H. Each lot owner may park or locate not more than one camper or recreational vehicle and one boat trailer and boat on the lot which shall be parked on the driveway immediately adjacent to the garage, the side yard adjacent to the garage, or to the rear of the garage or main dwelling. Any camper/recreational vehicle or trailer and boat located thereon must be in good operational condition and fit for the purpose for which intended, so that the same may be immediately used. The location of junk or delapidated campers, RV's or boats and trailers on the property is prohibited.

I. The only permitted access to each lot from the Subdivision streets shall be over a culvert and driveway constructed over the drainage ditching and swales along the subdivision roads. No lot Owner shall fill in or alter any of the drainage system, ditches or

swales of the Subdivision without the written approval of the developer. All culverts must meet North Carolina Department of Transportation standards.

J. Metal or wire fencing is prohibited except for a dog pen or pet enclosure not exceeding 400 square feet in area.

6. Building Design.

A. Brick, wood, vinyl siding, stucco, or hardiplank or its equivalent may be used as an exterior of all structures. Any other materials including exposed concrete block shall be prohibited unless first submitted to and approved in writing by the Developer or its designee. Stucco may be used only as exterior covering on block or similarly approved applications, and the "EIFS" stucco system is prohibited.

B. Only white or pastel paints or white or subdued tones or stains shall be permitted on the exterior of any dwelling, except with the prior written approval of the developer or its designee.

7. Nuisances, Inoperable Vehicles, Etc.

A. No unserviceable motor vehicles, appliances or other assorted junk and useless materials may be kept on any lot. All lots shall be maintained free and clear of rubbish and debris

B. No noxious or offensive activity shall be carried on upon any lot, nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance or a nuisance to the neighborhood. No horses, fowl, livestock or other animals shall be allowed on any of the lots, except that lot Owners actually residing upon their lots may keep pets which are customarily domesticated, tame and considered house pets such as dogs, cats and birds. Animals may not be kept or maintained on a lot for breeding or resale. All animals shall be fenced, on a leash or under the owner's control at all times, and animals shall be prohibited from running at large. Additionally, animals which because of their barking, excessive noise or ferociousness shall be prohibited, and adjoining lot owners, the developer or the Association shall have the right to restrain animals not meeting the requirements of this section.

C. All buildings, structures and their appurtenances shall be maintained in a reasonable state of repair. In the event of damage to a building or other structure by fire or other casualty, the exterior of a building or structure shall be repaired within six (6) months or the building structure shall be demolished and the premises cleared of debris within six (6) months of the date the damage occurred.

8. Signs.

No sign of any character shall be displayed on any lot except for a property identification sign not exceeding two square feet, and "for sale" or "for rent" signs not exceeding six square feet in size each. Provided, nothing herein shall prohibit the Developer from erecting, placing or maintaining such signs as may be deemed necessary or appropriate by the Developer for carrying out the Developer's identification and marketing of the Subdivision.

9. Subdividing.

Except as to any lot still owned by the Developer, no lot shall be further subdivided, or its boundary lines changed, except with the prior written consent of the Developer. Likewise, no lot shall be used as a street, road, lane, way or easement over which access may be obtained from a Indian Shores Subdivision lot to adjacent properties without the specific written consent of the Developer. In the event the Developer hereafter determines it necessary to alter or change any boundary lines or lot, then a revised plat of said subdivision or section thereof subject to the alteration or change shall be recorded, and all such lots thereon shall be subject to the terms and conditions of these covenants.

10. Bulkheading and Filling of Lots.

No lot shall be bulkheaded or increased in size by filling in the waters or marsh on which it abuts without the prior written approval of the appropriate State or Federal Agencies.

11. Docks and Compliance with Environmental Regulations:

No private or public docks, piers, moorings, boathouses, lifts, floating docks or similar structures or facilities shall be erected on, placed on, maintained or connected with any lot fronting on the Newport River unless the same be first approved by the appropriate State and Federal Agencies having jurisdiction over any permits that may be required.

Any drainage facilities, utilities, areas of environmental concern, Common Areas and other properties within the subdivision shall be maintained at all times in a manner consistent with all State and Federal Agencies, and the State of North Carolina shall have standing to enforce the provisions of these Covenants with regard thereto.

Every lot owner in fertilizing and spraying for landscaping and gardening purposes shall use liquid solutions to curb chemical and petroleum runoff directly or indirectly into the Newport River or

adjacent waters. Additionally, no lot owner shall store petroleum, gasoline, chemical or other fuels or materials which are classified as hazardous wastes under State and Federal Rules and Regulations, except for minimal storage for household or recreational use or upkeep and maintenance of the lot or vehicles thereon.

12. Easements.

A. Utility Easements. The Developer reserves unto itself a perpetual, alienable and releasable easement and right-of-way on, over, under, through and upon the ground with men and equipment to erect, maintain, and inspect, repair and use electric and telephone poles, wires, cables, conduits, sewers, water mains and pipes and other suitable equipment for the conveyance and use of electricity, telephone equipment, gas, sewage, water and community utilities or conveniences in and over the front twenty feet of each lot and ten feet along one side line of each lot and such other areas as may be shown on the recorded map of the Subdivision, together with the right to cut drainways for surface water whenever action may appear to the Developer to be necessary in or to maintain reasonable standards of health, safety and appearance. These easements and rights-of-way expressly include the right to cut trees, bushes or shrubbery, grading of the soil, or to take similar actions reasonably necessary to provide economical and safe utility installation and to maintain reasonable standards of health, safety and appearance. The Developer further reserves the right to assign said easements to one or more public or private water and/or sewer utility companies for service to each lot in the future.

B. Area Lighting. The Developer reserves the right to subject the real property in this subdivision to a contract with Carteret Craven Electrical Membership Corporation for the installation of area lights which may require a continuing monthly payment to the applicable electrical utility company by the Owner of each lot to which the same adjoins or abuts.

C. Drainage Easements. Each lot Owner shall keep free and clear any and all drainage easements shown on the recorded map of the Subdivision, and each Owner shall in no way obstruct, block or impede the flow of water through said drainage easements. In the event any lot Owner should obstruct, block or impede the flow of water through said drainage easements or allow said obstruction or blockage to remain so as to impede the flow of water, then the Developer, Association, or one or more property Owners within the Subdivision shall have the right to clear said drainage easements and to recover from the party responsible the cost of said clearing if said obstruction or blockage were the results of deliberate acts or negligence of the responsible party.

D. Subdivision Identification Signs. The Developer reserves the right to place signs, fencing, brick or stucco walls, or other appropriate structures identifying Indian Shores Subdivision on one or

more lots adjacent to or in close proximity to State Road 1154. In the event any part of the walls, fencing or structures encroach onto any lot, said encroachment may continue and the Developer reserves the right to go on, over, under, through and upon the ground of such portion of the lots as may be necessary in order to make repairs or alterations to said walls and signs.

13. Sewage Disposal and Private Wells.

All sewage disposal shall be through private septic tanks meeting the County and State requirements. All water consumption and use shall be through the location of a private well located on each lot meeting the conditions of the State and County Health Department requirements.

14. Covenants Run with the Land.

These Covenants and Restrictions shall run with the land and inure to the benefit of the property Owner for a term of twenty-five (25) years from the date these Restrictive Covenants are recorded. Thereafter, said Covenants shall be automatically renewed and extended for successive periods of ten (10) years each. These Covenants and Restrictions may be amended by an instrument executed by not less than two-thirds of the lot Owners within said Subdivision. Any amendment must be properly recorded.

15. Violations.

In the event of a violation or breach of any of these Covenants by any lot Owner or other person, the Developer, Owners' Association or anyone or more Owners of lots in the Subdivision, or any of them jointly or severally, shall have the right to proceed at law or in equity to compel compliance with the terms and conditions set forth herein and to prevent the violation or breach of these covenants, and to recover damages as compensation for a breach or violation of these covenants. Any failure to enforce any right, reservation, or conditions contained in these covenants, however long continued, shall not be deemed a waiver of the right to do so hereafter as to the same breach, or as to a breach occurring prior or subsequent thereto, and shall not bar or affect its enforcement.

16. Invalidation.

The invalidation by a Court or other public agency of any of the provisions of these covenants shall not in any way affect any of the remaining provisions, and the same shall remain in full force and effect.

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SECTION III - ASSOCIATION MEMBERSHIP AND VOTING RIGHTS

Declarant has heretofore incorporated Indian Shores Association, Inc. for the benefit of lot owners within said subdivision so as to provide for the maintenance, upkeep and repair of roads and streets pending acceptance of maintenance responsibilities by a governmental authority, as well as the maintenance, upkeep and repair of drainage easements, recreational areas, and common areas which are subject to the management and administration of the Association.

Section 1. Membership.

(a) Every person or entity who is a record owner of a fee or undivided fee interest in any lot which is subject by these covenants to assessments by the Association shall be a member of the Association, subject to and bound by the Association's Articles of Incorporation, By-Laws, Rules and Regulations. The foregoing is not intended to include persons, or entities who hold an interest in any lot merely as security for the performance of an obligation. Ownership of record of such lot shall be the sole qualification for membership. When any lot is owned of record in tenancy by the entireties, joint tenancy, or tenancy in common or by some other legal form of multiple ownership, the membership (including the voting power arising therefrom) shall be exercised only as stipulated in Section 2 herein below.

(b) During any period when a member shall be in default in the payment of any annual, special or other periodic assessment levied by the Association, the voting rights and right to the use of the common area or any other facilities which the Association may provide, may be suspended by the Board of Directors of the Association until such assessment is paid. In the event of violation by a member of any rules and regulations established by the Board of Directors of the Association, such member's voting and use rights may be suspended by the Board of Directors of the Association after a hearing at which the general requirements of due process shall be observed. Such hearing shall only be held by the Board of Directors of the Association (or a committee thereof) after giving the member ten (10) days prior written notice specifying the alleged violation and setting the time, place and vote of the hearing. Determination of violation shall be made by majority vote of the Board or the committee thereof.

(c) No membership fee shall be charged nor shall members shall be required to pay at any time any amount to carry on the business of the Association except to pay when due the charges, assessments, and special assessments levied upon each member's lot as specified in the Declaration or as the members of the Association may from time to time adopt.

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Section 2. Voting and Voting Rights.

(a) The voting rights of the membership shall be appurtenant to the ownership of lots. The ownership of each lot by a person other than Declarant shall entitle its owner to one vote. The Association shall have two classes of voting membership as follows:

(1) Class A Regular Member. Class A regular members shall be all owners, other than the Declarant; however, the Declarant shall be a Class A regular member to the extent provided in Subparagraph 2 below. Class A regular members shall be entitled to one vote for each lot owned.

(2) Class B Regular Members. The Class B regular member shall be the Declarant, and it shall be entitled to three votes for each lot in which it holds a fee or undivided fee interest; provided, the Class B regular membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever first occurs:

(i) Four (4) months after the total votes outstanding in the Class A regular membership equal the total votes outstanding in the Class B membership; or

(ii) On December 31, 2013.

(a) When two or more persons hold an interest (other than a leasehold or security interest) in any lot, all such persons shall be members. The vote for such lot shall be exercised by one or such persons as proxy and nominee for all persons holding an interest in a lot and in no event shall more than one (1) vote be cast with respect to any lot (except with respect to lots owned by Declarant), nor shall any fractional vote be cast.

(b) Any member who is delinquent in the payment of any charges duly levied by the Association against any lot owned by such member shall not be entitled to vote until all such charges, together with such reasonable penalties as the Board of Directors of the Association may impose, have been paid.

(c) Members shall vote in person or by proxy executed in writing by the member. No proxy shall be valid after eleven (11) months from the date of its execution or upon conveyance by the member of his lot. A corporate member's vote shall be cast by the President of the member corporation or by any other officer or proxy appointed by the President or designated by the Board of Directors of such corporation, which designation must be in writing.

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(d) Voting on all matters except the election of directors shall be by voice vote or by show of hands unless a majority of the members present at the meeting shall, prior to voting on any matter, demand a ballot vote on that particular matter. Where directors or officers are to be elected by the members, the solicitation of proxies for such elections may be conducted by mail.

SECTION IV - COMMON AREA PROPERTY RIGHTS

Section 1. Description of Association Common Areas. The Association's Common Areas shall initially consist of the Water Access area, Indian Shores Court, walkways, utility easements, drainage easements, access easements, and other areas designated "common area", as shown on the recorded plats. Indian Shores Court as the private road shown on the plat, together with the drainage and utility easements have been privately dedicated to the owners of lots within said subdivision and their heirs, successors and assigns, for vehicular access, the installation, repair, maintenance and replacement of utility systems and equipment, and adequate drainage of surface waters from the Subdivision. The Declarant reserves the right in accordance with these Covenants to assign, lease or transfer the road, utility and drainage easements to governmental agencies or third parties for operational or maintenance purposes.

Section 2. Ownership of Association Properties. The Declarant by the recordation of the Indian Shores plats, has dedicated the street within Indian Shores to private dedication, and all lot owners and their heirs, successors in interest and assigns, and members of the Association shall have the right of enjoyment of the street. Declarant reserves the right to convey, transfer or assign the private street by right-of-way, easement or other conveyance in association with the Indian Shores Association, Inc., to the North Carolina Department of Transportation or other public agency for the future maintenance and upkeep of the street. Pending acceptance of said street by a governmental agency, the Association shall have the continuing obligation and duty beginning one year after the date of recordation of the final plats to maintain said road.

Title to the drainage and utility easements located within the subdivision is vested in the owner of each lot over which such drainage and utility easement run. The Association shall have the continuing responsibility to maintain the drainage easements and maintenance of the utility easements shall be the responsibility of either the lot owner over which the utility easement is located or the utility company furnishing utilities through the easements.

Section 3. Off-Lot Drainfield Sites. Declarant has set aside one or more drainfield sites either within the subdivision or off-premises. Declarant reserves the right to transfer the drainfield sites to the Indian Shores Association, Inc. for supervision and maintenance. The drainfield sites are set aside and reserved for lots

within the subdivision that will require off-lot drainfield facilities because the lot will not sustain an on-site septic tank and drainfield lines. Accordingly, Declarant reserves the right to grant permanent easements to one or more lots for specific areas of each drainfield site as well as utility easements over designated areas of the subdivision for the installation, placement, repair and maintenance of sewer lines, equipment, drainfield and nitrification lines to serve each lot requiring off-site sewer facilities. Declarant reserves the right to grant permanent easements appurtenant to specific lots for the location of off-site drainfields and nitrification lines to serve that lot in accordance with the Carteret County Health Department Rules and Regulations. As to the drainfield sites, it shall be the responsibility of the lots assigned specific drainfield easements within the drainfield sites to provide the necessary maintenance, upkeep, repairs and replacements of the easements, nitrification lines and drainfields, as well as provide dues to the Association for the cutting of grass on and maintenance of the drainfield areas. Each lot assigned a permanent easement shall pay its prorata portion of the cost of maintenance, upkeep, the cutting of grass and weed removal for each drainfield site determined by the Association. It will be the individual responsibility of each lot owner to provide the necessary repairs, maintenance and upkeep of the drainfield site and nitrification lines set aside and dedicated for that particular lot within the drainfield site(s).

Section 4. Area Lights. It shall be the responsibility of the Association to maintain and pay for all utility charges and maintenance expenses associated with any area lights not specifically assigned to a numbered lot by a utility company, and the Association shall also maintain any privacy fences installed by the Declarant around a portion or all of the subdivision boundaries or on any portions of the common areas, including any lighted entrances, walls, and utilities associated therewith.

Section 5. Easements of Enjoyment. Every member of the Association shall have a right and easement of enjoyment in and to the Association properties. Each regular Owner may delegate, in accordance with the By-laws, his right of enjoyment to the Common Areas and facilities to the members of his family, his tenants, or contract purchasers who reside on the property.

Said rights of use and enjoyment shall be subject to the following provisions:

(a) The Association shall have the right to charge dues and assessments for the upkeep and maintenance of the Association properties, water access areas, roads and drainage easements, which are the responsibility of the Association herein. Likewise, the Association shall have the right to charge dues and assessments for the construction and maintenance of any improvements on said common areas, and to provide for all types of insurance for the Association and its

properties, and the upkeep and maintenance of the streets, water access areas and other common areas and amenities.

(b) As to the drainfield sites, which may be hereafter assigned or transferred to the Association by the Declarant, over which drainfield and/or nitrification line easements are specifically assigned to lot owners, the Association may establish and assess dues over and above the regular dues for all lot owners having off-site nitrification and drainfield lines within the drainfield sites, for the cutting of grass, weeds and other undergrowth, and such dues and assessments shall be prorated between all lot owners required to have off-premises nitrification and drainfield facilities within the drainfield sites.

(c) The Association shall have the right to suspend the right to the use of any Association Properties by any Member for any period during which any dues or assessments against such Member are overdue and unpaid, and for a period not exceeding sixty (60) days for any infraction of rules and regulations established by the Association for the regulation and control of Association Properties. Likewise, the Association shall have the right to fine any Member an amount not exceeding \$50.00 for each violation of rules and regulations established by the Association.

(d) The Association by rules and regulations established from time to time shall have the right to provide for the use and enjoyment of Common Areas and Association Properties. This right to the use of Association Properties shall extend to regular members of the Association and relatives of members who reside with and in the house of members, tenants of each member's lots in the subdivision so long as the tenancy exist, and contract purchasers of lots in the subdivision who reside on the lot.

Section 7. Title to the Common Area. The Declarant hereby covenants that it will convey fee simple title to the common areas shown on the aforementioned recorded plat to the Association, free and clear of all encumbrances and liens, except utility, drainage easements, and easements to governmental authorities, at such time as 75% of the lots have been sold.

Section 8. Use Regulations for the Water Access Area. The Association may regulate the parking and use of the Water Access Area to specifically include the hours of use and operation and the persons, structures or vehicles permitted on the Water Access Area.

SECTION V - COVENANTS FOR DUES AND ASSESSMENTS

Section 1. Monthly Assessments for Maintenance Fund. For each lot owned within Indian Shores, each owner covenants and agrees, and each subsequent Owner of any such lot covenants and agrees, that by acceptance of a deed therefor whether or not it is so expressed in such

deed, that the owner will pay to the Association the assessments and charges provided for in this Declaration.

(a) Every Owner of a lot in the subdivision by the acceptance of a deed to the same, which shall be conclusively evidenced by the recording of a deed in the Office of the Register of Deeds covenants and agrees to pay to the Association such annual dues and assessments for maintenance and upkeep of Association properties, capital improvements and the construction of improvements and facilities on or to Association properties, and the administration of properties and facilities assigned to the Association for operation and management, as may established from time to time by the Board of Directors and membership of the Association. Such dues and assessments together with interest at the legal rate of interest, cost and reasonable attorney's fees if the dues and assessments remain unpaid, shall be a continuing lien on each lot against which said assessment is made until paid in full. Said dues and assessments shall also be the personal obligation of the Owner of each lot at the time the dues and assessments become due, and the personal obligation shall not pass to a successor in title unless expressly assumed by the successor. However, said dues and assessments shall be a lien on said lot and a sale or transfer of any lot shall not affect the lien for unpaid dues or special assessments against said lot.

(b) The dues and assessments shall be used exclusively for the purpose of maintaining and improving Subdivision roads, drainage ditches and easements, the maintenance and upkeep of Association Properties, the construction of improvements and facilities thereon, the upkeep, maintenance, operation and management of properties or facilities leased to or assigned to the Association in accordance with these Covenants, as well as the upkeep, maintenance and replacement of equipment, improvements in facilities thereon, and generally for the promotion of the recreational, health, safety and welfare of the membership. Additionally, the dues and assessments may be used for acquiring all types of property, casualty and liability insurance for the Association, and the dues and assessments may be used to fund any of the activities, powers and authority of the Association as the Association is authorized to do as a non-profit Owners' Association.

(c) In the event the Association is assigned or transferred drainfield sites for management and the Declarant has granted permanent easements to one or more lot owners for off-site drainfield lines, repair areas, or nitrification lines within the drainfield sites, then the Association shall have the right to budget for, access and collect dues and assessments as deemed appropriate by the Association to be prorated between all lots having easements within the drainfield sites for the cutting of grass, weeds, and other undergrowth, as well as the necessary repairs, maintenance, or replacement of the drainfield sites in the event the lot owners specifically charged with such maintenance,

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repairs, and replacement fail to carry out the same in accordance with the requirements of the Carteret County Health Department.

(d) The Declarant shall have no obligation to pay dues and assessments for unsold lots. As a lot is sold in the subdivision, the Declarant shall collect from each Purchaser two months assessments and dues as working capital which shall be paid to the Association, and the Declarant shall notify the Association as to the name and address of each Purchaser. The obligation to pay dues shall commence as to all members purchasing lots on the date the deed to the lot from the Declarant shall be recorded.

Section 2. Maximum Monthly or Annual Assessments. The Association Board of Directors is authorized to assess and collect its regular dues and assessments on either a monthly, quarterly, semi-annual, or annual basis. Until January 1 of the year immediately following the conveyance of the first lot to an owner, the maximum annual assessments shall be \$150.00 per lot, per year pending further notification from the Association. Provided, the Association may impose the first year an additional \$50.00 per lot for all lot owners required to maintain the drainfield sites so that the Association will have the necessary funds for the cutting of grass and the removal of weeds and other undergrowth.

(a) From and after January 1 of the year immediately following the conveyance of the first lot to an Owner, the maximum annual assessment may be increased each year not more than ten (10%) percent above the maximum assessment for the previous year without a vote of the regular membership.

(b) From and after January 1 of the year immediately following the conveyance of the first lot to an Owner, the maximum annual assessment may be increased above ten (10%) percent by a majority vote of the regular members of the association who are voting either in person or by proxy, at a meeting duly called for said purpose.

(c) The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

Section 3. Special Assessments for Capital Improvements or Extraordinary Expenditures. In addition to the regular annual assessments authorized in Paragraph 2 above, the Association may levy, in any assessment year, one or more special assessments applicable to that year for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of capital improvements upon the Common Areas, or property or facilities assigned to the Association for operation and administration, including equipment, fixtures and personal property related thereto, as well as for the purpose of defraying, in whole or in part, any extraordinary expenses resulting from storms, casualties or similar expenses

resulting from extraordinary circumstances beyond the control of the Board of Directors, provided that each such assessment shall have the assent of fifty one (51%) percent of the regular members of the association who are voting in person or by proxy at a meeting duly called for this purpose.

Section 4. Notice and Quorum for any Action Authorized under Sections 2 and 3 Above. Written notice of any meeting called for the purpose of taking any action authorized under Sections 2 or 3 above shall be sent to all Regular Members not less than ten (10) days nor more than twenty (20) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty (60%) percent of all the votes of the membership of the Association shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 5. Non Payment of Assessments. Any Member failing to pay the annual assessments and dues or any fees or charges authorized by the Association within a period of thirty (30) days after the billing thereof, shall be deemed to be in default. The Board of Directors shall caused to be filed in the Office of the Clerk of Superior Court or in the Office of the Register of Deeds of Carteret County an instrument suitable for recordation which shall set for the name of the Owner, the lot description, the amount of the assessment, the date the assessment was due, and the fact that the Board of Directors has given the Owner notice of said assessment and said Owner has failed to pay said assessment. In addition to the assessment so stated, all amounts necessary for the collection of said assessment, including, but not limited to mailing costs, recording costs, and a reasonable attorney's fee incurred for the collection thereof, together with interest at the legal rate of interest, shall constitute a lien against said lot and shall be due and payable from the delinquent Owner.

Following the recordation of said lien, the Board of Directors are authorized to institute an appropriate action in a Court having jurisdiction over the subject matter and the parties in order to collect the assessments, interest, costs and attorney's fees from the Owners and in order to effect a sale of the property to satisfy the lien for the delinquent assessments and expenses.

Section 6. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. The sale or transfer of any lot shall not affect the assessment lien. However, the sale or transfer of any lot pursuant to mortgage foreclosure or any proceedings in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to the sale or transfer. No sale or transfer shall relieve such

lot from liability for any assessments thereafter becoming due or from the lien thereof. Likewise, the sale or transfer shall not relieve the lot Owner from personal liability therefrom.

Section 7. Suspension or Termination of Voting Rights.

In addition to any other rights the Association may have with regard to non-payment of assessments and dues, the payment of any assessments levied by the Association shall be a prerequisite to the exercise of any voting rights earlier provided for herein and for serving on the Board of Directors of the Association. Any member failing to pay the assessments or dues on his lot so that the same thereafter become delinquent, shall be deemed ineligible to vote at any annual or special meeting of the membership and shall be deemed ineligible to serve on the Board of Directors or as an officer of the Association so long as said delinquency continues.

SECTION VII - EASEMENTS

A. Utility Easements. The Declarant reserves unto itself a perpetual, alienable and releasable easement and right-of-way on, over, under, through and upon the ground with men and equipment to erect, maintain, and inspect, repair and use electric and telephone poles, wires, cables, conduits, sewers, water mains and pipes and other suitable equipment for the conveyance and use of electricity, telephone equipment, gas, sewage, water and community utilities or conveniences in and over the front twenty feet of each lot and ten feet along one side line of each lot and such other areas as may be shown on the recorded map of the Subdivision, together with the right to cut drainways for surface water whenever action may appear to the Declarant to be necessary in or to maintain reasonable standards of health, safety and appearance. These easements and rights-of-way expressly include the right to cut trees, bushes or shrubbery, grading of the soil, or to take similar actions reasonably necessary to provide economical and safe utility installation and to maintain reasonable standards of health, safety and appearance. The Declarant further reserves the right to assign said easements to one or more public or private water and/or sewer utility companies for service to each lot in the future.

B. Sewer Easements. Declarant reserves unto itself a perpetual, alienable and releasable easement and right-of-way on, over, under, through and upon each lot for the installation, inspection, repair and use of pipes, and other equipment associated with or related to off-lot nitrification or drain field lines and equipment.

C. Street Lighting. The Declarant reserves the right to subject the real property in this subdivision to a contract with Carteret Craven Electrical Membership Corporation or other utility company for the installation of underground electric cables which may require an initial contribution and/or the installation of street lighting, which

may require a continuing monthly payment to the applicable electrical utility company by the Owner of each lot or the Association.

D. Drainage Easements. Each lot Owner shall keep free and clear any and all drainage easements shown on the recorded map of the Subdivision, and each Owner shall in no way obstruct, block or impede the flow of water through said drainage easements. In the event any lot Owner should obstruct, block or impede the flow of water through said drainage easements or allow said obstruction or blockage to remain so as to impede the flow of water, then the Declarant, Association of Property Owners, or one or other property Owners within the Subdivision shall have the right to clear said drainage easements and to recover from the party responsible the cost of said clearing if said obstruction or blockage were the results of deliberate acts or negligence of the responsible party.

E. Use and Maintenance of Private Roads. Declarant specifically grants to each lot Owner and his heirs, executors, administrators, successors and assigns, as well as regular members of the Indian Shores Association, Inc., and their guests and invitees, a permanent easement appurtenant to ownership of each lot over and across the streets and roads of said subdivision as shown on said recorded plat. All roads within the subdivision shall be private and are limited and restricted to the use of the lot owners herein and their heirs, executors, administrators, successors and assigns, as well as the guests and invitees of the lot Owners and the regular members of the Association. Declarant in conjunction with the Indian Shores Association, Inc. reserves the right to grant, transfer and convey a permanent right of way and easement to the North Carolina Department of Transportation for subdivision roads, thereby dedicating said roads to the public. Pending transfer of the roads to the North Carolina Department of Transportation or other governmental agency, all costs and responsibilities for maintenance and upkeep of the subdivision roads shall belong to the Association. The Association shall provide as part of its annual dues all estimated costs for the upkeep and maintenance of the rights of way and roads.

F. Subdivision Identification Signs. The Declarant reserves the right to place signs, fencing, brick or stucco walls, or other appropriate structures identifying Indian Shores Subdivision on one or more lots adjacent to or in close proximity to State Road 1154 so as to identify said Subdivision. In the event any part of the walls, fencing or structures encroach onto any lot, said encroachment may continue and the Declarant reserves the right to go on, over, under, through and upon the ground of such portion of the lots as may be necessary in order to make repairs or alterations to said walls and signs.

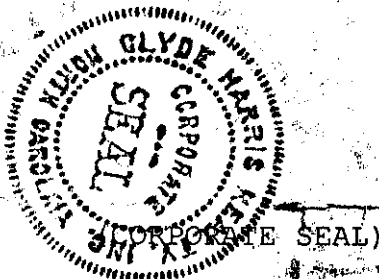
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SECTION XVI - INITIAL BY-LAWS AND RULES AND REGULATIONS OF
INDIAN SHORES ASSOCIATION, INC.

The initial By-laws adopted by the Board of Directors of said Association are set forth on Appendix B attached hereto and incorporated by reference. All Owners of lots and their guests, families and invitees of Regular Members, shall be bound by and fully comply with the By-laws of said Association as well as the Articles of Incorporation of said Association attached as Exhibit A. The Association shall have the authority to adopt amendments to the By-laws governing the business and affairs of the Association from time to time in the manner and procedures prescribed by the By-laws and Articles of Incorporation attached as Exhibits hereto. The By-laws set forth the organization of the Board of Directors and Officers, the time and manner of meetings of the Association, quorum and voting procedures, and other rights, powers, responsibilities, duties and obligations of the officers, directors and members of the Association.

The Association shall further have the authority to adopt from time to time rules and regulations regarding the duties and responsibilities of the Association and its individual members with regard to the use, enjoyment, maintenance, Ownership, upkeep and maintenance of Association Properties and the purposes of the Association.

IN WITNESS WHEREOF, the Declarant has executed this instrument on the day and year first above written.



CLYDE HARRIS REALTY, INC.

By: Clyde Harris
Clyde Harris, President

STATE OF NORTH CAROLINA
COUNTY OF Wilson

I, CAROLYN STARLING, a Notary Public for the County and State aforesaid, certify that Clyde Harris personally came before me this day and acknowledged that he is the President of Clyde Harris Realty, Inc., a North Carolina Corporation, and that he, as President, being authorized to do so, executed the foregoing on behalf of the corporation.

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Witness my hand and official stamp or seal, this the 31 day of ~~September~~, 2001.
October

Carolyn Starling

Notary Public

My Commission expires: 3-27-04



Melanie Arthur 37P
Carteret County Register of Deeds
CS Date 11/21/2001 Time 14:57:00
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NORTH CAROLINA, CARTERET COUNTY
The foregoing certificate(s) of Notary Public(s) is/are
certified to be correct. This instrument and this certifi-
cate are duly registered at the date and time and in
the Book and Page shown on the first page hereof.

By Melanie Arthur
Melanie Arthur, Register of Deeds
Asst. Deputy, Register of Deeds

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BY-LAWS
OF
INDIAN SHORES ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

Section 1. The Name: The name of the corporation is Indian Shores Association, Inc.

Section 2. The Principal Office: The principal office of the Association shall be located at 2105 W. Nash Street, Wilson, North Carolina 27896, pending further notice, but the meetings of the members and Directors may be held at such places within the State of North Carolina and County of Carteret as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Indian Shores Association, Inc., its successors and assigns.

Section 2. "Property" shall mean and refer to the lots within Indian Shores Subdivision as shown on a plats prepared by Powell Surveying, P.A. as recorded in the Office of the Carteret County Registry, as well as any additional properties which may hereafter be submitted to the Protective Covenants and Restrictions for Indian Shores Subdivision, by Clyde Harris Realty, Inc., the Developer of Indian Shores Subdivision.

Section 3. Other Definitions: The terms "Developer", "Association", "Owner", "Lot", and "Common Area", shall have those terms and definitions as defined in the Protective Covenants and Restrictions for Indian Shores Subdivision, to which these by-laws are attached.

ARTICLE III

INDIAN SHORES ASSOCIATION, INC.

Section 1. General: Every owner of a lot in Indian Shores Subdivision shall be a regular member of the Association upon the terms and conditions hereinafter set forth and as defined in the

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Declaration of Covenants. Regular memberships in the Association shall be limited to owners of subdivision lots.

Section 2. Administration of the Association: The operating entity of the Association shall be Indian Shores Association, Inc.

a. Powers: The Association shall have all of the powers and duties set forth in Chapter 55A of the North Carolina General Statutes for non-profit corporation, as well as all of the powers and duties granted to or imposed upon the Association by the Declaration of Covenants and Restrictions for the Subdivision and the Articles of Incorporation of the Association, and all of the powers and duties necessary in the ownership, administration and management of the Association properties.

All affairs of the Association shall be conducted by the Board of Directors who shall be designated in the manner provided for in these By-Laws and Articles of Incorporation of the Association.

In the administration of the operation and management of the Association, the Board of Directors is hereby granted the authority and power to enforce the provisions of these By-Laws and Articles of Incorporation, and rules and regulations governing the use of lots and common areas as the Board of Directors of the Association may deem to be in the best interest of the Association.

b. Purposes: The Association does not contemplate pecuniary gain or profit to the members thereof and no part of the Association's net income shall inure to the benefit of its officers, directors or members or any other private individual. The purposes and objectives of the Association shall be to administer and manage the Association properties and the acts and duties incident to the administration of the Association properties in accordance with the terms, provisions or conditions of the Declaration of Covenants for Indian Shores Subdivision, and the Articles of Incorporation; 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 of said Subdivision.

In carrying out the foregoing purposes the Association shall have all of the powers reasonably necessary to implement and effectuate the purposes of the Association, including, but not limited to the power to make and establish reasonable rules and regulations governing the use of subdivision lots and subdivision properties, to levy and collect assessments from lot owners in accordance with the Declaration of Protective Covenants and

Restrictions for Indian Shores Subdivision and these By-Laws, to maintain, repair, replace and manage the Association properties, to acquire or lease real and personal property for the benefit of lot owners, and generally to possess all powers necessary in order to carry out the foregoing purposes.

Section 3. Easements of Enjoyment: Every member of the Association shall have a right and easement of enjoyment in and to the Association properties. Each regular Owner may delegate, in accordance with the By-laws, his right of enjoyment to the Common Areas and facilities to the members of his family, his tenants, or contract purchasers who reside on the property.

Said rights of use and enjoyment shall be subject to the following provisions:

(a) The Association shall have the right to charge dues and assessments for the upkeep and maintenance of Association properties, recreational areas, drainage easements, and other amenities which are the responsibility of the Association herein. Likewise, the Association shall have the right to charge dues and assessments for the construction and maintenance of any improvements on said Recreational Areas, and to provide for all types of insurance for the Association and its properties, and the upkeep and maintenance of docks, streets and other subdivision amenities.

(b) The Association shall have the right to suspend the right to the use of any Association Properties by any Member for any period during which any dues or assessments against such Member are overdue and unpaid, and for a period not exceeding sixty (60) days for any infraction of rules and regulations established by the Association for the regulation and control of Association Properties. Likewise, the Association shall have the right to fine any Member an amount not exceeding \$50.00 for each violation of rules and regulations established by the Association.

(c) The Association by rules and regulations established from time to time shall have the right to provide for the use and enjoyment of the water access area. This right to the use of Association Properties shall extend to regular members of the Association and relatives of members who reside with and in the house of members, tenants of each member's lots in the subdivision so long as the tenancy exists, and contract purchasers of lots in the subdivision who reside on the lot.

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Section 4. Membership and Voting Rights: There shall only be a regular membership in the Association. Regular membership shall be limited to owners of lots in the Subdivision.

Every owner of a lot in Indian Shores Subdivision shall become a regular member of the Association upon the date of recordation of the deed conveying the lot to the purchaser. Every owner as a member of the Association shall be bound by the terms and conditions set forth in these By-Laws and the Covenants and Restrictions for the Subdivision, and the lot owner and his heirs, successors and assigns, shall be obligated to comply with the duties and obligations set forth herein. Regular membership shall be appurtenant to the lot and may not be severed, separately transferred or conveyed. Persons or entities who hold an interest in the lot merely as security for the performance of an obligation shall not be members.

Every Regular Members shall have one (1) vote at all meetings of the membership. When more than one person or entity holds an interest in any lot, the purchasers of said lot shall designate one of them as the voting member, if the lot is owned by a corporation, or other business entity, an officer or employee shall be designated a voting member. Regular Members may vote either in person or by proxy, but if by proxy, the same must be in writing and delivered to the Secretary of the Association prior to, or at the start of, the meeting at which the proxy is to be exercised. Every proxy shall be revocable and shall automatically cease upon the conveyance of the lot by the Regular Member.

The Secretary of the Association shall keep a list of any and all lot owners for purposes of determining what owners shall be entitled to vote. The membership list shall be arranged numerically by Subdivision lots and shall be accessible to all members of the Association.

Section 5. Meeting of Regular Membership: There shall be an annual meeting of the membership held each year between May 1 and 15 with the specific date, time, and place to be determined by the President of the Association unless the Board of Directors or a meeting of the membership has already specified the exact date, time and place. The presence at the meeting of a member or members entitled to cast, either in person or by proxy, 60% of all eligible votes of persons entitled to vote for election of the Board of Directors shall constitute a quorum for the transaction of all business except such as may otherwise expressly be provided for in this instrument. Special meetings of the membership may be called at anytime either by the President, the Board of directors, or one-third of the members. Such request for a special meeting shall

state the purpose or purposes of the proposed meeting. At the annual meeting, the members shall elect the new members of the Board of Directors, and transact such other business as may properly come before the meeting. Written notice of the annual and special meetings of the membership shall be given to each member entitled to vote at least 10 days prior to said meetings as specified in Section 4 above. The Secretary shall maintain a list of all members entitled to vote at annual and special meetings with said list containing a mailing address of each member. All members shall be responsible for notifying the said Secretary of any change in their address between annual meetings, and all written notice of annual and special meetings sent to the addresses of the members as shown on the membership list shall be effective as notice by the Association.

Section 6. Special Meetings: Special meetings of the regular members for any purpose or purposes unless otherwise prescribed by statute or by these By-Laws, may be called by the President, the Board of directors or members holding one-third of the total eligible votes. Such request shall be in writing and shall state the purpose or purposes of the proposed special meeting. Written notice of the special meeting of members stating the time, place and purpose thereof, shall be served upon or mailed to each member entitled to vote thereat, at such address as appears on the list of the Secretary of the Association, at least 10 days before such meeting. Business transacted at all special meetings shall be confined to the objects and purposes stated in the notice thereof, unless 100% of the members present at such meeting in person or by proxy consent to the transaction of business not stated in the notice.

Section 7. Quorum: 60% of the total number of eligible votes of the Association, present in person or represented by written proxy, shall be requisite to and shall constitute a quorum at all meetings of the members of the Association for the transaction of business, except as otherwise provided by Statute, by the Subdivision Covenants, or by these By-Laws. If, however, such quorum shall not be present or represented at any meeting of the members, the members entitled to vote thereat, present in person or represented by written proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting originally called.

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Section 8. Order of Business: The order of business at the annual Association meetings and as far as practical at other meetings of the membership, will be as follows:

1. Roll call and certifying of proxies;
2. Proof of notice of meeting without waiver of notice;
3. Reading of minutes of prior meeting;
4. Officers' reports;
5. Committee reports;
6. Approval of budget;
7. Election of directors;
8. Unfinished business;
9. New business;
10. Adjournment.

Section 9. Officers: The Association shall have not less than three (3) officers, a President, Secretary and Treasurer, which shall be elected by the Board of Directors for a term of one year or until their successors have been elected. The Board may provide for one or more Vice-Presidents or Assistant Secretary or Assistant Treasurer. The President shall act for the Association, but shall not have the authority to obligate the credit of the Association, nor the members thereof, without authorization of either the Board of Directors or the membership. All checks written on any bank account of the Association shall be signed by any two or more of the authorized officers as indicated on the Association's bank signature cards and resolution adopted pursuant thereto. The Association may authorize the Treasurer or Assistant Treasurer to sign all checks for the Association, and the Assistant Treasurer need not be a member of the Association. The duties of the officers shall be as follows:

a. President: The President shall preside at all meetings of the members and Directors; he shall have general and active management of the business of the Association; he shall see that all orders and resolutions of the Board of Directors are carried into effect; he shall have equal superintendence and direction of all the other officers of the Association, and shall see that their duties are performed properly. He shall report on the operations of the Association for the fiscal year to the directors when ever called for by them, and to the members at the annual meeting, and from time to time shall report to the Board of Directors all matters within his knowledge which the interest of the Association may require to be brought forward. He shall be an ex-officio member of all committees, and shall have the general powers and duties of supervision and management usually vested in the office of the President of an Association.

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b. Vice-President: If a Vice-President is hereafter elected, the Vice-President shall be vested with all of the powers and required to perform all the duties of the President in his absence, and such other duties as may be prescribed by the Board of Directors.

c. Secretary: The Secretary shall keep the minutes of the meetings of the members and the Board of Directors; he shall see that all notices are fully given in accordance with the provisions of these By-Laws or as required by law. He shall keep a register of the post-office address of each member, which shall be furnished to the Secretary by all members.

d. Treasurer: The Treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association, and shall deposit all monies and other valuable effects in the name and to the credit of the Association, in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Association as ordered by the Board, taking proper vouchers for such disbursements and shall render to the President and Directors at the regular meetings of the board or whenever they may require it an account of all his transactions as Treasurer and of the financial condition of the Association. Such records shall be open to inspection by members at a reasonable time. In addition he may be required to give the Association at the Association's costs a bond in the sum and with one or more sureties satisfactory to the Board, for the faithful performance of the duties of his office, and the restoration to the Association, in case of his death, resignation or removal from office, of all books, papers, vouchers, money or other property of whatever kind in his possession belonging to the Association. He shall maintain a register for the names of any mortgage holders or lien holders on lots who have requested in writing that they be registered to whom the Association will give notice of default in case of non-payment of assessments. No responsibility by the Association or its members is assumed with respect to said register except that it will give notice of default to any registered mortgagee or lienor therein, if so requested by said mortgagee or lienor. In general he shall perform all duties as may from time to time be assigned to him by the President or by the Board of Directors.

Section 10. Executive Board:

a. Number and Term. The initial Board of Directors shall consists of three (3) Directors. The number of Directors shall remain three until these By-Laws have been amended by the Directors in accordance with Article VI hereafter. All Directors

shall be required to be members of the Association. Provided, until such time as seventy-five percent (75%) of all lots within the subdivision have been sold which shall be evidenced by the recordation of a Deed or Deeds to lots therein, then the Developer as the initial Declarant or its written appointee shall appoint the three members of the Board of Directors annually and their successors until control of the Board of Directors has been completely transferred to the lot owners. The three members so appointed by the Declarant or its written designee shall not be required to be members of the Association. No later than one hundred and twenty (120) days after conveyance of seventy-five percent (75%) of the lots within the Subdivision to owners other than the Declarant, a special meeting of the Association shall be held for the purpose of selecting members to the Board of Directors to replace those members of the Board of Directors appointed by the Declarant. Pending transfer of control of the Association, the Declarant, Clyde Harris Realty, Inc., shall have the absolute right to appoint all members of the Board of Directors.

b. Subject to the provisions of subparagraph (d) hereafter, if the office of any Director becomes vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, a majority vote of the membership at a properly called meeting of the membership shall elect a replacement to fill the unexpired term in respect to which said vacancy occurs.

c. Lot Owners by at least 67% of all persons present and entitled to vote at any meeting of the Owners at which a quorum is present, may remove any member of the Board of Directors with or without cause, in accordance with G.S. 47C-3-103.

d. Pending transfer of control of the Association in accordance with Article XI of the Articles of Incorporation, the Declarant shall have the right to remove any member of the Board of Directors with or without cause, and to appoint and elect successors to the Board in the event of the death, resignation, retirement, disqualification, removal from office or otherwise of a Director.

e. Powers. The property and business of the Association shall be managed by the Board of Directors, which may exercise any and all authority over the management of the Association and the common areas not specifically prohibited by Statutes, these By-Laws, or the Declaration of Covenants and Restrictions for Indian Shores Subdivision. The powers of the Board shall specifically include all powers set forth in the Declaration of Protective Covenants and Restrictions and the Articles of Incorporation, which powers are incorporated herein by

reference as if fully set out, and shall include but not to be limited to the following:

1. To make and collect regular and special assessments and establish the time within which payment of the same are due.
2. To use and expend the assessments collected to maintain, care for and preserve the subdivision properties.
3. To purchase the necessary equipment and tools required in the maintenance, care and preservation referred to above.
4. To enter into and upon Association properties and lots when necessary and with as little inconvenience to the lot owner as possible in connection with such maintenance, care and preservation.
5. To insure and keep insured Association properties in the manner set forth in the Declaration of Covenants against loss from fire and/or other casualty, and the lot owners and Association against public liability, and to purchase such other insurance as the Board may deem advisable.
6. To collect delinquent assessments by suit or otherwise, abate nuisances and enjoin or seek damages from purchasers for violations of these By-Laws and the terms and conditions of the Declaration of Protective Covenants.
7. To employ and compensate such personnel as may be required for the maintenance and preservation of the property.
8. To make appropriate changes in the Rules and Regulations for the use and occupancy of Association properties as may be deemed necessary.
9. To acquire and/or rent and/or lease personal and real properties in the name of the Association or a designee.
10. To contract for management of the Association properties and to delegate to such other party all powers and duties of the Association except those specifically required by the Declaration of Protective Covenants to have specific approval of the Board or membership.
11. To carry out the obligations of the Association under any restrictions and/or covenants running with any land

submitted to the Declaration of Protective Covenants for the Subdivision.

12. To designate, as the board deems appropriate, assigned parking spaces for each lot, visitors, service vehicles, boats, and other vehicles.

13. To adopt Rules and Regulations pursuant to Article IV of these By-Laws pertaining to "Default".

14. To impose a special assessment against any purchaser, not to exceed \$150.00 for each occurrence, for the violation by the purchaser or his guests of any rule or regulation adopted by the Board or the breach of any By-Laws contained herein, or the breach of any provision of the Declaration.

Section 11. Meetings of the Board of Directors:

a. The first meeting of each Board newly elected by the members shall be held immediately upon adjournment of the meeting at which they were elected, provided a quorum shall then be present, or as soon thereafter as may be practicable. The annual meeting of the Board shall be held at the same place as the general membership meeting.

b. Special meetings shall be held whenever called by the Director or the President or a majority of the Board. The Secretary shall give notice of each special meeting either personally or by mail, or telegram, at least three (3) days before the date of such meeting, but the directors may, in writing, waive notice of the calling of the meeting, before or after such meeting.

c. A quorum shall be deemed present throughout any meeting of the Board of Directors of persons entitled to cast 50% of the votes on that Board, if present at the beginning of the meeting. The act of a majority present at such meeting and which there is a quorum shall be the act of the Board. If the quorum shall not be present at the meeting, the Directors then present may adjourn the meeting without notice other than announcement at the meeting until a quorum shall be present.

d. Order of Business: The order of business at all meetings of the Executive Board shall be as follows:

- i. Roll call;
- ii. Proof of notice of meeting or waiver of notice;
- iii. Reading of minutes of last meeting;
- iv. Consideration of communications;

- v. Reports of officers
- vi. Report of committees;
- vii. Unfinished business;
- viii. Election of officers at annual meeting;
- ix. New Business;
- x. Adjournment.

e. Annual Statement: The Board shall present, no less often than at the annual meeting, a full and clear statement of the business and condition of the Association, including a report of the operating expenses of the Association and the assessments paid by each member.

Section 12. Liability: The officers, and directors shall not be liable to the owner for any mistake in judgment, negligence, or otherwise except for their own individual willful misconduct, bad faith, or gross negligence.

Section 13. Compensation: Neither Directors nor officers shall receive compensation for their services as such.

Section 14. Removal of Officers and Directors: Any one or more of the officers and Directors may be removed at any time, with or without cause, by a vote of lot owners representing at least 67% of all persons present and entitled to vote at any meeting of the owners at which a quorum is present. Upon the removal of any officer or Director, the membership shall elect a replacement to fill the unexpired term subject to the Declarant's rights set forth in Section 10(d) above.

ARTICLE IV

FINANCES

Section 1. Fiscal Year: The fiscal year shall be the calendar year.

Section 2. Checks: All checks or demands for money and notes of the Association shall be signed by the following officers: President or Vice-President and Treasurer, or by such officer or officers or such other persons as the Executive Board may from time to time designate.

Section 3. Determination of Assessments:

a. The Board shall determine from time to time the sum or sums necessary and adequate for the common expenses of the Association. The Board shall adopt a proposed budget for the

Association, and within 30 days after adoption of the proposed budget, the Board of Directors shall provide a summary of the budget to all regular members, and shall set a date for a meeting of the regular members to consider ratification of the budget not less than 14 nor more than 30 days after mailing of the summary. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting a majority of all the owners reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the owners ratify a subsequent budget proposed by the Board of Directors.

The budget shall constitute the basis for all dues and assessments for common expenses against owners, which assessments shall be due and payable periodically as determined by the Board of Directors. Common Expenses shall include expenses for the operation, maintenance, repair or replacement of Association properties, cost of carrying out the powers and duties of the Association, all insurance premiums and expenses relating thereto, and any other expenses designated as common expenses from time to time by the Board of Directors.

b. The Board is specifically empowered on behalf of the Association to make and collect assessments and to maintain, repair and replace the common areas and facilities. The dues and assessment shall be uniformed for all lot owners and shall be payable periodically as determined by the Board.

c. Special assessments for common expenses and repairs or replacement of capital not adequately funded through the regular assessments may be required by the Board and shall be levied and paid in the same manner as hereinbefore provided for regular assessments. Notwithstanding anything in these By-Laws or the Declaration of Protective Covenants which authorize assessments and expenditures, no special assessment exceeding \$200 per lot per annum or expenditure for the improvement of the Association properties exceeding \$2500 per annum for the subdivision shall be made without the approval of sixty-seven percent (67%) of the regular membership. Nothing herein shall restrict or limit the number of special assessments which may be made annually if deemed necessary for common expenses and repairs or the replacement of capital not adequately funded through the regular assessments.

d. When the Board has determined the amount of any assessment, the Treasurer of the Association shall mail or present a statement of the assessment to each of the assessed owners. All assessments shall be payable to the Association, and upon request, the Treasurer shall give a receipt for each payment made.

e. The Board may enter into a management contract with third parties to whom the Board of Directors may delegate the power to levy and collect assessments approved by the Board or required by the Declaration of Protective Covenants.

f. All assessments not paid when due shall bear interest at the highest legal rate of interest.

ARTICLE V

DEFAULT

Section 1. Dues and Assessments: Each purchaser of a lot in Indian Shores Subdivision by the acceptance of a deed therefore, whether or not it shall be so expressed in such deed, covenants and agrees to pay to the Association such monthly dues and special assessments as shall be established from time to time by the Board of Directors or membership of the Association. Such monthly dues and special assessments, together with interest, cost, and reasonable attorney's fees, shall be a charge on the lot and shall be a continuing lien on the land against which each assessment is made, until paid. In addition such monthly dues and special assessments shall also be the personal obligation of the purchaser of the lot at the time the dues or assessments become due. This personal obligation shall not pass to a successor in title to the purchaser unless expressly assumed by such successor. The dues and any assessments shall be used exclusively to promote the recreation, health, safety and welfare of the members of the Association and for improvements, maintenance of the common areas and properties, buildings or improvements within said subdivision development. The lien of the monthly dues and special assessments provided for herein shall be subordinate to the lien of any first mortgage. No sale or transfer of any lot shall affect the lien for unpaid dues or special assessments. The monthly dues shall be payable monthly in advance, unless otherwise directed by the Board of Directors. The pro rata portion of the dues levied for the month purchased shall be collected by the Declarant from the purchaser of each lot at the time the sale is closed. This money shall be paid by the Declarant to the Association. The amount of the monthly dues for each year shall be fixed at the annual meeting of the membership for the following fiscal year of the Association. The monthly dues shall commence as to all lots on the date a deed to the lot from the Declarant is recorded. In addition to the monthly dues the Association may levy a special assessment for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of any capital improvements upon the Association properties, or for acquiring additional land for Association properties, or for the any other

related purpose, and the Association shall give notice of meeting clearly stating that a vote is to be held on whether to levy such special assessment.

Section 2. Enforcement of Lien for Assessments: In the event a lot owner does not pay any sums, charges, or assessments required to be paid to the Association by the due date, the Association, acting on its behalf or through its Board of Directors, may enforce its lien for assessments and to take such other action to recover the sums, charges or assessments to which it is entitled, in accordance with Chapter 44 and 44A of the North Carolina General Statutes.

Section 3. Legal Costs: In the event such legal action is brought against any lot owner and results in a judgment for the Association; the lot owner shall pay the Association's reasonable attorney's fees, costs of collection, and court costs.

Section 4. Foreclosure: If the Association becomes the purchaser of a lot by reason of foreclosure, it shall offer said lot for sale and at such time as a sale is consummated, it shall deduct from the proceeds of said sale all sums or money due it for assessments and charges, all costs incurred in the bringing of the foreclosure suit, including reasonable attorney's fees, and any and all expenses incurred in the resale of the lot, which shall include but not be limited to advertising expenses, real estate brokerage fees and other incidental expenses.

Section 5. Other Remedies: In the event of violation of the provisions of the Protective Covenants or rules and regulations adopted by the Board of Directors for thirty (30) days after notice from the Association to the lot owner and failure to correct the same, the Association, on its own behalf or through its Board of Directors, may bring appropriate action to enjoin such violation or may enforce the provisions of the Protective Covenants or these By-Laws, or may sue for damages, or take other courses of action, or pursue other legal remedies as it may deem appropriate.

Section 6. Intent: Every lot owner, for himself, his heirs, successors and assigns, agrees to the foregoing provisions relating to collection of dues and assessments, default and abatement of nuisances, regardless of the harshness of the remedy available to the Association and regardless of the availability of the other equally adequate legal procedures. It is the intent of all purchasers of lots to give the Association a method of procedure which will enable the Association at all times to operate

on a business-like basis, to collect the monies due and owing it from the purchasers of lots, and to preserve each lot purchaser's right to enjoy his lot, free from unreasonable restraint and nuisance.

ARTICLE VI

AMENDMENTS

The By-Laws may only be altered, amended or added to at any duly called meeting of the members; provided (1) that the notice of the meeting shall contain a full statement of the proposed amendment; and (2) that the quorum requirements for such purposes shall be a 60 percent of the eligible votes in person or by proxy. In addition, it shall be necessary that there be an affirmative vote of the Board of Directors, in order to amend the By-Laws. No amendment to these By-Laws shall be passed which would operate to impair or prejudice the rights and/or liabilities of any mortgagee.

ARTICLE VII

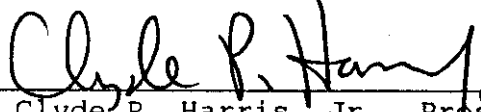
CONSTRUCTION

Whenever the masculine singular form of the pronoun is used in these By-Laws, it shall be construed to mean the masculine, feminine or neuter, singular or plural, wherever the context so requires.

Should any of the covenants herein imposed be void or be or become unenforceable at law or in equity, the remaining provisions of this instrument shall nevertheless be and remain in full force and effect.

IN WITNESS WHEREOF, Clyde Harris Realty, Inc., the Declarant herein, has caused these By-Laws to be executed by its President on this the 31 day of October, 2001.

CLYDE HARRIS REALTY, INC.


By: Clyde P. Harris, Jr., President

STATE OF NORTH CAROLINA
COUNTY OF ~~CARTER~~ Wilson

I, a Notary Public, in and for said County and State, do hereby certify that Clyde P. Harris, Jr., President for Clyde P. Harris Realty, Inc. personally appeared before me this day and acknowledge the due execution of the foregoing instrument.

Witness my hand and official seal or stamp this the 31 day of October, 2001.

Carolyn Starling
Notary Public

My Commission expires: 3-27-2004

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ARTICLES OF INCORPORATION

OF

INDIAN SHORES ASSOCIATION, INC.

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 Indian Shores Association, Inc. (hereinafter called "the Corporation" or "Association").

ARTICLE II.

The registered office of the Corporation is located at 3105D Ward Boulevard, Wilson, Wilson County, North Carolina 27893. The principal office of the Corporation is located at 3105D Ward Boulevard, Wilson, Wilson County, North Carolina 27893.

ARTICLE III.

Clyde P. Harris, Jr., whose address is 3105D Ward Boulevard, Wilson, Wilson County, North Carolina 27893, 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, leased or assigned for management or administration to said Corporation within or without Indian Shores Subdivision, being developed in the Mill Creek Community, Harlowe Township, Carteret County, North Carolina, by Clyde Harris Realty, Inc., said subdivision initially being a twenty-five lot private residential development located on the Newport River, with common areas as shown on the Powell Surveying Plats recorded in the Office of the Register of Deeds for Carteret County, North Carolina; to undertake

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the performance of the acts, duties, rights and responsibilities incident to the administration of the operation and management of the common areas and properties of Indian Shores Subdivision as more particularly assigned and described in the Protective Covenants and Restrictions for Indian Shores Subdivision 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 subdivision.

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 Areas within the subdivision development as said terms may be defined herein and in the Protective Covenants and Restrictions for said subdivision.

(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 Protective Covenants and Restrictions for the Subdivision and in the By-Laws of this Corporation which maybe 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 Areas within or without said subdivision, and for the purpose of accomplishing the purposes set forth in the Protective Covenants and Restrictions for Indian Shores Subdivision.

(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 said subdivision 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 Protective Covenants and Restrictions, 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 other possessory, ownership or use interests in land or facilities, whether or not contiguous to subdivision lands to provide enjoyment, recreation or other use or benefit to the owners of lots within said subdivision.

(f) To enforce the provisions of these Articles of Incorporation, the By-Laws of the Corporation, pertinent and applicable provisions of any of the Protective Covenants and Restrictions for the subdivision properties, and the rules and regulations governing the use of Association Properties as the same may be hereafter be 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 any of the recorded Protective Covenants and Restrictions for the subdivision.

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, a regular membership. Every purchaser of a lot within the subdivision shall be required to be a regular member of the Association, and regular memberships shall be limited to purchasers of lots within said subdivision.

2. Regular memberships shall be appurtenant to and may not be separated from ownership of a lot. Persons or entities who hold an interest in a lot 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 lot, all such persons shall be entitled to the privileges and responsibility of a regular membership, but said lot shall only have one vote, and the purchasers of said lot shall designate one of them as the voting regular member. If the lot is owned by a corporation or other business entities, an officer or employee shall be designated as the voting regular member. Associate memberships shall not have any votes on Corporation matters.

4. Each lot shall have one vote at all meetings of the membership of the Association. Upon recordation of the Protective Covenants and Restrictions and the Deed for each lot, the owner or purchaser of the lot shall automatically become a regular member of the Association and entitled to one vote per lot.

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 subdivision lot. 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 Protective Covenants and Restrictions for the subdivision and in the By-Laws which maybe hereafter adopted.

6. As the Protective Covenants and Restrictions for the subdivision are recorded and lots are sold and conveyed pursuant to the same, a roster or other written documentation shall be maintained containing the names and addresses of all purchasers of lots within the subdivision. The vote of each lot may be cast or exercised by the Owner or Owners of each lot 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 Board of Directors, and the Chief Officer of the Corporation shall be the President, assisted by the Secretary/Treasurer, subject to the directions of the Board of Directors. The Board of Directors 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 Board of Directors of the Corporation shall be three (3). The number of members of the succeeding Board of Directors shall be as provided from time to time by the By-Laws of the Corporation but shall not be less than 3. The members of the Board of Directors 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. All Directors shall be required to be members of the Association. Provided, until such time as seventy-five (75%) percent of all lots within the subdivision have been sold which shall be evidenced by the recordation of a Deed or Deeds to lots therein, then Clyde Harris Realty, Inc., as the initial Declarant or its written appointee shall appoint the three (3) members of the Board of Directors annually and their successors until control of the Board of Directors has been completely transferred to the lot owners. The three (3) members so appointed by the Declarant or its written designee shall not be required to be members of the Association. Not later than one hundred and twenty (120) days after conveyance of seventy-five (75%) percent of the lots within the subdivision to owners other than the Declarant, a special meeting of the Association shall be held for the purpose of selecting members to the Board of Directors to replace those members of the Board of Directors appointed by the Declarant.

ARTICLE X.

The Board of Directors shall elect a President and Secretary/Treasurer. The President and Secretary/Treasurer shall be elected from among the membership of the Board of Directors. 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 Board of Directors.

ARTICLE XI.

The names and post office addresses of the initial Board of Directors 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:

Clyde P. Harris, Jr.
3105D Ward Boulevard
Wilson County
Wilson, NC 27893

H. Frank Barnes, III
P. O. Box 484
Carteret County
Beaufort, NC 28516

Sharon Barnes
P. O. Box 484
Carteret County
Beaufort, NC 28516

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.

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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:

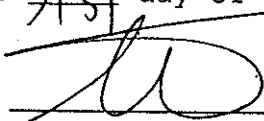
(i) The dissolution shall be conducted under Court supervision, if required or permitted under the statutes of the State of North Carolina, as now enacted or as hereafter amended or supplemented, and, subject to prior compliance with N.C.G.S. 47C-2-118 et. seq. of the North Carolina Statutes, as then amended or supplemented, the assets of this Corporation shall be distributed to another non-profit corporation or unincorporated association formed for the purpose of operating, managing or administering association properties and discharging association responsibilities in accordance with these Articles and the Protective Covenants and Restrictions of the subdivision, or in the event no such corporation or association exists, then the assets of this corporation shall be distributed to Carteret County or other public entity, or to a similar non-profit corporation which has as its purpose the operation, management or administration of the Association properties and the discharge of Association responsibilities in accordance herewith.

ARTICLE XVI.

The name and address of the incorporator is as follows:

Richard L. Stanley
Bryant & Stanley
207 Turner Street
P. O. Box 150
Beaufort, N.C. 28516

IN TESTIMONY WHEREOF, I, being the incorporator, have hereunto set my hand and seal, this the 31st day of October, 2001.


Richard L. Stanley
Incorporator

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STATE OF NORTH CAROLINA
COUNTY OF CARTERET

I, Bari Barnes, the undersigned Notary Public hereby certify that Richard L. Stanley, 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 notarial seal, this the 31st day of October, 2001.



Bari Barnes
Notary Public

My commission expires: April 26, 2006.

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