

**ARTICLES OF INCORPORATION
OF
ELM GROVE TOWNHOME ASSOCIATION, INC.**

The undersigned natural person of the age of eighteen (18) years or more does hereby make and acknowledge these Articles of Incorporation for the purpose of forming a non-profit corporation under, and by virtue of, the laws of the State of North Carolina, as contained in Chapter 55A of the General Statutes of North Carolina, entitled "Non-Profit Corporation Act," and the several amendments thereto, and to that end does hereby set forth:

ARTICLE I

NAME

The name of the corporation shall be Elm Grove Townhome Association, Inc.

ARTICLE II

**NONPROFIT QUALIFICATIONS AND
APPLICABILITY OF NORTH CAROLINA
PLANNED COMMUNITY ACT**

This corporation does not contemplate pecuniary gain or profit to the members thereof and it is organized for nonprofit purposes. It is intended that this corporation (i) qualify as an exempt organization under the provisions of Chapter 55A of the North Carolina General Statutes (the "Non-Profit Corporation Act"), (ii) qualify as a homeowners' association under the provisions of Section 528 of the Internal Revenue Code, and (iii) be bound by and comply with the terms and provisions of Chapter 47F of the North Carolina General Statutes (the "PCA"). No part of the net earnings of this corporation shall inure to the benefit of any private member or individual.

ARTICLE III

PURPOSE AND POWERS

This corporation is a not for profit corporation organized under the Non-Profit Corporation Act. The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the Non-Profit Corporation Act, subject to the terms and limitations of the PCA. Its specific and primary purposes are to provide for the enforcement of the declaration of covenants, conditions and restrictions relating to, and the care, maintenance, preservation and architectural control of, certain real property in or about the planned development to be known as Elm Grove which will be located in Durham County, North Carolina (the "Development"), and to promote the health, safety and welfare of persons residing in said Development. In furtherance of these purposes, but subject to the PCA, any restrictions in the declaration of covenants, conditions and restrictions (the "Declaration") to be recorded upon the real

property comprising the Development and in the duly adopted bylaws of this corporation, this corporation shall have all powers granted and permitted pursuant to the terms of the Non-Profit Corporation Act, including the following:

- (a) to exercise all of the powers and privileges and to perform all of the duties and obligations of this corporation as set forth in the aforesaid Declaration;
- (b) to manage, maintain, operate, care for and administer the Development, including but not limited to the Common Area, as said term is defined in the Declaration, as more particularly set forth in the Declaration;
- (c) to enforce the covenants, restrictions, easements, charges, fines and liens as provided in the Declaration and to fix, levy, assess, collect, enforce and disburse the fines, charges and assessments created under the Declaration, all in the manner set forth in and subject to the provisions of the Declaration;
- (d) to do any and all other things and acts that the corporation from time to time, in its discretion, may deem to be for the benefit of the Development and the owners and inhabitants thereof or advisable, proper or convenient for the promotion of the peace, health, comfort, safety and general welfare of the owners and inhabitants of the Development;
- (e) to enforce the provisions of the Declaration, these articles of incorporation, the bylaws of the Corporation which may be hereafter adopted, and the rules and regulations governing the use of the Common Area and the Development as the same may be hereafter established;
- (f) to pay all expenses of the business of this corporation, including all license and permit fees, taxes and other governmental charges levied or imposed against this corporation or the property of this corporation;
- (g) to acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of this corporation;
- (h) to borrow money, and mortgage, pledge, deed in trust or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;
- (i) compromise, settle, release and otherwise adjust claims, demands, causes of actions and liabilities in favor of the corporation and the owners, or on behalf of the corporation and owners, as the case may be, provided any such claim, demand, causes of action or liability arises out of or relates to a condition or defect common to all or a majority of the lots or improvements constructed thereon, or to the development, design, construction, condition, repair or maintenance of or damage or injury to or defect in the Common Area of the Development or part thereof, and to make an receive all payment or other consideration necessary therefor or in connection therewith;
- (j) to have and to exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Corporation Act and the PCA by law may now or hereafter have or exercise.

ARTICLE IV

INITIAL AGENT/REGISTERED AND PRINCIPAL OFFICE

The name of the corporation's initial agent for service of process is John Schlichenmaier, and the address of the registered and principal office of the corporation is 4112 Pleasant Valley Road, Suite 214, Raleigh, Wake County, North Carolina 27612.

ARTICLE V

BOARD OF DIRECTORS

The affairs of the Association shall be managed by an initial board of three (3) directors appointed by Declarant, and directors shall thereafter be elected as provided in the Declaration and in the bylaws of the association. Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies.

The names and addresses of the persons who are to act in the capacity of the initial directors until the selection of their successors are:

<u>NAME</u>	<u>ADDRESS</u>
1. Cynthia Morris	4112 Pleasant Valley Road, Suite 214 Raleigh, North Carolina 27612
2. John Schlichenmaier	4112 Pleasant Valley Road, Suite 214 Raleigh, North Carolina 27612
3. David Goracke	4112 Pleasant Valley Road, Suite 214 Raleigh, North Carolina 27612

ARTICLE VI

MEMBERS, VOTING RIGHTS AND ASSESSMENTS

This is a non-stock corporation. The authorized number and qualifications of members of this corporation, the different classes of membership, if any, the property, voting rights and privileges of members, the liability of members for assessments, and the method of collection thereof shall be as set forth in the Declaration referenced in Article III hereof and in bylaws to be adopted by the directors of this corporation. Every person who is a record owner of any lot is entitled to membership and voting rights in the association, as more particularly set forth in the bylaws and Declaration. Membership is appurtenant to, and may not be separated from, ownership of a lot.

ARTICLE VII

BYLAWS

The original bylaws of the association shall be adopted by a majority vote of the initial board of directors of the association present at a meeting of the directors or by written consent in lieu thereof, and at which a majority of the directors are present, and thereafter, such bylaws may be altered and rescinded only in such manner as said bylaws provide.

ARTICLE VIII

DURATION

The term of existence of this corporation shall be perpetual.

ARTICLE IX

DISSOLUTION AND AMENDMENT

This corporation may be dissolved only in strict compliance with the provisions of the PCA. Any amendment of these articles shall require the unanimous approval of the board of directors, and the vote or written consent of sixty-seven percent (67%) of the voting power of this corporation; provided, however, that the percentage of the voting power of this corporation and of the members necessary to amend a specific provision of these articles of incorporation shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that provision. Upon dissolution of this corporation, other than incident to a merger of consolidation, the assets of the corporation shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this corporation was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted such similar purposes.

ARTICLE X

INCORPORATOR

The name and address of the incorporator is Michael F. King, Esq., 434 Fayetteville Street Mall, Suite 1900, Raleigh, North Carolina 27601.

IN WITNESS WHEREOF, I, the undersigned incorporator, have hereunto set my hand and seal this 13th day of January, 2005.

Michael F. King [SEAL]
Michael F. King, Esq.
INCORPORATOR

STATE OF NORTH CAROLINA
COUNTY OF WAKE

I, Geneva R Hayden, a Notary Public for Johnston County and State aforesaid, do hereby certify that Michael F. King, Esq. personally appeared before me this day and acknowledged the execution of the foregoing instrument.

WITNESS my hand and official seal this 13th day of January, 2005.

Geneva R Hayden
Notary Public
My Commission Expires:
3-28-2005

