

STATE OF  
NORTH  
CAROLINA



Department of The  
Secretary of State

To all whom these presents shall come, Greetings:

I, Rufus L. Edmisten, *Secretary of State of the State of North Carolina*, do hereby certify the following and hereto attached to be a true copy of

ARTICLES OF INCORPORATION  
OF  
HARPS MILL WOODS HOMEOWNERS' ASSOCIATION, INC.

*the original of which was filed in this office on the 31st day of March, 1995.*



*IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this 31st day of March, 1995.*

*Rufus L. Edmisten*

*Secretary of State*

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ARTICLES OF INCORPORATION

OF

HARPS MILL WOODS HOMEOWNERS' ASSOCIATION, INC.

FILED  
9:00 AM

MAR 31 1995

RUFUS L EDMISTEN  
SECRETARY OF STATE  
NORTH CAROLINA

I, the undersigned natural person of the age of eighteen (18) years or more, do hereby incorporate an entity under Chapter 55A of the General Statutes of North Carolina, entitled "North Carolina Nonprofit Corporation Act," and to that end do hereby set forth:

1. Name. The name of the Association is Harps Mill Woods Homeowners' Association, Inc. (the "Association").

2. Registered Agent and Office. The street and mailing address of the initial registered office of the Association is 605 Transylvania Avenue, Raleigh, Wake County, North Carolina 27609; and the name of the initial registered agent at such address is William B. Nivison.

3. Liability Limitations. To the greatest extent permitted under the North Carolina Nonprofit Corporation Act, no person or entity who is serving or who has served as a director of the Association shall be personally liable to the Association or any of its members for monetary damages for breach of duty as a director, except for liability with respect to (i) acts or omissions that the director at the time of such breach knew or believed were clearly in conflict with the best interests of the Association, (ii) any liability under N.C.G.S. §§ 55A-8-32 or 55A-8-33, (iii) any transaction from which the director derived an improper personal financial benefit, or (iv) acts or omissions occurring prior to the effective date of this article. As used herein, the term "improper personal benefit" does not include a director's reasonable compensation or other reasonable incidental benefit for or on account of his service as a director, trustee, officer, employee, independent contractor, attorney or consultant of the Association. No amendment or repeal of this article, nor the adoption of any provision to these articles of incorporation inconsistent with these articles, shall eliminate or reduce the protection granted herein with respect to any matter that occurred prior to such amendment, repeal or adoption. Provided, however, the aforesaid limitation of liability shall not affect or otherwise diminish the liability of a director of the Association resulting from the ownership of a lot within the Property (as hereinafter defined).

4. Incorporator Name and Address. The name and address of the incorporator is Steven I. Reinhard, Two Hannover Square, Suite 2200, Post Office Box 1776, Raleigh, North Carolina 27602.

5. Purpose and Powers of Association. The Association does not contemplate pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide for maintenance, preservation and architectural control of the residence lots and common area within that certain tract of property described as Harps Mill Woods subdivision lying within the lands shown as Lot 51, Harps Mill Estates, as shown on a map recorded in Book of Maps 1992, Page 165, Wake County Registry, and any other property which may be subsequently annexed thereto (collectively, the "Property") in accordance with the Declaration of Master Covenants, Conditions and Restrictions of Harps Mill Woods Subdivision recorded or to be recorded with the Wake County Register of Deeds, as the same may be amended from time to time (the "Declaration"), and to promote the health, safety and welfare of the occupants within the Property. The Association shall have the following general powers, and any other

impliedly arising therefrom, to be exercised in the manner provided and in conformity with applicable laws, the Declaration, the bylaws of the Association, and these articles of incorporation:

(a) to exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration, the Declaration being incorporated herein as if set forth at length;

(b) to fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charge levied or imposed against the property of the Association;

(c) 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 the Association in accordance with the city code and ordinances of the city of Raleigh;

(d) to borrow money, and with the assent of two-thirds (2/3) of the membership as set forth in the Declaration, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred subject always to the provisions and requirements of the Declaration, and subject further that the rights of any such security interest shall be subordinate to the rights of the members;

(e) to dedicate, sell or transfer all or any part of the common area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members, no such dedication or transfer being effective unless an instrument has been signed by two-thirds (2/3) of each class of members, agreeing to such dedication, sale or transfer;

(f) to participate in mergers and consolidations with other nonprofit corporations organized for the same purposes provided that any such merger or consolidation shall have the assent of three-fourths (3/4) of each class of members; and

(g) to have and to exercise any and all powers, rights and privileges which a corporation organized under the North Carolina Nonprofit Corporation Act may now or hereafter have or exercise.

6. Membership. The Association shall have members. The Declarant (as defined in the Declaration) and every person or entity who is a record owner of a fee or undivided fee interest in any lot which is subject by covenants of record to assessment by the Association, including contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and cannot be separated from ownership of any lot which is subject to assessment by the Association. Ownership of such lots shall be the sole qualification for membership. By virtue of the acquisition of a lot in the Property, such person or entity expressly agrees to become a member of the Association and to be subject to the Declaration, including but not limited to, the provisions therein with regard dues, fees and assessments.

7. Voting Rights: The Association shall have two (2) classes of voting membership:

Class A: Class A Members shall be all owners, save and except the Declarant; provided, however, that if Class B membership ceases to exist, the Declarant shall be considered a Class A Member. A Class A Member shall be entitled to (1) vote for each lot in which such Owner holds the required ownership interest. When more than one person or entity holds such interest in any lot, all such persons shall be Members. The vote for such lot shall be exercised as they among themselves determine, but in no event shall more than (1) vote be cast with respect to any lot, and no fractional vote may be cast with respect to any lot.

Class B: The Class B Member shall be the Declarant. The Class B Member shall be entitled to three (3) votes for each lot in which it holds the required ownership interest, provided that the Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs first: (i) four months after the total votes outstanding in Class A membership equal the total votes outstanding in the Class B membership; provided, that the Class B membership shall be reinstated with all rights, privileges, responsibilities and voting power if, after conversion of the Class B membership to Class A membership, as provided hereunder, additional lands are annexed to the Property without the assent of the Members on account of the development of such additional lands by the Declarant, all within the times and as provided in section 9.2 of the Declaration, or (ii) December 31, 2004.

The right of any member to vote can be suspended by the Board of Directors for just cause pursuant to the Declaration and the Association's rules and regulations.

8. Board of Directors: The affairs of this Association shall be managed by a Board of Directors of not less than three (3) nor more than six (6), who shall be all natural persons but not be members of the Association. The initial Board of Directors shall be three (3) in number. The number of directors can be changed by amendment of the Bylaws of the Association. The names and addresses of the persons who are to act in the capacity of the initial directors until the selections of their successors are:

| Name               | Address  |
|--------------------|--|
| William B. Nivison | 605 Transylvania Avenue<br>Raleigh, North Carolina 27612 |
| Jerry K. Liles     | 2736 Rosedale Avenue<br>Raleigh, North Carolina 27607    |
| Jerry Owen         | 7100 Valley Lake Drive<br>Raleigh, North Carolina 27612  |

Notwithstanding anything contained herein to the contrary, as long as Class B membership exists, and for a period of nine (9) months thereafter, Declarant shall have the right to designate and select at a minimum a two-thirds majority of the Board. Whenever Declarant shall be entitled to designate and select any person or persons to serve on any Board, the manner in which such persons or persons shall be designated shall be as provided in these articles of incorporation and/or bylaws. Declarant shall have the right to remove any person or persons selected by it to act and serve on the Board and to replace such

person or persons with another person or other persons to act and serve in the place of any director so removed. Any director designated and selected by Declarant need not be a member. The Declarant or any representative of Declarant serving on the Board shall not be required to disqualify himself from any vote or upon entrance into any contract or matter between Declarant and the Association where Declarant may have a pecuniary or other interest.

9. Exchange of Common Area. The Association, acting through its Board, from time to time can exchange with any member a portion of the common area for a portion of the real property owned by such member within the Property provided that the real property acquired by the Association in the exchange (a) is free and clear of all encumbrances except the Declaration, and easements for drainage, utilities, and sewers; (b) is contiguous to other portions of the common area; (c) has approximately the same area and utility as the portion of the common area exchanged; and (d) is in accordance with Part 10, Chapter 3 of the Raleigh City Code. The real property so acquired by the Association shall be a part of the common area, and, without further act of the Association or membership, shall be released from any provisions of the Declaration except those applicable to the common area. The portion of the common area so acquired by the member, without further act of the Association or membership, shall cease to be common area and shall be subject to those provisions of the Declaration that were applicable to the real property conveyed to the Association by the member.

10. Authority to Dedicate. The Association shall have power to dedicate, sell or transfer all or any part of the common area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument has been signed by members entitled to cast two-thirds (2/3) of the votes of the entire Class A membership and two-thirds (2/3) of the entire Class B membership, if any, agreeing to such dedication, sale or transfer.

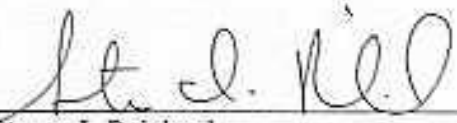
As to lenders and purchasers for value, the certification by the Secretary of the Association that the required number of members have executed instruments in conformity with this Article shall be conclusive as to the fact recited by such certification and shall be binding upon the Association and all of its members.

11. Dissolution. The Association can be dissolved with the assent given in writing and signed by not less than three-fourths (3/4) of the entire Class A membership and three-fourths (3/4) of the entire Class B membership, if any. Upon dissolution of the Association other than incident to a merger or consolidation, a dedication of the common areas and assets of the Association as they then exist for public use for purposes as similar to those to which they were required to be devoted by the Association, shall be offered to the appropriate unit of local government and the areas thus dedicated shall be conveyed to the local governmental unit, provided that such dedication shall be subject to the superior right of the owner of each lot to an easement for reasonable ingress and egress between his lot and the public street. In the event that the local governmental unit refuses to accept such dedication and conveyance, such assets shall be granted, conveyed and assigned to any nonprofit corporation, Association, trust or other organization to be devoted to purposes and uses that would most nearly reflect the purposes and uses to which they were required to be devoted by the Association. This Association shall have no capital stock. In the event of dissolution, no member, director or officer of the Association or any private individual shall be entitled to share in the distribution of the assets of this Association.

12. Amendments to Articles. Except as provided herein or in the Declaration, any amendment of these Articles shall require the assent of members or proxies entitled to cast seventy-five (75%) percent of the entire vote of the Class A and Class B membership. In the event that the Class B membership has been converted to Class A membership, such amendment shall require the assent of members or proxies entitled to cast seventy-five (75%) percent of the entire Class A membership.

These Articles can be amended by Declarant prior to conversion of Class B to Class A membership and, after conversion, by the Board of Directors of the Association, without the consent of the members, to the extent necessary, and only to the extent necessary, to achieve or maintain the tax-exempt status of the Association, or to permit the Property, or any portion thereof, or the Association to qualify for loans made or insured by any agency of government, or government sponsored agency, including without limitation, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

This the 31<sup>st</sup> day of March, 1995.

  
\_\_\_\_\_  
Steven I. Reinhard  
Incorporator

CONSENT ORGANIZATIONAL MINUTES OF THE BOARD OF DIRECTORS  
OF  
HARPS MILL WOODS HOMEOWNERS' ASSOCIATION, INC.

The undersigned, being all of the members of the board of directors of Harps Mill Woods Homeowners' Association, Inc., a North Carolina non-profit corporation (the "Association"), hereby waives the time, purpose and place of the organizational meeting of the Association and consent to the following:

Acknowledgement of the Articles of Incorporation

The articles of incorporation have been filed and recorded in the office of the Secretary of State of North Carolina, and a certificate of incorporation has been duly issued on March 31, 1995, be it:

RESOLVED, that the articles of incorporation shall be inserted in the Association's minute book and made a part of the permanent record of the Association.

Adoption of the Bylaws

RESOLVED, that the code of bylaws attached hereto as exhibit A be, and the same hereby are, adopted as and for the bylaws of this Association and that a copy of the bylaws be inserted in the minute book of the Association.

Adoption of Corporate Seal

RESOLVED, that the seal, an impression of which is affixed in the margin hereof, be and the same is, adopted as and for the seal of the Association.

Election of Officers

RESOLVED, that the following named persons are elected and appointed to hold the following offices in the Association and each such person shall hold such office until his successor shall be likely to qualify:

|                     |   |                    |
|---------------------|---|--------------------|
| President           | - | Jerry K. Liles     |
| Vice President      | - | William B. Nivison |
| Secretary           | - | Jerry Owens        |
| Assistant Secretary | - | William B. Nivison |

Adoption of Banking Resolutions

RESOLVED, that the President or Vice President of the Association shall have the right to designate authorized depositories for the funds of the Association and that one or more checking, savings and/or other deposit accounts may be opened and maintained with such authorized depositories; and that funds so deposited may be withdrawn on or by check or draft of the Association provided that such checks or drafts drawn against funds of the Association on deposit with such authorized depositories shall be signed by any officer.

RESOLVED FURTHER, that the President or Vice President of the Association are hereby authorized to open such trust accounts in the name and on behalf of the Association as may be necessary for the purpose of holding of escrow deposits received by the Association and that such depositories as may be designated by the Board of Directors be and they hereby are authorized to act as escrow agent in respect of any funds deposited in said accounts, to receive, hold, and disburse such funds in accordance with the terms of the escrow agreement delivered to such depositories with such funds.

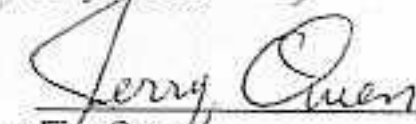
RESOLVED FURTHER, that the foregoing resolutions shall continue in full force and effect until rescinded or modified by resolution of the board of directors of the Association and a certified copy of such resolution has been filed with any depositories with whom the Association has opened accounts.

FURTHER RESOLVED, that the execution of any prior execution or any subsequent execution of any form of banking or depository resolution deemed by the President necessary to accomplish these aforementioned banking activities is hereby authorized and ratified and said resolution(s) shall be attached herein and deemed to be a part of these minutes.

The foregoing resolutions are approved by the undersigned as the sole directors of the Association and shall be filed with the records of the Association, effective as of the \_\_\_ day of May, 1995.

  
\_\_\_\_\_  
William B. Nivison

  
\_\_\_\_\_  
Jerry K. Liles

  
\_\_\_\_\_  
Jerry Owens