

ARTICLES OF INCORPORATION

OF

DALTONS RIDGE HOMEOWNERS ASSOCIATION, INC.

a North Carolina Nonprofit Corporation

In compliance with the requirements of Chapter 55A of the North Carolina General Statutes, the undersigned, a natural person of full age, has this day executed these Articles of Incorporation for the purposes of forming a non-profit corporation and hereby certifies:

ARTICLE I

The name of the corporation is Daltons Ridge Homeowners Association, Inc., hereinafter called the "Association."

ARTICLE II

The principal office and initial registered office of the Association is located at 7000 Six Forks Road, Suite 115, Raleigh, Wake County, North Carolina 27615.

ARTICLE III

Mark P. Schweibinz, whose address is 7000 Six Forks Road, Suite 115, Raleigh, Wake County, North Carolina 27615, is hereby appointed the initial Registered Agent of the Association.

ARTICLE IV

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 any of its officers, directors or members or any other private individual. The purposes and objects of the Association shall be to provide for administration, maintenance, preservation and architectural control of any Lot and of the Common Area within that certain tract of property described as follows:

See Exhibit "A" attached hereto and incorporated herein by reference

and to promote the health, safety and welfare of the residents within the herein described property and any additions thereto as may hereafter be brought within the jurisdiction of the Association, and for this purpose to:

- (a) exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in that certain Declaration of Covenants, Conditions and Restrictions of the Villas At Falls Lake Subdivision (a/k/a Daltons Ridge Subdivision), hereinafter call the "Declaration," applicable to the property and recorded in the Office of the

Register of Deeds of Wake County, North Carolina in Book 9455, Page 1139, and as the same may be amended from time to time as therein provided, said Declaration being incorporated herein as if set forth at length;

(b) improve, repair, replace, use, operate and maintain any Lot and the Common Area as provided in the Declaration, including, but not limited to, planting, mowing, edging, leaf raking and/or blowing, pruning, fertilizing, seeding, mulching, preservation and replacement of the vegetation and landscaping, and the upkeep and maintenance of sprinklers, sprinkler pumps, wells, signs, lighting, planting boxes and other equipment, apparatus and Improvements located in the Lots and/or Common Area or located in easements granted to or reserved by the Developer or the Association. The duties herein shall not include any maintenance specifically designated as the Owner's responsibility as provided in Section 10.18 of the Declaration

(c) enter into agreements with the appropriate governmental authorities to enable the Association to improve, repair, replace, use, operate and maintain any Lot, the Common Area or any portions thereof;

(d) make reasonable rules and regulation for the use and enjoyment of the Common Area, and to amend them from time to time; provided that any rule or regulation may be amended or repealed by an instrument in writing signed by the Members possessing seventy-five percent (75%) or more of the total eligible votes of the membership of the Association;

(e) borrow funds to pay costs of operation of the Association and for improving the Common Area, and to mortgage those properties to secure those borrowings, provided the mortgage is subordinate to the Easements described in the Declaration. Such borrowing may also be secured by assignment or pledge of rights against delinquent Owners or by liens on other Association assets, as determined by the Board;

(f) enter into contracts to maintain one or more bank accounts, and generally, to have all the powers necessary or incidental to the operation and management of the Association;

(g) sue or defend in any court of law on behalf of the Association; and to employ attorneys and other necessary professionals in connection therewith;

(h) the extent determined by the Board, provide adequate reserves for repairs and replacements of Improvements;

(i) make available to each Member making written request therefor an annual financial report and, upon the written request of the Members possessing seventy-five percent (75%) or more of the total eligible votes of all the Members of the Association, to have such report audited (at the expense of the Association) by an independent certified public accountant, which audited report shall be made available to each Member making written request therefor;

(j) make available for inspection by Owners and any holders of first lien mortgages or deeds of trust secured by a Lot, upon reasonable notice and during normal business hours, current copies of the Declaration and all supplemental declarations, the Bylaws, the rules and regulations of the Association, and the books, records and financial statements of the Association;

(k) adjust the amount of, collect and use any insurance proceeds to repair damage to or replace Improvements, as applicable; and if proceeds are insufficient to repair damage to or replace Improvements, to levy special assessments (in the manner provided in the Declaration) to cover the deficiency;

(l) exercise all powers, duties and authority vested in or delegated to the Association by the Declaration, the Bylaws, or the Articles and not reserved to the Members or Developer by other provisions of the Declaration, the Bylaws or the Articles;

(m) employ a manager or firm to manage the business and property of the Association, and to employ independent contractors or other employees as the Board may deem necessary;

(n) retain the services of legal and accounting firms;

(o) administer and enforce the provisions of the Declaration and any rules made thereunder and to enjoin and/or, in its discretion, seek damages or other relief from any Owner for violation of such provisions or rules;

(p) contract with any third party or any Owner (including, without limitation, Declarant) for performance, on behalf of the Association, of services which the Association is otherwise required to perform pursuant to the terms of the Declaration, such contracts to be at competitive rates and otherwise upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interest of the Association;

(q) establish the amount of and provide for the collection of Assessments, as defined herein and provided for in the Declaration;

(r) establish from time to time the tax status of the Association for Federal and State of North Carolina income tax purposes, as determined by the Board to be in the best interest of the Association;

(s) contract with other nonprofit corporations or associations which exist for purposes substantially similar to those for which the Association exists with respect to the acquisition, lease or use and improvement, repair or maintenance of property owned by such corporation or association;

(t) take any and all actions and to enter into any and all other agreements as may be necessary or proper for the fulfillment of its obligations under the Declaration, for the operational protection of the Association and for the implementation and enforcement of the terms, covenants, conditions and restrictions contained in the Declaration;

ARTICLE V

MEMBERSHIP

Every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants or record to assessment by the Association shall be a voting

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. Such membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association.

ARTICLE VI

VOTING RIGHTS

The Association shall have two classes of voting membership:

(a) Class A Members shall be all Owners with the exception of the Declarant. Declarant may, however, be a Class A member upon the termination of Class B membership. Class A members shall be entitled to one (1) vote for each Lot owned. When more than one Person holds an interest in any one Lot, all such Persons shall be Members. The vote of that Lot shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any Lot. Fractional voting is prohibited.

(b) The Class B Member shall be the Declarant. Class B Members shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease upon the earlier of:

- (i) the sale of all Lots by Declarant to third parties; or
- (ii) the effective date of the Declarant's written consent to termination.

ARTICLE VII

DURATION

The Association shall have perpetual existence.

ARTICLE VIII

BOARD OF DIRECTORS

The affairs of the Association shall be managed by a Board of Directors whose members need not be Members of the Association (the "Board"). The names and addresses of the initial Board who, subject to the provisions of these Articles of Incorporation, the Bylaws and the laws of the State of North Carolina, shall hold office until the first Annual Meeting of the Members (or until their successors are elected and qualified or appointed by the Declarant as provided in Section IX hereof) are as follows:

<u>Name</u>	<u>Address</u>
Mark P. Schweibinz	7000 Six Forks Road, Suite 115 Raleigh, NC 27516

Robert J. Anderson

7000 Six Forks Road, Suite 115
Raleigh, NC 27516

James M. Adams, Sr.

818 South White Street
Wake Forest, NC 27587

Margaret R. Grace

7000 Six Forks Road, Suite 115
Raleigh, NC 27516

At the first annual meeting, the Members shall select two (2) directors for a term of two (2) years and two (2) directors for a term of one (1) year; and at each annual meeting thereafter the Members shall elect directors for a term of two (2) years. The Board shall consist of four (4) persons (hereinafter "Director" or "Directors")

ARTICLE IX

ELECTIONS OF OFFICERS

The Board shall elect the President, Vice-President, Secretary and Treasurer of the Association, and as many Assistant Secretaries and Assistant Treasurers as the Board shall determine. The President shall be elected from among the membership of the Board but no other officer need be a Director. The same person may hold two offices, the duties of which are not incompatible; provided, however, that the office of President and Vice-President shall not be held by the same person, nor shall the office of President and Secretary or Assistant Secretary be held by the same person.

ARTICLE X

DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by not less than two-thirds (2/3) of the Members. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which the Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to such similar purposes.

ARTICLE XI

AMENDMENTS

An amendment or amendments to these Articles of Incorporation shall require the assent of two-thirds (2/3) of the Members.

No amendment to these Articles of Incorporation which shall abridge, amend or alter the right of Declarant to designate and select members of the Board of the Association, as provided in Article VIII hereof, may be adopted or become effective without the prior written consent of Declarant.

ARTICLE XII

BYLAWS

The original Bylaws shall be adopted by a majority vote of the Board of the Association present at a meeting at which a majority of the members of the Board is present, and thereafter, such Bylaws may be altered or rescinded only in such manner as said Bylaws may provide.

ARTICLE XIII

INDEMNIFICATION

Every Director and every Officer of the Association shall be indemnified by the Association against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him or her in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of being or having been a Director or Officer of the Association, whether or not he or she 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 or her 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 approves such settlement and reimbursement as being in the best interests of the Association. 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. The foregoing right of indemnification shall not include indemnification from liability resulting from being a Member of the Association.

ARTICLE XIV

VETERANS ADMINISTRATION AND HUD APPROVAL

As long as there is a Class B membership, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration, provided that FHA or VA insured loans have been obtained to purchase Lots: annexation of additional properties; mergers and consolidations; mortgaging of Common Area; dissolution of the Association; and amendment of these Articles of Incorporation.

ARTICLE XV

INCORPORATOR

The name and address of the incorporator are as follows:

Eric A. Vernon
Wyrick Robbins Yates & Ponton LLP
4101 Lake Boone Trail, Suite 300
Raleigh, North Carolina 27607

ARTICLE XV

All capitalized terms herein are as defined in the Declaration.

[The next page is the signature page]

IN WITNESS WHEREOF, I, the undersigned incorporator, have hereunto set my hand and seal, this 10th day of April, 2003.


Eric A. Vernon, Incorporator

EXHIBIT A

All that certain piece or parcel of land situated in the County of Wake, State of North Carolina, as more particularly described as follows:

Beginning at a monument NCGS "LOWERY" bearing N.C. grid coordinates N=794400.37, E=2124126.54, combined factor = 0.99993145, thence North 76 deg. 53 min. 08 sec. East 447.34 feet to an iron pipe set which is the point and place of BEGINNING; running thence South 20 deg. 20 min. 28 sec. East 27.92 feet to a computed point, said point being the centerline of a sixty (60) foot public right-of-way, running thence along said right-of-way of Falls of Neuse Road the following five (5) calls:

South 66 deg. 59 min. 27 sec. West 100.00 feet

South 61 deg. 58 min. 07 sec. West 100.00 feet

South 57 deg. 42 min. 07 sec. West 100.00 feet

South 54 deg. 18 min. 27 sec. West 92.00 feet

South 54 deg. 12 min. 47 sec. West 808.66 feet to a computed point,

running thence North 43 deg. 35 min. 14 sec. West 30.28 feet to an iron pipe set, said point being in the common boundary of property now or formerly owned by Falls Lake Project, US Army Corp of Engineers; running thence North 43 deg. 50 min. 14 sec. West 313.60 feet to a concrete monument found, Corp of Engineers Concrete Monument "1-19-L"; running thence North 37 deg. 03 min. 56 sec. East 761.06 feet to a concrete monument found, Corp of Engineers Concrete Monument "1-18-L1"; continuing thence North 39 deg. 02 min. 46 sec. East 585.92 feet to an iron pipe found; running thence South 51 deg. 50 min. 27 sec. East 201.22 feet to an iron pipe found; running thence South 28 deg. 52 min. 59 sec. East 342.78 feet to an iron pipe found; running thence South 20 deg. 30 min. 06 sec. East 206.77 feet to the point and place of BEGINNING, consisting of 16.16 acres, less .83 acres in the right of way of Falls of Neuse Road or 15.33 net acres, more or less, as shown on survey entitled "Boundary Survey, Dalton Property" prepared by Aiken & Yelle Associates, PA, dated September 27, 2000 and revised October 20, 2000.