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State of North Carolina
Department of the Secretary of State

**ARTICLES OF INCORPORATION
OF
CHELSEA WOODS COMMUNITY ASSOCIATION, INC.**

(A Nonprofit, Non-Stock, Membership Corporation)

Pursuant to § 55A-2-02 of the General Statutes of North Carolina, the undersigned does hereby submit these Articles of Incorporation for the purpose of forming a non-profit, non-stock, membership corporation.

**ARTICLE I
NAME**

The name of the corporation is CHELSEA WOODS COMMUNITY ASSOCIATION, INC., herein referred to as "Association".

**ARTICLE II
INITIAL REGISTERED OFFICE AND INITIAL REGISTERED AGENT**

The street address and mailing address and county of the initial registered office of the Association is: 1100 Navaho Drive, Suite 204, Raleigh, North Carolina 27609; Wake County. The name of the initial registered agent at such address is Ron Peiffer. The location of the initial registered office as well as the initial registered agent may be changed at any time by a majority vote of the Board of Directors.

**ARTICLE III
PURPOSE AND POWERS OF THE ASSOCIATION**

This Association does not contemplate a pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide for maintenance, preservation, architectural control and management of residential Lots and Common Property within that:

single-family residential subdivision located in Wake County, North Carolina, and referred to herein as "Chelsea Woods", being all of that tract of land as described in that certain survey thereof as shown on that Recombination Plat entitled "Recombination Of The Prince Property/Owner: Merlin G. Prince/Holly Springs Wake North Carolina", dated January 11, 2000, prepared by Withers & Ravenel Engineering & Surveying, Inc., and recorded in Book of Maps 2000 at Page 382, Wake County Public Registry, and to promote the health, safety and welfare of the residents within Chelsea Woods and for this purpose and except as limited by the Declaration hereinafter referred to, the Association shall have the powers 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 PROTECTIVE COVENANTS FOR CHELSEA WOODS to be filed for record in the Wake County Public Registry, and as set forth in any Supplementary Declaration filed pursuant to Article IX of said Declaration, and as the same may be amended from time to time, said Declaration and all such Supplementary Declarations and amendments (hereinafter collectively referred to as the "Declaration") being incorporated herein as if fully set forth herein;

(b) fix, levy, collect and enforce payment by any lawful means, all charges or assessments made pursuant to the terms of the Declaration; to pay all lawful expenses of the Association, including all office and other expenses incident to the conduct of the business of the Association and all licenses, taxes or governmental charges levied or imposed against the property of the Association and to fund reasonable reserves for future financial needs of the Association;

(c) acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use, grant utility easements, or otherwise dispose of real or personal property or any interest therein owned by the Association in connection with the affairs of the Association;

(d) borrow money, and with the consent of members entitled to at least two-thirds ($\frac{2}{3}$) of the votes appurtenant to the Lots then subject to the Declaration, mortgage, pledge or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred; provided the rights of any such lender shall be subordinate and subject to the Declaration and to the rights of the Association and Lot Owners provided in the Declaration;

(e) dedicate, sell or transfer all or any part of the Common Property to any public agency, authority, utility or other entity (public or private) for such purposes 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 at least two-thirds ($\frac{2}{3}$) of the votes appurtenant to the Lots then subject to the Declaration, agreeing to such dedication, sale or transfer and the conditions, if any, appurtenant thereto;

(f) participate in mergers and consolidations with other non-profit corporations organized for the same purposes, provided that any such merger or consolidation must have the prior approval of the members as provided in paragraph (e) above;

(g) annex additional property pursuant to the provisions of Article IX, Section 2 of the Declaration; and

(h) have and exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Corporation Law of the State of North Carolina by law may now or hereafter have or exercise not inconsistent with the Declaration.

ALL CAPITALIZED WORDS AND PHRASES USED HEREIN SHALL HAVE THE SAME MEANING AS SET FORTH IN THE DECLARATION.

ARTICLE IV

FINANCE

The Association is a non-stock corporation, and no part of the earnings (if any) of the Association shall inure to the pecuniary benefit of its members or to any other person.

ARTICLE V

MEMBERSHIP AND VOTING RIGHTS

Section 1. The Association will have members. The voting members of the Association shall be the Class A members and the Class B members defined below.

Section 2. The Association shall have two (2) classes of voting membership:

(a) Class A. The Class A members shall be 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 the Declaration to assessment by the Association, including contract sellers, except Declarant during the period Declarant is a Class B member as defined below. No other person or entity shall be a member except by merger or consolidation. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of any obligation, and the giving of a security interest shall not terminate the Owner's membership. Such membership shall be appurtenant to and may not be separated from ownership of any Lot that is subject to assessment by the Association. Class A members shall be entitled to one (1) vote for each Lot owned. When more than one person holds such interest in any Lot, all such persons shall be members, and the vote for such Lot shall be exercised as the majority of such persons among themselves determine; however in no event shall more than one vote be cast with respect to any one Lot. Fractional voting shall be prohibited. At any meeting of the members, a representation by any of such persons that a majority of such persons have agreed as to the vote for such Lot shall be conclusive unless another of such persons contests such representation at such meeting prior to the casting of such vote.

(b) Class B. The Class B member(s) shall be the Declarant (as defined in the Declaration), and the Declarant shall be entitled to four (4) votes for each Lot owned by Declarant subject to the Declaration and four (4) votes for each one-sixth (1/6) acre, or remaining fraction thereof, of unsubdivided or undeveloped property owned by Declarant subject to the Declaration. The Class B membership shall cease and be converted to Class A membership on the happening of any one of the following events, whichever occurs earlier:

- (i) when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership; but provided that the Class B membership shall be reinstated if thereafter, and before the time stated in Subparagraph (b) below, such additional lands are annexed subject to the Declaration without the assent of Class A members because of development of such additional lands by the Declarant, as provided for in Article II of the Declaration; or
- (ii) seven (7) years following the date of incorporation of the Association; or

- (iii) at such time as the Declarant elects in writing to end the Class B membership; provided the Class B membership may be reinstated if additional lands are annexed subject to the Declaration without the assent of Class A members because of development of such additional lands by the Declarant, as provided for in Article II of the Declaration, sufficient to give the Class B membership a total number of votes (with the Class B membership entitled to four (4) votes for each Lot owned by Declarant subject to the Declaration and four (4) votes for each one-sixth (1/6) acre, or remaining fraction thereof, of unsubdivided or undeveloped property owned by Declarant subject to the Declaration) to exceed those of the Class A membership.

ARTICLE VI
BOARD OF DIRECTORS

The affairs of this Association shall be managed by a Board of Directors. The initial Board shall consist of three (3) members. The maximum and minimum number of Directors, manner in which such number shall from time to time be determined, and the procedures for the election and replacement of Directors shall be as set forth in the Bylaws of the Association. The names and addresses of the persons who are to act in the capacity of Directors until the selection of their successors are:

<u>Name</u>	<u>Address</u>
James H. Tucker, Jr.	511 Keisler Drive, Suite 204 Cary, North Carolina 27511
Ron Peiffer	1100 Navaho Drive, Suite 204 Raleigh, North Carolina 27609
Patricia Spears	1100 Navaho Drive, Suite 204 Raleigh, North Carolina 27609

ARTICLE VII
DISSOLUTION

The Association may be dissolved only upon the signed written consent of the members entitled to not less than three-fourths (3/4) of the votes appurtenant to all Lots then subject to the Declaration. 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 selected by the Board of Directors to be used for purposes similar to those for which this 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 entity selected by the Board of Directors to be devoted to such similar purposes.

ARTICLE VIII
DURATION

The period of existence of the Association shall be perpetual.

ARTICLE IX
AMENDMENTS

Amendment to these Articles shall require the consent of the members entitled to at least three-fourths (¾) of the entire vote of the membership; provided, however, no members of the Association shall be entitled to vote on any amendment to these Articles for the sole purpose of complying with the requirements of any governmental (including, without limitation, HUD or VA) or quasi governmental entity or institutional lender authorized to fund, insure or guarantee mortgages on individual Lots, as such requirements may exist from time to time, which amendments may be adopted by the Association's Board of Directors.

ARTICLE X
HUD/VA

As long as Declarant has the right to appoint and remove the directors and officers of the Association as provided in the Bylaws, the following actions shall require the prior approval of the U.S. Department of Veterans Affairs ("VA"), so long as Chelsea Woods is approved by the VA for the guaranteeing of mortgages therein, and the U.S. Department of Housing and Urban Development ("HUD"), so long as Chelsea Woods is approved by HUD for the insuring of mortgages therein: annexation of additional property to the Development, except for annexation by Declarant in accordance with Article IX, Section 1 of the Declaration pursuant to a plan of annexation previously approved by the VA and/or HUD, as applicable; mergers and consolidations; dedication of Common Property to any public entity; mortgaging of Common Property; dissolution of the Association; and material amendment of these Articles of Incorporation.

ARTICLE XI
PRINCIPAL OFFICE

The street address and mailing address and county of the principal office of the Association is: 1100 Navaho Drive, Suite 204, Raleigh, North Carolina 27609; Wake County. The location of the principal office may be changed at any time by a majority vote of the Board of Directors.

ARTICLE XII
INCORPORATOR

The name and address of the incorporator is as follows:

Stephen R. Dolan

225 Hillsborough Street, Suite 200
Post Office Box 2021
Raleigh, North Carolina 27602-2021

These Articles will be effective upon filing.

This the 22nd day of November 2000.

 (SEAL)
STEPHEN R. DOLAN, INCORPORATOR