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Elaine F. Marshall
North Carolina Secretary of State
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ARTICLES OF INCORPORATION
OF
PRINCETON MANOR PROPERTY OWNERS ASSOCIATIO

PREAMBLE

Southern Developers, Inc., hereinafter referred to as "Developer", owns certain property in Wake County, North Carolina. Developer intends to record a Declaration of Covenants, Conditions, Restrictions and Easements for Princeton Manor (the "DECLARATION"), which will affect the property. This Association is being formed to administer the Declaration and to perform, among other things, the duties and exercise the powers pursuant to the Declaration, as and when the Declaration is recorded in the Public Records of Wake County, North Carolina, with these Articles attached as an Exhibit. All of the definitions contained in the Declaration shall apply to these Articles, and to the Bylaws of the Association. Until such time as the Declaration is so recorded, the incorporator shall be the sole member of the Association.

ARTICLE I - NAME AND ADDRESS

The name of the corporation is: **PRINCETON MANOR PROPERTY OWNERS ASSOCIATION, INC.** (hereinafter referred to as the "Association"). The initial address of the principal office of the Association and the initial mailing address of the Association is 1000 Darrington Drive, Suite 105, Cary, Wake County, North Carolina 27513.

ARTICLE II - PURPOSE

The purposes for which the Association is organized are as follows

A. To operate as a nonprofit corporation pursuant to Chapter 55A of the North Carolina General Statutes.

B. To administer, enforce and carry out the terms and provisions of the Declaration, as same may be amended from time to time.

C. To administer, enforce and carry out the terms and provisions of any other Declaration of covenants and restrictions, or similar document, submitting property to the jurisdiction of, or assigning responsibilities, rights or duties to the Association, and accepted

by the Board.

D. To promote the health, safety, welfare, comfort, and social and economic welfare of the members and residents of the Property, as authorized by the Declaration, by these Articles, and by the Bylaws.

ARTICLE III-POWERS

The Association shall have the following powers:

A. All of the common law and statutory powers of a nonprofit corporation under the laws of the State of North Carolina which are not in conflict with the terms of these Articles.

B. All of the powers, express or implied, granted to the Association by the Declaration or which are reasonably necessary in order for the Association to administer, enforce, carry out and perform all of the acts, functions, rights and duties provided in, or contemplated by, the Declaration.

C. To make, establish and enforce rules and regulations governing the use and maintenance of the Property.

D. To make and collect Assessments against the members to defray the costs, expenses, reserves and losses incurred or to be incurred by the Association and to use the proceeds thereof in the exercise of the Association's powers and duties.

E. To own, purchase, sell, mortgage, lease, administer, manage, operate, maintain, improve, repair and/or replace real and personal property.

F. To purchase insurance for the protection of the Association, its officers, directors, the members, and such other parties as the Association may determine to be in the best interests of the Association.

G. To operate, maintain, repair and improve all Common Property, and such other portions of the Property as may be determined by the Board from time to time.

H. To exercise architectural control over all buildings, structures and improvements to be placed or constructed upon any portion of the Property pursuant to the Declaration.

I. To provide, purchase, acquire, replace, improve, maintain and/or repair such buildings, structures, street lights and other structures, landscaping, paving and equipment, both real and personal, related to the health, safety and social welfare of the members and residents of the Property as the Board in its discretion determines necessary or appropriate.

J. To employ personnel necessary to perform the obligations, services and duties required of or to be performed by the Association and/or to contract with others for the performance of such obligations, services and/or duties.

K. To operate and maintain the surface water management and drainage system for the Property as permitted by any controlling governmental authority, including all lakes, retention areas, culverts, and related appurtenances.

L. To sue and be sued.

ARTICLE IV - MEMBERS

A. Members

1. Owners. Each Owner shall be a member of the Association, except as otherwise provided in the Declaration. Such memberships shall be initially established upon the recording of these Articles and the Declaration among the public records of the Wake County Register of Deeds. Notwithstanding the foregoing, no governmental authority or utility company shall be deemed a member unless one or more Residences actually exist upon the Property owned by such governmental authority or utility company, in which event the governmental authority or utility company will be a member only with respect to the Property owned in conjunction with such Residence(s).

2. Developer and Parcel Developers. Developer and each Parcel Developer shall be a member of the Association so long as they own any Property.

B. Transfer of Membership. In the case of an Owner, transfer of membership in the Association shall be established by the recording in the Public Records of the Wake County, North Carolina, of a deed or other instrument establishing a transfer of record title to any Property for which membership has already been established as herein above provided, the

Owner designated by such instrument of conveyance thereby becoming a member, and the prior Owner's membership thereby being terminated. In the event of death of an Owner, his membership shall be automatically transferred to his heirs or successors in interest. Notwithstanding the foregoing, the Association shall not be obligated to recognize such a transfer of membership until such time as the Association receives a true copy of the deed or other instrument establishing the transfer of ownership of the Property, and it shall be the responsibility and obligation of the former and new Owner of the Property to provide such true copy of said instrument to the Association.

C. Voting Rights. The voting rights shall be as set forth in the Bylaws.

ARTICLE V - DIRECTORS

A. The affairs of the Association shall be managed by a Board consisting of not less than three (3) directors, and which shall always be an odd number. The number of directors shall be determined in accordance with the Bylaws. In the absence of such determination, there shall be three (3) directors so long as Developer has the right to appoint any director.

B. The directors of Association shall be elected by the members, except that Developer shall have the right to appoint all of the directors of the Association so long as Developer owns any Lot or any Property, which is planned to contain a Residence or any Additional Property. If any law limits Developer's right to appoint the directors of the Association, Developer shall have the right to appoint the maximum number of directors as may be permitted by law. Notwithstanding the foregoing, if any mortgage encumbering any Lot is guaranteed or insured by the Federal Housing Administration or by the Veterans Administration, then upon written notice of same to the Association by either such agency, the majority of the directors shall be elected by the members when 75% of the Lots within the Property and Additional Property have been conveyed by Developer. The event at which the majority of directors are elected by the Class A Members is referred to as "Turnover".

C. All of the duties and powers of the Association existing under Chapter 55A of the North Carolina General Statutes, the Declaration, these Articles and the Bylaws shall be exercised exclusively by the Board, its agents, contractors or employees, subject to approval by the members only when specifically required.

D. Directors may be removed and vacancies on the Board shall be filled in the manner provided by the Bylaws, however, any director appointed by Developer may only be removed by Developer so long as Developer has the right to appoint the director, and any vacancy on the Board shall be appointed by Developer if, at the time such vacancy is to be filled, the number of remaining directors appointed by Developer is less than the maximum number of directors that may at that time be appointed by Developer as set forth above.

E. The names and addresses of the directors who shall hold office until their successors are elected or appointed or until removed are as follows:

Michael L. Ward	1000 Darrington Drive, Suite 105, Cary, North Carolina 27513
B. Kyle Ward	1000 Darrington Drive, Suite 105, Cary, North Carolina 27513
Lawrence Ward	1000 Darrington Drive, Suite 105, Cary, North Carolina 27513

ARTICLE VI - OFFICERS

The officers of the Association shall be a President, Vice President, Secretary, Treasurer and such other officers as the Board may from time to time by resolution create. The officers shall serve at the pleasure of the Board, and the Bylaws may provide for the removal from office of officers, for filling vacancies, and for the duties of the officers. The names of the officers who shall serve until their successors are designated by the Board are as follows:

President ..... Michael L. Hunter
Vice President ..... Lawrence Ward
Treasurer/Secretary ..... B. Kyle Ward

ARTICLE VII - INDEMNIFICATION

A. The Association shall indemnify any person who was or is a party or is threatened to be made a party, to any threatened, pending or contemplated action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, employee, officer, or agent of the Association, or a member of any committee thereof, against expenses (including attorneys' fees and appellate attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection

with such action, suit or proceeding if (i) he acted in good faith and (ii) in the case of conduct in his official capacity with the Association, in a manner he reasonably believed to be in the best interest of the Association and in all other cases, in a manner he reasonably believed was not opposed to the best interests of the Association, and (iii) with respect to any criminal action or proceeding, if he had no reasonable cause to believe his conduct was unlawful; except, that no indemnification shall be made in respect to any claim, issue or matter as to which such Person shall have been adjudged to be liable for gross negligence or willful misfeasance or malfeasance in the performance of his duty to the Association unless and only to the extent that the court in which such action or suit was brought shall determine, upon application, that despite the adjudication of liability, but in view of all the circumstances of the case, such Person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper. The termination of any action, suit or proceeding by judgment, order settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, in and of itself create a presumption that the Person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interest of the Association; and with respect to any criminal action or proceeding, that he had no reasonable cause to believe that his conduct was unlawful.

B. To the extent that a director, officer, employee or agent of the Association, or a member of any committee thereof, has been successful on the merits or otherwise in defense of any action. suit or proceeding referred to in Paragraph 1 above, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees and appellate attorneys' fees) actually and reasonably incurred by him in connection therewith.

C. Any indemnification under Paragraph VII.A. above (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, agent, or committee member is proper under the circumstances because he has met the applicable standard of conduct set forth in Paragraph 1 above. Such determination shall be made (a.) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (b) if such quorum is not obtainable, by a majority vote of a committee duly designated by the Board (in which designation directors who are parties may participate) consisting solely of two or more directors not at the time parties to the proceeding, or (c) by special legal

counsel selected by the Board or its committee in the manner prescribed in (a) or (b) above or if a quorum of the Board cannot be obtained and a committee cannot be designated, then selected by a majority vote of the full Board (in which selection directors who are parties may participate), or (c) by a majority vote of the members.

D. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized by the Board in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Association as authorized in this Article.

E. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under the laws of the State of North Carolina, any Bylaw, agreement, vote of members or otherwise; and as to action taken in an official capacity while holding office, shall continue as to a Person who has ceased to be a director, officer, employee, agent or committee member and shall inure to the benefit of the heirs, executors and administrators of such a Person.

F. The Association shall have the power to purchase and maintain insurance on behalf of any Person who is or was a director, officer, employee or agent of the Association, or a member of any committee thereof or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, as arising out of his status as such whether or not the Association would have the power to indemnify him against such liability under the provisions of this Article.

ARTICLE VIII-BYLAWS

The first Bylaws shall be adopted by the Board, and may be altered, amended or rescinded in the manner provided by the Bylaws.

ARTICLE IX - AMENDMENTS

Amendments to these Articles shall be proposed and adopted in the following manner:

A. A majority of the Board shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of the members, which may be the annual or a special meeting.

B. Written notice setting forth the proposed amendment or a summary of the changes to be affected thereby shall be given to each member entitled to vote thereon within the time and in the manner provided in the Bylaws for the giving of notice of a meeting of the members. If the meeting is an annual meeting, the proposed amendment or such summary may be included in the notice of such annual meeting.

C. At such meeting, a vote of the members entitled to vote thereon shall be taken on the proposed amendment. The proposed amendment shall be adopted upon receiving the affirmative vote of at least two thirds (2/3) of the votes of the entire membership of the Association.

D. Any number of amendments may be submitted to the members and voted upon by them at any one meeting.

E. In addition to the above, so long as Developer appoints a majority of the directors of the Association, Developer shall be entitled to unilaterally amend these Articles and the Bylaws. Furthermore, no amendment shall make any changes which would in any way affect any of the rights, privileges, power or options herein provided in favor of, or reserved to, Developer, unless Developer joins in the execution of the amendment.

F. Upon the approval of an amendment to these Articles, Articles of Amendment shall be executed and delivered to the North Carolina Secretary of State as provided by law, and a copy certified by the Secretary of State shall be recorded in the public records of the Wake County, North Carolina.

ARTICLE X - TERM

The Association shall have perpetual existence.

ARTICLE XI – INCORPORATOR

The name and street address of the incorporator is: B. Kyle Ward, 1000 Darrington Drive, Suite 105, Cary, North Carolina 27513.

ARTICLE XII - INITIAL REGISTERED OFFICE ADDRESS AND NAME OF INITIAL REGISTERED AGENT

The initial registered office of the Association shall be at: 1000 Darrington Drive, Suite 105, Cary, Wake County, North Carolina 27513.

The initial registered agent of the Association at that address is: B. Kyle Ward

ARTICLE XIII - DISSOLUTION

The Association may be dissolved as provided by law, provided that any such dissolution shall require the affirmative vote of 2/3rds of all of the Members. In the event of dissolution or final liquidation of the Association, the assets, both real and personal of the Association, shall be dedicated to an appropriate public agency or utility to be devoted to purposes as nearly as practicable to the same as those to which they were required to be devoted by the Association. 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 to purposes as nearly as practicable to the same as those to which they were required to be devoted by the Association. No such disposition of Association properties shall be effective to divest or diminish any right or title of any Owner vested under the Declaration unless made in accordance with the provisions of such Declaration.

ARTICLE XIV-MERGERS

A. By Developer.

Developer shall have the right, but not the obligation, until Turnover, from time to time, within its sole discretion, to merge or consolidate this Association with any other property owners association. Notwithstanding the foregoing, until Turnover, such merger or

consolidation must have the prior written approval of the Veterans Administration ("VA") and Federal Housing Administration ("FHA") in accordance with the regulations of the U.S. Department of Housing and Urban Development ("HUD"), if the FHA or VA is the insurer of any Mortgage encumbering a Lot.

B. By Owners.

After Turnover, the Association may be merged with another association if approved by twothirds (2/3) of Members of the Association present in person or by proxy at a duly constituted meeting or by written consent.

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C. Effect. Upon a merger or consolidation of the Association with another property owners association, the Association's Common Property, rights and obligations may, by operation of law, be transferred to the surviving or consolidated association, or alternatively, the Property, rights and obligations of another property owners association may, by operation of law, be added to the Common Property, rights and obligations of the Association, as a surviving corporation pursuant to a merger. To the greatest extent practicable, the surviving or consolidated property owners association shall administer the covenants, conditions, easements and restrictions established by this Declaration within the Property, together with any surviving covenants and restrictions established upon any other properties as one scheme, but with such differences in the method or level of Assessments to be levied upon the Property and the other properties as may be appropriate, taking into account the different nature or amount of services to be rendered to the owners thereof by the surviving or consolidated association. No such merger or consolidation, however, shall effect any revocation, change, or addition to the covenants established by this Declaration, except as expressly adopted in accordance with the terms hereof.

ARTICLE XV – FHA/VA

For so long as the Developer appoints the majority of the Directors on the Board of the Association, the annexation of additional properties, except for any portion of the Additional Property, mortgaging of any part of the Common Property, any amendment to the Articles, the merger or consolidation of the Association with other property owners associations, and the dissolution of the Association shall require the prior written approval of the Federal Home Administration ("FHA") and the Veterans' Administration ("VA"), if the FHA or VA is the insurer of any Mortgage encumbering any Lot within the Property.

IN WITNESS WHEREOF, for the purpose of forming this Association under the laws of the State of North Carolina, the undersigned has executed these Articles of Incorporation this 10th day of April, 2003.

Southern Developers, Inc.

By: B. Kyle Ward

B. Kyle Ward, Incorporator
President