Hold: Smith, Helms

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STATE OF NORTH CAROLINA

Department of The Secretary of State

0007588

To all whom these presents shall come, Greetings:

I, JANICE H. FAULKNER, *Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of*

PRESENTED FOR REGISTRATION
96 DEC -2 PM 4:25
LAURA ... REGISTER OF DEEDS
WAKE COUNTY

ARTICLES OF INCORPORATION
OF
SCOTTS MILL HOMEOWNERS ASSOCIATION, INC.

the original of which was filed in this office on the 21st *day of* November, 1996.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this 21st *day of* November, 1996.

Janice H. Faulkner

Secretary of State

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C-0411255

FILED
12:45 pm
NOV 21 1996
EFFECTIVE
JANICE H. FAULKNER
SECRETARY OF STATE
NORTH CAROLINA

96326059

ARTICLES OF INCORPORATION

OF

SCOTTS MILL HOMEOWNERS ASSOCIATION, INC.

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

ARTICLE I

The name of the corporation is Scotts Mill Homeowners Association, Inc. hereinafter called the "Association."

ARTICLE II

The principal and registered office of the Association is located at 1152 Executive Circle, Suite 105, Cary, Wake County, North Carolina, 27511.

ARTICLE III

Thomas McKay, whose address is 1152 Executive Circle, Suite 105, Cary, Wake County, North Carolina, 27511, is hereby appointed the initial registered agent of this Association.

ARTICLE IV

PURPOSE AND POWERS OF THE ASSOCIATION

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 the Lots and Common Property within that certain tract of property described as follows:

> Lying and being in Wake County, North Carolina, and being more particularly described on Exhibit A attached hereto and incorporated herein by reference or so much thereof as may be brought with the jurisdiction of the Association and any additional property which may hereafter be brought within the jurisdiction of this Association (the "Properties");

and to promote the health, safety and welfare of the residents within the above described property, in accordance with the terms and conditions of that certain Declaration of Covenants, Conditions, Restrictions and Easements for Scotts Mill (hereinafter called the "Declaration"; unless otherwise defined, capitalized terms shall have the same meaning as set forth in the Declaration), now or hereafter made applicable to the Properties and recorded or to be recorded in the Office of the Register of Deeds of Wake County, North Carolina, 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 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 the Declaration.

(b) fix, levy, collect and enforce payment of, 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 charges levied or imposed against the property 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 or otherwise dispose of real or personal property in connection with the affairs of the Association.

(d) borrow money, and in accordance with the terms and conditions of the Declaration, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

(e) dedicate or transfer to any public agency, authority or utility non-exclusive easements on, over and upon all or any part of the Common Property for purposes of providing service to the Common Property or the Lots subject to such conditions as may be agreed to by the Association's Board of Directors; provided, however, no such dedication or transfer shall be effective unless an instrument executed on behalf of the Association by its duly authorized officers, agreeing to such dedication or transfer, has been recorded.

(f) in accordance with the terms and conditions of the Declaration, dedicate to any public agency, authority or utility, or transfer to any third party, all or any part of the Common Property for such purposes and subject to such

conditions as may be agreed to by the Members consenting to such dedication or transfer.

(g) participate in mergers and consolidations with other non-profit corporations organized for the same purposes provided that any such merger or consolidation shall have the assent of the Members entitled to cast at least two-thirds (2/3) of all outstanding votes.

(h) have and to 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.

ARTICLE V

MEMBERSHIP

All owners and Declarant (Stratford Woods, LLC, as well as its successors and assigns, if Stratford Woods, LLC shall make an express conveyance of its developer rights under the Declaration to such successor or assign) shall be voting Members of the Association.

ARTICLE VI

VOTING RIGHTS

The Association shall have two classes of voting membership:

Class A. Class A Members shall be all Owners except Declarant during the period Declarant is a Class B Member as defined below. Class A Members shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote or votes for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot. Class A membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association.

Class B. The Class B Member shall be the Declarant and shall be entitled to three (3) votes for each lot owned by it or any Affiliate shown on the Master Subdivision Plan for "Scotts Mill" approved by the Town of Apex or other appropriate governmental entity, as that plan is from time to time amended and approved. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership; however, the Class B membership shall be reinstated if thereafter, and before the time stated in subparagraph (b) below, the Master Subdivision Plan for "Scotts Mill" is amended to add additional lots sufficient to entitle the Class B membership to cast more votes (with the Class B membership casting three (3) votes for each lot owned by Declarant or any Affiliate) than the Class A membership is entitled to cast and the amended Plan is approved by the Town of Apex or other appropriate governmental authority; or,

(b) fifteen (15) years from the date the Declaration is recorded in the Office of the Register of Deeds, Wake County, North Carolina.

ARTICLE VII

BOARD OF DIRECTORS

The affairs of this Association shall be managed by a Board of Directors who need not be members of the Association. The number of members of the first Board of Directors shall be three (3). The number of directors on subsequent Boards shall be as set forth in the Bylaws of the Association. The names of the persons who are to act in the capacity of directors until the selection of their successors are:

Thomas W. McKay

David Sigler

Larry Morello

The term of the initial director of the Association shall expire at the first annual meeting of the Members. The terms of all other directors shall expire at the next annual meeting of the Members following their election.

ARTICLE VIII

DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by the Members entitled to cast not less than two-thirds (2/3) of all outstanding votes of the Association; provided, however, the Association may not be dissolved without Declarant's consent for so long as Declarant or any Affiliate

owns any Lot or Declarant may annex Additional Property pursuant to the provisions set forth in 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 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 organization to be devoted to such similar purposes.

ARTICLE IX

DURATION

The corporation shall exist perpetually.

ARTICLE X

AMENDMENTS

Amendment of these Articles shall require the affirmative vote of the members entitled to cast at least seventy-five percent (75%) of the votes of the Association, voting in person or by proxy, at a meeting duly called for such purpose; provided, however, no amendment purporting to revoke or curtail any right herein conferred to Declarant shall be effective unless executed by Declarant, and no amendment relating to the maintenance or ownership of any permanent detention or retention pond shall be effective unless reviewed and approved by the governmental office having jurisdiction for watershed protection.

ARTICLE XI

FEDERAL HOUSING ADMINISTRATION
AND
DEPARTMENT OF VETERANS AFFAIRS APPROVAL

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

ARTICLE XII

INCORPORATOR

The name and address of the incorporator is as follows: Donna K. Blumberg, 2800 Two Hannover Square, Raleigh, North Carolina, 27601.

IN WITNESS WHEREOF, I, the undersigned incorporator, have hereunto set my hand and seal, this 21st day of November, 1996.

Donna K. Blumberg (SEAL)
Donna K. Blumberg
Incorporator

NORTH CAROLINA

WAKE COUNTY

THIS IS TO CERTIFY, that on the 21st day of November, 1996, before me, a Notary Public, personally appeared Donna K. Blumberg, who I am satisfied is the person named in and who executed the foregoing Articles of Incorporation, and I having first made known to him the contents thereof, he did acknowledge that he signed and delivered the same as his voluntary act and deed for the uses and purposes therein expressed.

IN TESTIMONY WHEREOF I have hereunto set my hand and seal this the 21st day November, 1996.

Notary Public

My Commission Expires:

June 18, 2001

EXHIBIT A

All of the numbered lots shown on the map entitled "Scotts Mill, Phase One" recorded in Book of Maps 1996, Page 1559, in the Office of the Register of Deeds of Wake County, North Carolina.