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Elaine F. Marshall
North Carolina Secretary of State

**ARTICLES OF INCORPORATION
OF
AVALLON HOMEOWNERS ASSOCIATION, INC.**

The undersigned natural person of the age of eighteen (18) years or more, does hereby execute these Articles of Incorporation pursuant to the laws of the State of North Carolina, as contained in Chapter 55A of the General Statutes of North Carolina, entitled "Non-Profit Corporation Act", and the several amendments thereto, and does hereby make, sign, and acknowledge these Articles of Incorporation, and to that end does hereby set forth:

ARTICLE I

NAME

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

ARTICLE II

REGISTERED OFFICE

The principal and registered office of the Association is located at 9205 Baileywick Road, Suite 201, Raleigh, North Carolina 27615.

ARTICLE III

REGISTERED AGENT

Bob J. Fry, whose address is 9205 Baileywick Road, Suite 201, Raleigh, North Carolina 27615 is hereby appointed the initial registered agent of this Association.

ARTICLE IV

PURPOSE AND POWERS OF THE ASSOCIATION

This 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 Lots and Common Properties within that certain tract or property (herein referred to as "Property") described in that certain Declaration of Covenants, Conditions and Restrictions of Avallon Subdivision recorded contemporaneously with these Articles in the Office of Register of Deeds of Wake County (herein "Declaration"), and to promote the health, safety and welfare of the residents within the above described Property and any additions thereto as may hereafter be brought within the jurisdiction of this Association and for those purposes 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 Declaration applicable to the Property 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) 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 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 with the assent of two-thirds (2/3) of each class of members, mortgage, pledge, deed in trust, 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 mortgage shall be subordinate to the rights of the Lot Owners in the Common Properties;

(e) dedicate, sell or transfer all or any part of the Common Properties or grant an easement or right of way across the Common Properties to any public agency, authority, utility, or to any other person for such purposes and subject to such conditions as may be agreed to by the members. No such dedication, sale or transfer shall be effective unless it has been approved by two-thirds (2/3) of each class of members, and an instrument properly executed by the Association has been recorded.

On any instrument of loan, dedication, sale, transfer, easement, lease right of way, mortgage, pledge, deed in trust or other hypothecation or other disposition of real or personal property, the Secretary of the Association shall certify that two-thirds (2/3) of each class of members have approved the action evidenced by the instrument, and that certificate shall be conclusive that the execution and delivery of such instrument was properly authorized by the Association and its members and shall be relied upon and binding as to any third party or as to any grantee, its successor and assigns; provided, however, conveyances for general service utility purposes as specified in the Declaration may be made without consent of the members, and the Association may execute an instrument of conveyance therefor without such certification;

(f) participate in mergers and consolidations with other non-profit corporations organized for the same purposes or annex additional property and Common Properties, provided that any such merger, consolidation or annexation shall have the assent of two-thirds (2/3) of each class of members, except that annexation of additional property by Declarant may be done without the consent of the members as provided in the Declaration;

(g) 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

Every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject by Declaration 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 or trustees under a security instrument. 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:

Class A. Class A Members shall be all Owners with the exception of the Declarant, and 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; however, the vote for such Lot shall be exercised as they among themselves determine, or as set forth in the Bylaws, but in no event shall more than one vote be cast with respect to any Lot. Fractional voting is prohibited.

Class B. The Class B Member shall be the Declarant and Declarant shall be entitled to six (6) votes for each lot as may be developed within the property described on Exhibit B of the Declaration (which property Declarant presently owns, and contemplates developing as additional subdivision lots) under applicable zoning ordinances and regulations, as they may be amended from time to time, if fully developed to maximum density under such ordinances and regulations. 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:

(i) 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, additions are made to the Properties sufficient to give the Class B membership a total number of votes to exceed those of the Class A membership; or,

(ii) Ten (10) years from the date this 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 not less than three (3) nor more than nine (9) Directors, who shall be qualified as set forth in the Bylaws. The initial Board shall be comprised of three (3) members. The number of directors may be changed by amendment of the By-Laws 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>
Bob J. Fry	9205 Baileywick Road, Suite 201, Raleigh, North Carolina 27615
Janice Fry	9205 Baileywick Road, Suite 201, Raleigh, North Carolina 27615
Chuck Welsh	9205 Baileywick Road, Suite 201, Raleigh, North Carolina 27615

ARTICLE VIII

DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by not less than two-thirds (2/3) of each class of 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 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 assent of seventy-five percent (75%) of the entire membership; provided that should additional property later be brought within the jurisdiction of this Association, pursuant to the Declaration, it shall not be necessary to amend these Articles to reflect such additional property.

ARTICLE XI

TERMS

The terms used herein shall have those meanings as defined in the Declaration.

ARTICLE XII

EARNINGS

No part of the net earnings of the Association shall inure to the benefit of, or be distributable to, its Directors, Officers or other private persons, except that the Association shall be authorized and empowered to pay reasonable compensation for services rendered and expenses incurred and to make payment and distribution in furtherance of the purposes as set forth herein.

ARTICLE XII

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 in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being, or having been, a Director or Officer of the Association, whether or not he is a Director or Officer at the time such expenses are incurred, except in such cases wherein the Director or Officer is adjudged to have acted in bad faith or have been liable or guilty by reason of willful misconduct in the performance of his 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 of Directors 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 of indemnification to which such Director or Officer may be entitled by law or otherwise and, specifically, indemnification of Officers and Directors shall be available as set forth in G.S. §55A-8-50 *et seq.* The Board of Directors by Bylaw provision is authorized to establish further criteria for indemnification of Officers or Directors.

Furthermore, notwithstanding the foregoing provision, in the event that Chapter 55A of the General Statutes of North Carolina or any other provision of the North Carolina General Statutes is amended or enacted to permit further limitation or elimination of the personal liability of the Association's Officers or Directors, such liability shall be limited or eliminated to the fullest extent permitted by the applicable law.

This Article shall not affect a charter or bylaw provision or contract or resolution of the Association indemnifying or agreeing to indemnify an Officer or Director against personal liability. Any repeal or modification of this Article shall not adversely affect any limitation hereunder on the personal liability of any Officer or Director with respect to acts or omissions occurring prior to such repeal or modification.

ARTICLE XIV

INCORPORATOR

<u>Name</u>	<u>Address</u>
Alison R. Cayton	Manning, Fulton & Skinner, P.A. Post Office Box 20389 Raleigh, North Carolina 27619

IN WITNESS WHEREOF, for the purpose of forming this corporation under the laws of the State of North Carolina, the undersigned, constituting the incorporator of this Association, has executed these Articles of Incorporation this 31 day of October, 2002.



Alison R. Cayton
INCORPORATOR

STATE OF NORTH CAROLINA :

COUNTY OF WAKE :

THIS IS TO CERTIFY, that on the 31st day of October, 2002, before me, a Notary Public, personally appeared Alison R. Cayton 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 affixed my official seal, this the 31st day of October, 2002

AMANDA S. BURNS
NOTARY PUBLIC
WAKE COUNTY, N.C.
My Commission Expires 08-30-2006

Amanda S. Burns
Notary Public
My Commission Expires: 8/30/2006