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Elaine F. Marshall  
North Carolina Secretary of State

**ARTICLES OF INCORPORATION  
FOR COLVARD FARMS HOMEOWNERS ASSOCIATION, INC.**

Pursuant to Section § 55A-2-02 of the General Statutes of the State of North Carolina, the undersigned, being a natural person of full age, does hereby submit these Articles of Incorporation for the purpose of forming a nonprofit corporation.

**ARTICLE I**

The name of the corporation is COLVARD FARMS HOMEOWNERS ASSOCIATION, INC. (the "Association").

**ARTICLE II**

The principal and registered office of the Association is located at 3515 Courtland Road, Durham, Durham County, North Carolina 27707.

**ARTICLE III**

Mr. F. Neal Hunter, whose address is 3515 Courtland Road, Durham, North Carolina 27707, is hereby appointed the initial registered agent of the Association.

**ARTICLE IV**

The name and address of the incorporator are as follows: C. Steven Mason at 2500 First Union Capitol Center, Raleigh, North Carolina 27601.

**ARTICLE V**

The Association is the same association contemplated by that certain Declaration of Covenants, Conditions and Restrictions of Colvard Farms Subdivision recorded or to be recorded in the Office of the Register of Deeds of Chatham County, North Carolina, executed by Colvard Farms Development Company, LLC, as Developer (the "Declaration"). The terms "Developer," "Common Property," "Lot," "Owner," and "Member" as used herein shall have the meanings ascribed to such terms in the Declaration.

## ARTICLE VI

### PURPOSES AND POWERS OF THE ASSOCIATION

The Association shall not operate for pecuniary gain or profit, shall not issue capital stock, and no part of the net earnings of the Association shall inure to the benefit of any Member of individual (except that reasonable to compensation may be paid for services rendered), it shall operate as a non-profit corporation pursuant to Section 501(c)(7) of the Internal Revenue Code as now or hereinafter amended, and the specific purposes for which it is formed are to provide for: (i) the use, improvement, maintenance, operation and repair of the Common Property including any improvements and amenities located thereon; (ii) the establishment of rules and regulations for the use of the Common Property including any improvements and amenities located thereon; (iii) the distribution among the Owners of the costs of the use, improvement, maintenance, and repair of the Common Property including any improvements and amenities located thereon; and (iv) the promotion of the health, safety, pleasure, recreation, and welfare of the occupants of the Lots. In furtherance of these purposes, the Association, (by action of its Board of Directors unless otherwise notes in these Articles of Incorporation or in the Declaration) shall have full power to:

(a) exercise all of the powers and privileges and to perform all of the duties and obligation of the Association as set forth in the Declaration as the same may be amended from time to time as therein provided, the Declaration being incorporated herein by reference as if set forth at length;

(b) fix, levy, collect and enforce payment by any lawful means of 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 affairs 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, subject, however, to the requirements of the Declaration;

(d) borrow money and mortgage, pledge, convey by deed of trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(e) participate in mergers and consolidations with other nonprofit corporations organized for the same purposes or annex additional property and open space; and

(f) have and to exercise any and all powers, rights and privileges which a non-profit corporation organized under the corporation law of the State of North Carolina by laws may now or hereafter have or exercise.

## ARTICLE VII

Every Owner and Developer shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of a Lot.

## ARTICLE VIII

The Association will have two classes of voting membership (Class A and Class B as provided in the Declaration. The voting rights of each member shall be as set forth in the Declaration.

## ARTICLE IX

Amendment of these Articles shall require the assent of the holders of two-thirds of the votes of Members present in person or by proxy at the meeting at which the vote is taken. The Association may be dissolved with the assent given in writing and signed by the holders of not less than seventy-five percent (75%) of the votes of each class of the Members; provided, so long as the Declaration is in effect, the Association cannot be dissolved unless a successor corporation of Lot Owners is organized to assume the duties and responsibilities of the Association. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be granted, conveyed and assigned to any non-profit corporation, association, trust or organization to be devoted to such similar purposes.

## ARTICLE X

Every director and officer of the Association shall have no personal liability for monetary damages arising out of an action whether by or in the name of the Association or otherwise for breach of any duty as director or officer, except for liability with respect to (i) acts or omissions that the director or officer at the time of the breach knew or believed were clearly in conflict with the best interest of the Association; (ii) any liability under NC Gen Stat § 55A-8-32 or 55A-8-33; or (iii) any transaction from which the director or officer derived an improper personal benefit. If the North Carolina Nonprofit Corporation Act as amended to authorize corporate action for further eliminating or limiting personal liability of directors and officers, when the liability of a director or officer of the Association shall be eliminated or limited to the fullest extent permitted by the North Carolina Nonprofit Corporation Act, as so amended.

Any repeal or modification of the foregoing paragraph shall not adversely affect any right or protection of the director of the Association existing at the time of such repeal or modification.

IN WITNESS WHEREOF, the undersigned incorporator has set his hand this 14th day of November, 2002.



C. Steven Mason, Incorporator