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ARTICLES OF INCORPORATION

OF

GRANDOVER OF DURHAM HOMEOWNERS ASSOCIATION, INC.

CORP ID # 0508125

FILED

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OCT 05 1999

Effective
ELAINE F. MARSHALL
SECRETARY OF STATE
NORTH CAROLINA

In compliance with the requirements of Chapter 55A of the General Statutes of North Carolina, the undersigned, all of whom are residents of the State of North Carolina and all of whom are of full age, have this day voluntarily associated themselves together for the purpose of forming a corporation not for profit and do hereby certify:

ARTICLE I

The name of the corporation is GRANDOVER OF DURHAM HOMEOWNERS ASSOCIATION, INC., hereinafter called the "Owner's Association."

ARTICLE II

The initial registered and principal office of the Owner's Association is located at 2005 North Pointe Road, Suite A-11, Durham, Durham County, North Carolina 27705.

ARTICLE III

H. O. Chesson, Jr., whose address is 2005 North Pointe Road, Suite A-11, Durham, Durham County, North Carolina 27705, is hereby appointed the initial registered agent of this Owner's Association.

ARTICLE IV

This Owner's Association does not contemplate pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are:

(a) To manage, own and maintain the lands and improvements located on the Common Area of Grandover Subdivision Property, for the benefit and use of the members of the

Association subject to such restraints or suspensions of use and voting rights of members as are provided herein and in the Bylaws.

(b) To own, purchase, manage, maintain, repair and replace any or all of the improvements used in connection with the Common Area.

(c) To establish an orderly and efficient system of billing to pay for the expenses incurred in the furtherance of the aforesaid purposes.

(d) To promulgate such rules and regulations and perform such deeds as are deemed necessary to achieve the aforesaid objectives, and to promote the health, safety and welfare of the members of the Owner's Association and for these purposes to:

(e) Exercise all of the powers and privileges and to perform all of the duties and obligations or things reasonably necessary or desirable for carrying out the Owner's Association's purposes, and for protecting the lawful rights and interests of its members in connection therewith;

(f) Fix, levy, collect and enforce payment by any lawful means, all charges or assessments more fully hereinafter described; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Owner's Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Owner's Association;

(g) 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 property in connection with the affairs of the Owner's Association;

(h) 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;

(i) Dedicate, sell or transfer all or any party of the Common Area to any public agency, authority, or utility for such purposes and 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 two-thirds (2/3) of each class of members, agreeing to such dedication, sale or transfer (such instrument or instruments may be executed in several counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument);

(j) Participate in mergers and consolidations with, or as a member in, other nonprofit corporations organized for the same or similar purposes provided that any such merger or consolidation shall have the assent of two-thirds (2/3) of each class of members;

(k) Have and to exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Corporation Act of the State of North Carolina by law may now or hereafter have or exercise.

ARTICLE V

MEMBERSHIP AND USE

Every person or entity who is a record owner of a fee or undivided fee interest in any single family lot, condominium unit, patio home or townhouse Lot which is subject to Declaration of Covenants, Conditions and Restrictions of the Grandover of Durham Homeowners Association shall be a member of this Owner's Association.

ARTICLE VI

VOTING RIGHTS

The Owner's Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners (with the exception of Declarant) and all Resident Permit Members and shall be entitled to one vote for each single family lot, owned. When more than one person holds an interest in any such single family lot, all such persons shall be members. The vote for such single family lot, shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any one single family lot.

Class B. Class B member(s) shall be GRANDOVER OF DURHAM, L.L.C., a North Carolina Limited Liability Company, its successors and assigns, and it shall be entitled to three (3) votes for each single family lot, condominium unit, patio home or townhouse lot owned. 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 the total votes outstanding in the Class B membership; or
- (b) on or by December 31, 2005.

ARTICLE VII

BOARD OF DIRECTORS

The affairs of this Owner's Association shall be managed by a Board of Directors, consisting of not less than three directors nor more than twelve directors, the exact number of directors to be fixed in the manner provided, from time to time by the Bylaws of the corporation,

who must be members of the Owner's Association, officers of a corporation owning a single family lot, or a partner in a partnership owning a single family lot. From the time of incorporation until the expiration of their respective initial terms of office, the Board shall consist of three (3) persons appointed by GRANDOVER OF DURHAM, L.L.C. and need not own or occupy a single family lot. Until these persons are replaced by elected board members, they shall constitute the Board of Directors and exercise all powers and duties granted to the Board of Directors in these Articles of Incorporation and the Bylaws of this Owner's Association. The names and addresses of the persons who are to act in the capacity of directors until the selection of their successors are:

NAME	ADDRESS
H. O. Chesson, Jr.	2005 North Pointe Road, Suite A-11 Durham, North Carolina 27705
Marilyn Warren	2005 North Pointe Road, Suite A-11 Durham, North Carolina 27705
Joe Overton	2005 North Pointe Road, Suite A-11 Durham, North Carolina 27705

At the expiration of the initial term of office of each of the respective directors, his successor shall be elected pursuant to the method of election set out in the Bylaws of the Owner's Association to serve a term of two years.

ARTICLE VIII

DISSOLUTION

The Owner's 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 Owner's

Association, other than incident to a merger or consolidation, the assets of the Owner's Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Owner's 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

INDEMNIFICATION

Each Director and officer of this Owner's Association shall be indemnified by the Association against all costs and expenses reasonably incurred or imposed upon him in connection with or arising out of any action, suit or proceedings in which he may be involved or to which he may be made a party by reason of his having been a Director or officer of this Association, such expense to include the cost of reasonable settlements (other than amounts paid to the Association itself) made with a view of curtailment of costs and litigation. The Association shall not, however, indemnify such Director or officer with respect to matters as to which he shall be finally adjudged in any action, suit or proceedings to be liable for gross negligence or misconduct in the performance of his duty as such Director or officer, or in respect to any matter in which any settlement or compromise is effected if the total expense, including the cost of such settlement, shall substantially exceed the expense which might reasonably be incurred by such Director or officer in conducting such litigation to final conclusion, and in no event shall anything herein contained be construed as authorizing this Association to indemnify any such Director or officer against any liability of the Association to which he would otherwise be subject by reason of willful malfeasance, bad faith, gross negligence or reckless disregard of

the duties involved in the conduct of his office. The foregoing right of indemnification shall be in addition to any other rights to which any such Director or officer may be entitled as a matter of law or otherwise.

ARTICLE X

DURATION

The corporation shall exist perpetually.

ARTICLE XI

AMENDMENTS

Amendments of these Articles shall require the assent of seventy-five percent (75%) of the membership, that is three-fourths (3/4) of the total votes of both the Class A membership and Class B membership, if any.

ARTICLE XII

FHA/VA APPROVAL

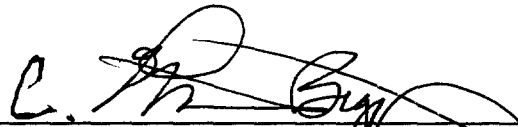
As long as there is a Class B membership, an amendment of these Articles of Incorporation will require the prior approval of the Federal Housing Administration or the Veterans Administration.

ARTICLE XIII

INCORPORATOR

The name and address of the Incorporator is C. Thomas Biggs, 122 East Parrish Street, Durham, Durham County, North Carolina 27701.

IN WITNESS WHEREOF, for the purposes of forming this corporation under the laws of the State of North Carolina, the undersigned, constituting the incorporator of this Owner's Association, has executed these Articles of Incorporation, this the 7th day of September, 1999.

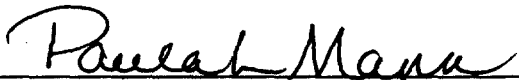

C. THOMAS BIGGS INCURPORATOR (SEAL)

STATE OF NORTH CAROLINA

COUNTY OF DURHAM

THIS IS TO CERTIFY that on the 7th day of September, 1999 before me, a Notary Public, personally appeared C. THOMAS BIGGS 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 7th day of September, 1999.


Notary Public

My Commission Expires:

3-13-2000

