

ARTICLES OF INCORPORATION

211079038

OF

CORNERSTONE PARK COMMUNITY ASSOCIATION, INC.

(A NONPROFIT CORPORATION)

The undersigned, being a natural person of the age of eighteen years or more, hereby makes and acknowledges these Articles of Incorporation for the purpose of forming a nonprofit corporation under the Nonprofit Corporation Act contained in Chapter 55A of the North Carolina General Statutes:

ARTICLE I

NAME

The name of the corporation is CORNERSTONE PARK COMMUNITY ASSOCIATION, INC., hereinafter referred to as the "Association".

ARTICLE II

DURATION

The period of duration of the Association is perpetual.

ARTICLE III

PURPOSES AND POWERS

The purposes for which the Association is organized, and the powers conferred upon the Association, are specified in the following Sections of this Article.

Section 1. The Association specifically is organized as the "Association" pursuant to the provisions of that certain "Declaration For Cornerstone Park", recorded in the Wake County, North Carolina Registry in Book 8765, Page 2456 (and including all amendments and supplemental declarations thereto, the declaration and such amendments and supplemental declarations being referred to herein as the "Declaration"), the Declaration being incorporated by reference as if fully set out herein. The definitions of terms contained in the Declaration are applicable to these Articles, unless the context clearly indicates otherwise. As referred to herein and in the Declaration, the "Act" is the North Carolina Planned Community Act, currently contained in Chapter 47F of the North Carolina General Statutes, and the "Nonprofit Corporation Act" is the North Carolina Nonprofit

Corporation Act, currently contained in Chapter 55A of the North Carolina General Statutes. The Association shall have all of the rights, powers, duties and obligations conferred upon it by the Declaration, and the Association and its Members shall be subject to all of the terms of the Declaration, specifically including, without limitation, the provisions regarding membership in the Association and the obligation of Members of the Association to pay monetary assessments and other charges to the Association.

Section 2. Except as specifically authorized by the Declaration or the Act, the Association does not have the powers described in the following subsections of Section 55A-3-02 (a) of the Nonprofit Corporation Act: subsections (5), (6), (7), (8), (9), (12), (13), (14), (15), (16) and (17).

Section 3. Subject to any provisions of the Declaration or these Articles limiting or restricting the Association, the Association may engage in any lawful activity for which nonprofit corporations may be organized under the Act and Nonprofit Corporation Act.

ARTICLE IV

REGISTERED OFFICE AND AGENT

The street and mailing address and county of the initial registered office of the Association is:

4112 Pleasant Valley Road, Suite 214
Raleigh, NC 27612 Wake County

The name of the initial registered agent of the Association at the foregoing address is John W. Schlichenmaier.

ARTICLE V

PRINCIPAL OFFICE

The principal office of the Association is located at 4112 Pleasant Valley Road, Suite 214, Raleigh, Wake County, North Carolina 27612.

ARTICLE VI

MEMBERS

Section 1. Membership in the Association. Each Owner of a Lot, including Declarant and each Major Builder, is a Member of the Association and by execution of the Declaration or by acceptance of a deed conveying to such Owner title to a Lot or title to any Unsubdivided Land that later becomes a Lot or Lots, consents to be a Member of the Association, subject to the terms of the Governing Documents and applicable Legal Requirements. Membership in the Association shall be appurtenant to and may not be separated from the Lot owned by the Lot Owner, and the Board may adopt reasonable rules relating to the proof of ownership. Membership in the Association shall terminate automatically whenever a Person ceases to be a Lot Owner (except that the Class B Membership shall finally terminate only as provided herein), but such termination shall not release or relieve any such Person from any liability or obligation incurred under the Declaration during the period of such Person's ownership, nor impair any rights or remedies which the Association or any other Lot Owner has with regard to such former Lot Owner.

Section 2. Classes of Voting Members. The Association shall have two (2) classes of voting membership as follows:

(a) **Class A.** Class A Members are all Owners of Lots, excluding Declarant and all Major Builders during the Declarant Control Period. Provided, following the end of the Declarant Control Period, Declarant and all Major Builders also are Class A Members with respect to all Lots owned by such Persons. A Class A Member is entitled to one (1) vote for each Lot owned by such Class A Member (and when the Class B Membership terminates, Declarant and each Major Builder also shall be entitled to one (1) vote for each Lot owned by such Person). Provided, however, only one (1) vote is entitled to be cast for each Lot, regardless of the number of Owners thereof.

(b) **Class B.** The Class B Members are Declarant and all Major Builders. During the existence of the Class B Membership, the Class B Members are entitled to three (3) votes for each Lot owned by such Class B Members. The Class B Membership shall terminate and the Class B Members shall become Class A Members upon the first to occur of the following:

(1) the end of the Declarant Control Period for any reason other than final termination of the Class B Membership in the Association; or

(2) when the number of votes of the Class A Members equals the number of votes of the Class B Members (that is, when the number of Lots owned by Declarant and all Major Builders is 25% or less of the total number of Lots then existing in The Properties). Provided, however, until all Unsubdivided Land in The Properties has been developed into Lots in accordance with Subdivision Plans approved by the City, the Class B Membership may be reinstated at any time that

number of Lots in owned by Declarant and all Major Builders is more than 25% of the total number of Lots in The Properties. Unless otherwise terminated under subsection (1) of this subsection (b), the Class B Membership may terminate and be reinstated on one or more occasions until all of the Unsubdivided Land has been developed into Lots in accordance with Subdivision Plans approved by the City. Termination of the Class B Membership that has been reinstated after all of the Unsubdivided Land has been developed into Lots, or failure of the Class B Membership to be reinstated after all of the Unsubdivided Land has been developed into Lots because Declarant and the Major Builders then own 25% or less of the total number of Lots in The Properties, constitutes "final termination" of the Class B Membership under the Declaration.

Section 3. Cumulative Voting. There shall be no cumulative voting.

ARTICLE VII

EXECUTIVE BOARD

The business of the Association shall be managed by an Executive Board (also referred to herein and in the Bylaws as the "Board of Directors" or the "Board"). The qualifications for serving as a director, number of directors, and the method of electing or appointing directors, shall be as provided in the Bylaws.

ARTICLE VIII

EARNINGS; COMPENSATION

No part of the earnings of the Association shall inure to the benefit of any director, officer, Architectural Review Committee member, other Board committee member, employee or agent of the Association (other than as a Member of the Association in the same manner as all other Members are benefitted), except that, unless prohibited or limited by the Act, the Nonprofit Corporation Act or Governing Documents: (i) reasonable compensation may be paid for services rendered to or for the Association by its employees and agents; (ii) payments and indemnifications may be made to and on behalf of directors, officers, Architectural Review Committee members, other Board committee members, employees and agents of the Association as allowed in one or more of the Act, the Nonprofit Corporation Act, or other Governing Documents; and (iii) any officer, director, Architectural Review Committee member, other Board committee member, employee or agent of the Association who also is a Lot Owner as defined in the Declaration, shall have all of the rights, powers, privileges and obligations of a Lot Owner.

ARTICLE IX

EXCULPATION, IMMUNITY AND INDEMNIFICATION

Section 1. Exculpation of Directors. To the fullest extent permitted by the Nonprofit Corporation Act as it currently or hereafter exists, no person who is serving or who has served as a director of the corporation shall be liable personally for monetary damages for breach of any duty as a director. No amendment or repeal of this Section, nor the adoption of any amendment to these Articles inconsistent with this Section, shall eliminate or reduce the protection granted herein with respect to any act or matter that occurred prior to such amendment, repeal, or adoption.

Section 2. Immunity. To the fullest extent permitted by the Nonprofit Corporation Act as it currently or hereafter exists, each director and officer of the Association shall be immune individually from civil liability for monetary damages, except to the extent covered by insurance, for any act or failure to act arising out of such director or officer's service as a director or officer of the Association. No amendment or repeal of this Section, nor the adoption of any amendment to these Articles inconsistent with this Section, shall eliminate or reduce the protection granted herein with respect to any act or matter that occurred prior to such amendment, repeal, or adoption.

Section 3. Indemnification. To the fullest extent permitted by the Nonprofit Corporation Act as it currently or hereafter exists, the Association shall indemnify each Association director, officer, Architectural Review Committee member and other Board committee member (each of whom is referred to hereinafter as an "Indemnitee") as follows:

(a) The Association shall indemnify and hold harmless each Indemnitee in the event the Indemnitee is made, or threatened to be made, a party to any pending, threatened, or completed civil, criminal, administrative, investigative, or arbitral action, suit, or proceeding, including any appeal therein and any inquiry or investigation that could lead to such action, suit or proceeding, by reason of the fact that such Indemnitee is or was a director, officer or Architectural Review Committee member or other Board committee member.

(b) The indemnification shall include all liabilities and expenses, including without limitation all attorney's fees and expenses, judgments, fines, excise taxes, and amounts paid in settlement, and all expenses incurred by the Indemnitee in enforcing the Indemnitee's rights hereunder.

(c) The Association shall pay, in advance of the final disposition of such action, suit or proceeding, each Indemnitee's reasonable expenses, including attorney's fees, incurred in defending any such action, suit, or proceeding.

(d) The foregoing rights of an Indemnitee shall inure to the benefit of the Indemnitee with respect to matters indemnified, whether or not the Indemnitee is a director, officer, Architectural Review Committee member or other Board committee member at the time such liabilities or expenses are imposed or incurred, and in the event of the Indemnitee's death shall extend to the Indemnitee's heirs and legal representative.

(e) The rights of each Indemnitee hereunder are in addition to and not exclusive of any other rights to which the Indemnitee may be entitled under any Legal Requirement, agreement, insurance policy, or otherwise.

(f) To the extent reasonably possible, prior to expending any funds of the Association for an indemnity, the Association first shall obtain and apply all available insurance proceeds toward such indemnity.

(g) No amendment or repeal of this Section, nor the adoption of any amendment to these Articles inconsistent with this Section, shall eliminate or reduce the protection granted herein with respect to any act or matter that occurred prior to such amendment, repeal, or adoption.

Section 4. Limitations. The foregoing provisions for exculpation, immunity and indemnification are for directors, officers, Architectural Review Committee members and other Association committee members acting in their capacities as such, and with respect to any such Persons who also are Owners of any part of The Properties, such provisions are not intended to and shall not exculpate, provide immunity or indemnify any of such Persons from their liabilities as Owners under the Declaration and other Governing Documents.

ARTICLE X

AMENDMENT

Section 1. Amendment by Declarant and Major Builders. During the Declarant Control Period Declarant and all Major Builders together may, without the approval or joinder of the Association, or any Member of the Association, Mortgagee or Secondary Mortgage Market Agency, amend any provision of these Articles from time to time to: (i) make non-material, clarifying or corrective changes not materially, adversely affecting any Lot Owner's rights or obligations hereunder; or (ii) satisfy the requirements of FHA (Federal Housing Administration), VA (Veterans Administration), Fannie Mae (Federal National Mortgage Administration); Office of Interstate Land Sales Registration of the Department of Housing and Urban Development (OILSR) or other governmental agency Secondary Mortgage Market Agency or Mortgagee; or (iii) establish or maintain the tax exempt status of the Association under the laws of the United States or the State of North Carolina. Any such amendment shall be effective upon the later of the date of its filing with

the office of the North Carolina Secretary of State or the effective date specified therein. Provided, however, during the Declarant Control Period any such amendment of these Articles also shall require approval by the United States Department of Housing and Urban Development ("HUD") or its designee and/or by the United States Veterans Administration ("VA") or its designee unless, at the time of such amendment, applicable HUD or VA regulations no longer require such approval.

Section 2. Amendment by the Members. Unless amended as allowed under Section 1 or Section 3 of this Article, these Articles may be amended only as follows:

(a) Unless a higher percentage or different voting requirement is specified herein or by applicable Legal Requirements, these Articles may be amended only by (i) the written agreement or consent of those Class A Members who have, or the affirmative vote at a duly called meeting of the Association of those Class A Members who have, sixty-seven percent (67%) or more of the total number of votes allocated to the Class A Members, and (ii) during the Declarant Control Period, with the written consent of Declarant and all Major Builders.

(b) Written notice of an annual or special meeting of the Association at which any proposed amendment to these Articles is to be voted on, together with at least a summary description of the proposed amendment, shall be given to all Members not less than ten (10) days nor more than sixty (60) days in advance of the date of such meeting.

(c) In addition to the foregoing requirements, during the Declarant Control Period any such amendment to these Articles also shall require approval by the United States Department of Housing and Urban Development ("HUD") or its designee and/or by the United States Veterans Administration ("VA") or its designee unless, at the time of such amendment, applicable HUD or VA regulations no longer require such approval.

Section 3. Amendment of Declaration. Upon amendment of the Declaration, these Articles shall be deemed amended as necessary to conform to the amended Declaration, and the directors and officers of the Association shall file such documents with the office of the North Carolina Secretary of State as may be reasonably required to conform these Articles to the amended Declaration.

ARTICLE XI

TERMINATION OF ASSOCIATION; DISTRIBUTION OF ASSETS UPON DISSOLUTION

Section 1. Termination of Declaration. As provided in the Declaration, unless sooner terminated by applicable Legal Requirements, the Declaration shall exist and continue until

such time as it is terminated by a written termination agreement, executed or ratified in the same manner as a deed, as follows: (i) during the Declarant Control Period, executed or ratified by Declarant, all Major Builders, and by those Members to whom eighty percent (80%) or more of the Class A votes in the Association are allocated; and (ii) following the end of the Declarant Control Period, executed or ratified by those Members to whom eighty percent (80%) or more of the total votes in the Association are allocated. Execution or ratification by any one of multiple Owners of a Lot is sufficient for that Lot unless, prior to the time the termination agreement is recorded in the Registry, any other Owner of such Lot files with the Association a written objection to the termination of the Declaration (in which event the vote allocated to such Lot shall be considered as not having been exercised). The termination agreement shall specify a date after which it will be void unless it is recorded in the Registry before that date. The termination agreement may not be recorded in the Registry unless and until the requisite number of signatures have been obtained as provided herein, and it shall be effective only upon recording. If, pursuant to the termination agreement, any real estate in The Properties is to be sold following termination of the Declaration, the minimum terms of the sale shall be set forth therein.

Section 2. Dissolution of Association. The Association shall be dissolved upon the termination of the Declaration. Provided, however, until any sale of the Common Elements authorized by the termination agreement or approved by the Lot Owners in the same manner as required for approval of the termination agreement is completed and the sale proceeds distributed, the Association shall continue in existence with all of the powers it had before termination. The Association, on behalf of the Lot Owners, may contract for the sale of the Common Elements, but the contract is not binding unless such sale has been authorized in the termination agreement or it has been approved by the Lot Owners in the same manner as required for approval of the termination agreement. Proceeds of the sale of Common Elements shall be distributed to the Lot Owners and lienholders as their interests may appear, as provided in the termination agreement or other agreement approved by the Lot Owners in the same manner as required for approval of the termination agreement. If the Common Elements are not to be sold following termination of the Declaration, title to the Common Elements vests in the Lot Owners upon termination, as tenants in common in proportion to their respective interests as provided in the termination agreement.

Upon dissolution of the Association or upon loss of ownership of all of the Common Elements by the Association for any reason whatsoever (except for exchange or dedication or conveyance of any part or all of the Common Elements as allowed by the Declaration, or by reason of merger and/or consolidation with any other association as allowed by the Declaration), except as otherwise provided in the termination agreement, other agreement approved by the Lot Owners in the same manner as required for approval of the termination agreement, or applicable Legal Requirements (in particular, section 47F-2-118 of the Act, or any successor section of the Act), any portion of the Common Elements not under the jurisdiction of and being maintained by another association substantially similar to the Association, together with all other assets of the Association, shall be offered to the City of Raleigh, North Carolina, or to some other appropriate governmental

entity or public agency (as determined by the Board) to be dedicated for public use for purposes similar to those to which the Common Elements and such assets were required to be devoted by the Association. If the City of Raleigh or such other appropriate governmental entity or public agency accepts the offer of dedication, such portion of the Common Elements and assets shall be conveyed by the Association to the City of Raleigh or such other appropriate governmental entity or public agency, subject to the superior right of a Lot Owner to an easement (if necessary) for reasonable ingress and egress to and from such Owner's Lot and the public or private street(s) on which such Lot is located, subject to all other applicable rights of way and easements, and subject to ad valorem property taxes subsequent to the date of such conveyance.

If the City of Raleigh or such other appropriate governmental entity or public agency refuses the offer of dedication and conveyance, the Association may transfer and convey such Common Elements and assets to any nonprofit corporation, association, trust or other entity which is or shall be devoted to purposes and uses that would most nearly conform to the purposes and uses to which the Common Elements was required to be devoted by the Declaration, such transfer and conveyance to be made subject to the rights of Lot Owners and the other matters set forth in the immediately preceding paragraph of this Section. If there is no nonprofit corporation, association, trust or other entity who will accept such transfer and conveyance of the Common Elements and assets of the Association, then such Common Elements and assets shall be distributed as provided in the plan of termination/dissolution adopted by the Association.

Section 3. Termination or Dissolution During Declarant Control Period.

In addition to the foregoing requirements, during the Declarant Control Period any termination of the Declaration or dissolution of the Association also shall require approval by the United States Department of Housing and Urban Development ("HUD") or its designee and/or by the United States Veterans Administration ("VA") or its designee unless, at the time of such termination or dissolution, applicable HUD or VA regulations no longer require such approval.

ARTICLE XII

MISCELLANEOUS

Section 1. Titles. The titles, headings and captions which have been used throughout these Articles are for convenience only and are not to be used in construing these Articles or any part hereof, except as necessary with respect to any cross-referencing of any provisions of these Articles.

Section 2. Number and Gender. Whenever the context of these Articles requires, the singular shall include the plural and one gender shall include all.

Section 3. Severability of Provisions. If any paragraph, section, sentence, clause or phrase of these Articles shall be or become illegal, null or void for any reason or shall be held by any court of competent jurisdiction to be illegal, null or void, the remaining paragraphs, sections, sentences, clauses and phrases hereof shall continue in full force and effect and shall not be affected thereby. To the extent that any provision of these Articles is determined to be overly broad or unenforceable and a narrower or partially enforceable construction may be given to such provision without destroying its intent, then the narrower or partially enforceable provision shall be applied and, to the extent lawful, shall be enforced. It is hereby declared that said remaining paragraphs, sections, sentences, clauses and phrases would have been and are imposed irrespective of the fact that any one or more other paragraphs, sections, sentences, clauses or phrases shall become or be illegal, null or void.

Section 4. Conflicts. Whenever there exists a conflict among the Governing Documents of the Association (which include the Declaration, Supplemental Declarations, these Articles and the Bylaws), the provisions of the Declaration and thereafter, any applicable Supplemental Declaration shall control, except as to matters of compliance with the Nonprofit Corporation Act, in which event these Articles shall control. Whenever there is a conflict between the provisions of these Articles and the Bylaws, the provisions of these Articles shall control. With respect to the foregoing, specific provisions shall control general provisions, except that a construction consistent with the Act and Nonprofit Corporation Act shall in all cases control over any construction inconsistent therewith. The provisions of the Bylaws shall control over any conflicting provision of any rule, regulation or other resolution adopted by the Association. The Governing Documents shall be construed together and shall be deemed to incorporate one another in full.

ARTICLE XIII


INCORPORATOR

The name and address of the incorporator is as follows:

Kenneth L. Eagle
14600 Weston Parkway, Suite 300
Cary, North Carolina 27513

Wake County

This, the 16th day of April, 2001.


Kenneth L. Eagle, Incorporator