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NORTH CAROLINA

ARTICLES OF INCORPORATION

OF

FORTUNE RIDGE TOWNHOMES ASSOCIATION, INC.

In compliance with the requirements of the laws of the State of North Carolina, the undersigned, a resident of Wake County, North Carolina, and of full age, does this day form a corporation not for profit and does hereby certify:

ARTICLE I

The name of the corporation is FORTUNE RIDGE TOWNHOMES ASSOCIATION, INC., hereinafter called the "Association".

ARTICLE II

The principal and initial registered office of the Association is located at 3710 Benson Drive, Raleigh, Wake County, North Carolina 27609.

ARTICLE III

Thomas A. Huff, whose address is 3710 Benson Drive, Raleigh, North Carolina 27609 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 residence Lots and Common Area within that certain tract of

property described as Fortune Ridge, as shown on the map recorded in Book of Maps 109, Page 199, Durham County Registry, and any other properties which may be subsequently annexed thereto, and to promote the health, safety and welfare of the residents within the above described property. The Fortune Ridge Association shall have the following general powers and any other impliedly arising therefrom, to be exercised in the manner provided and in conformity with applicable laws, the Declaration hereinafter referred to, the Bylaws of the Association, and these Articles:

(a) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in that certain Declaration of Covenants, Conditions and Restrictions for The Homeplace at Fortune Ridge, hereinafter called the "Fortune Ridge Declaration", applicable to the property and recorded or to be recorded in the Office of the Register of Deeds of Durham 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;

(b) 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, subject always to the provisions and requirements of the Declaration;

(c) To 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 always to the provisions and requirements of the Declaration and limitations imposed by law.

(d) To borrow money, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject always to the provisions and requirements of the Declaration; and

(e) To 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

Hoying-Huff Investment Properties, Inc., of Raleigh, North Carolina, its successors and assigns (the "Declarant"), for so long as it shall be record owner of a fee simple title to any Lot, and every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record 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. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Ownership of such Lot shall be the sole qualification for membership.

ARTICLE VI

VOTING RIGHTS

Section 1. The Association shall have two classes of voting membership.

Class A. Class A members shall be all those Owners as defined in Article V with the exception of the Declarant. Class A members shall be entitled to one vote for each Lot in which they hold the interest required for membership by Article V. When more than one person holds such interest in any Lot, all such persons shall be members. The vote 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, and no fractional vote may be cast with respect to any Lot.

Class B. The Class B member shall be the Declarant as defined in the Declaration. The Class B member shall be entitled to three (3) votes for each Lot in which it holds the interest required for membership by Article V, provided that 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 Class A membership equal the total votes outstanding in Class B membership, but provided that the Class B membership shall be reinstated if thereafter and before the time stated in Subparagraph (b) below, such additional lands are annexed to the properties without the assent of Class A members as provided in the Declaration, or

(b) On December 31, 1992.

Section 2. The right of any member to vote may be suspended by the Board of Directors for just cause pursuant to its rules and regulations.

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 need not be members of the Association. The number of Directors may be changed by amendment of the Bylaws of the Association. The names and addresses of the persons who are to act in the capacity of directors until the selection and qualification of their successors are:

| <u>NAME</u> | <u>ADDRESS</u> |
|------------------|------------------------------------------|
| Thomas A. Huff | 3710 Benson Drive Raleigh, N.C. 27609 |
| Mitchell T. Huff | 3710 Benson Drive Raleigh, N.C. 27609 |
| Joe C. Hoying | 3710 Benson Drive Raleigh, N.C. 27609 |

At the first annual meeting the members shall elect one-third of the directors for a term of one year,

one-third of the directors for a term of two years and one-third of the directors for a term of three years; and at such annual meeting thereafter the members shall elect one-third of the directors for a term of three years, and until their successors are elected and qualified.

ARTICLE VIII

MERGERS AND CONSOLIDATIONS

To the extent permitted by law, the Association may participate in mergers and consolidations with other non-profit 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 the entire Class A membership and two-thirds (2/3) of the entire Class B membership, if any.

ARTICLE IX

AUTHORITY TO MORTGAGE

Any mortgage by the Association of the Common Area defined in the Declaration shall have the assent of members entitled to cast two-thirds (2/3) of the votes of the entire Class A membership and two-thirds (2/3) of the entire Class B membership, if any.

ARTICLE X

AUTHORITY TO DEDICATE

The Association shall have power to dedicate, sell or transfer all or any part 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 members entitled to cast two-thirds (2/3) of the entire Class A membership and two-thirds (2/3) of the entire Class B membership, if any, agreeing to such dedication, sale or transfer.

As to lenders and purchasers for value, the certification by the Secretary of the Association that the required number of members have executed instruments in conformity with this Article, shall be conclusive as to the fact recited by such certification and shall be binding upon the Association and all of its members.

ARTICLE XI

DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by not less than seventy percent (70%) of the entire Class A membership and seventy percent (70%) of the entire Class B membership, if any. Upon dissolution of the Association, a dedication of the Common Areas as they then exist for public use for purposes as similar to those to which they were required to be devoted by the Association, shall be offered first to the Woodcroft Community Association, Inc. ("Woodcroft Association") and then to the appropriate unit of local government and the areas thus dedicated shall be conveyed to the Woodcroft Association or the appropriate local governmental unit, provided that such dedication shall be subject to the superior right of the owner of each Lot to an easement for

reasonable ingress and egress between his Lot and for reasonable off-street parking area to accompany his Lot; and provided further, that the Association may in its discretion designate the boundaries of said easement for off-street parking and said area for ingress and egress which shall accompany each Lot. In the event that the Woodcroft Association and the local governmental unit refuse to accept such dedication and conveyance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to purposes and uses that would most nearly reflect the purposes and uses to which they were required to be devoted by the Association. This Corporation shall have no capital stock. In the event of dissolution, no member, director or officer of the Corporation or any private individual shall be entitled to share in the distribution of the assets of this Corporation.

ARTICLE XII

DURATION

The corporation shall exist perpetually.

ARTICLE XIII

AMENDMENTS

Any amendment of these Articles shall require the assent of members or proxies entitled to cast sixty-six and two-thirds percent (66-2/3%) of the entire vote of the Class A and Class B membership. In the event that the Class B membership has been converted to Class A membership, such

amendment shall require the assent of members or proxies entitled to cast sixty-six and two-thirds percent (66-2/3%) of the entire Class A membership.

ARTICLE XIV

FHA/VA APPROVAL

Notwithstanding any provisions in this instrument to the contrary, as long as there is a Class B membership, and if Declarant desires to qualify sections of this subdivision for Federal Housing Administration or Veterans Administration approval (but not otherwise), the following actions will require the prior approval of Federal Housing Administration or the Veterans Administration: Annexation of additional properties, dedication of Common Areas, amendment of these Articles of Incorporation, mergers and consolidations, mortgage of Common Area and dissolution.

ARTICLE XV

ANNEXATION OF ADDITIONAL PROPERTIES

(a) Annexation of additional property shall require the assent of two-thirds (2/3) of the Class A membership and two-thirds (2/3) of the Class B membership, if any.

(b) If within five years of the date of incorporation of this Association, the Declarant should develop additional lands as a part of Fortune Ridge Townhomes within the area described in the Declaration for that purpose, such additional lands may be annexed to said Properties without the assent of the Class A members.

(c) Annexation of additional Properties shall be accomplished by recording in the Durham County Registry a Declaration of Annexation, duly executed by the Declarant if the Declarant has the right to annex pursuant to Subparagraph (b) above (and by the Association if pursuant to Subparagraph (a) above), describing the lands annexed and incorporating the provisions of this Declaration, either by reference or by fully setting out said provisions therein. The additional lands shall be deemed annexed to the Properties on the date of recordation of the Declaration, no action or consent on the part of the Association or any other person or entity shall be necessary to accomplish the annexation except the City of Durham if required by its ordinances.

(d) Subsequent to recordation of the Declaration of Annexation by the Declarant, the Declarant shall deliver to the Association one or more deeds conveying any Common Area within the lands annexed as such Common Area is developed, as set forth in the Declaration.

ARTICLE XVI

The name and address of the incorporator is Mitchell T. Huff, 3710 Benson Drive, Raleigh, North Carolina 27609.

IN WITNESS WHEREOF, for the purpose of forming this Corporation under the laws of the State of North Carolina, I, the undersigned, constituting the incorporator of this Association, have executed these Articles of

Incorporation this the 15th day of January,
1986.

Mitch H. Huff (SEAL)

NORTH CAROLINA

DURHAM COUNTY

I, the undersigned, a Notary Public in and for
said State and County do hereby certify that Mitch H. Huff
personally appeared before me this day and acknowledged the
due execution of the foregoing instrument.

WITNESS my hand and notarial seal this the 15th
day of January, 1986.

Linda B. McClam
Notary Public

My Commission Expires:

bkp/dhb15

