

ARTICLES OF INCORPORATION
FOR
THE LAKE II AT BRECKENRIDGE TOWNHOME ASSOCIATION, INC.

ARTICLE I

The name of the corporation shall be:

"THE LAKE II AT BRECKENRIDGE TOWNHOME ASSOCIATION, INC."

and is hereinafter referred to as the "Association."

ARTICLE II

The Association is organized pursuant to the provisions of: (a) the North Carolina Nonprofit Corporation Act, and (b) the provisions of that certain Declaration of Covenants and Restrictions for The Lake II at Breckenridge, to be recorded with the Wake County Public Registry, hereinafter referred to as the "Declaration."

ARTICLE III

The purposes for which the Association is organized are to provide the enforcement of the covenants and restrictions set forth in the Declaration and to levy assessments against the members of the Association in accordance with the terms and provisions of the Declaration in order to raise the funds required by the Association to defray the expenses which the Association shall incur in carrying out such purposes.

The Association is not organized for, and shall not be operated for, pecuniary gain or profit. No part of the net earnings of the Association shall inure to the benefit of any private individual.

ARTICLE IV

The duration of the Association shall be perpetual.

ARTICLE V

Each natural person, corporation, trust, partnership or other legal entity who shall own of record a fee or undivided fee interest in any "Lot" (as that term is defined in the Declaration) and the "Townhome" (as that term is defined in the Declaration) shall automatically be a member of the Association; provided, however, that any natural person, corporation, trust, partnership or other legal entity who owns such interest merely as security for the performance of an obligation shall not be a member of the Association. Such membership shall be appurtenant to, and shall not be separated from, the record ownership of the Lot and Townhome located thereon, and the transfer of record of an ownership interest in any Lot and Townhome located thereon shall automatically transfer membership in the Association.

The Association shall have two classes of membership: Class A and Class B.

The Class A members shall be all those persons holding an interest required for membership in the Association, as hereinabove provided, except for the Class B member. Until such time as the Class A members shall be entitled to full voting privileges, as hereinbelow described, the Class A membership shall be a non-voting membership except as to such matters and in such events as are hereinafter specified.

The Class A members shall be entitled to voting privileges on the earlier of the following dates to occur: (i) the date on which seventy five (75%) of the Lots shall no longer be owned by the Declarant, (ii) the date which the "Declarant" (as that term is defined in the Declaration) may so designate by notice in a writing delivered to the Association; or (iii) December 31, 2009.

Before the earliest of these dates to occur, the Class A members shall be entitled to vote only on (a) any proposal of merger, consolidation or dissolution of the Association; (b) any proposal to transfer or encumber any portion of the "Common Elements" (as that term is defined in the Declaration); (c) any proposal pursuant to Article X of the Declaration to amend the Declaration; (d) any proposal to modify or amend these Articles of Incorporation or the Bylaws and (e) any other matter for which it is specifically provided in the Declaration, or for which it is provided by law, that approval of each and every class of membership of the Association is required. When entitled to vote, Class A members shall be entitled to cast one vote for each Lot in which they hold an interest required for membership, as hereinabove provided. The Declarant shall be the sole Class B member. Class B membership shall be a full voting membership and, during its existence, the Class B member shall be entitled to vote on all matters and in all events. At such time as the Class A members shall be entitled to full voting privileges, as hereinabove provided, the Class B membership shall automatically terminate and cease to exist, and the Class B member shall be and become a Class A member insofar as it may then hold any interest required for membership, as hereinabove provided.

From and after the date on which the Class B membership automatically terminates and ceases to exist, such membership shall not be renewed or reinstated.

ARTICLE VI

The Executive Board of the Association shall be elected in the manner set forth in the Bylaws of the Association.

ARTICLE VII

The mailing address of the initial principal office of the Association and the address of the initial registered office of the Association shall be 401 Harrison Oaks Boulevard, Suite 250, Cary, Wake County, North Carolina 27513.

The initial registered agent of the Association at such address shall be Alan C. Hill.

ARTICLE VIII

The Executive Board of the Association shall be composed of three (3) persons and the name and address of each person who is to serve as a member thereof is as follows:

Alan C. Hill
401 Harrison Oaks Boulevard
Suite 250
Cary, North Carolina 27513

Cheryl Parquet
401 Harrison Oaks Boulevard
Suite 250
Cary, North Carolina 27513

Jeff Rolan
401 Harrison Oaks Boulevard
Suite 250
Cary, North Carolina 27513

ARTICLE IX

The name and address of the incorporator is Carrie G. Tolbert, Powell, Goldstein, Frazer & Murphy LLP, Sixteenth Floor, 191 Peachtree Street, N.E., Atlanta, Georgia 30303.

ARTICLE X

Until such time as the Class B membership shall terminate and cease to exist, and for so long as any mortgage on any home located on any Lot is approved by the U.S. Department of Veterans Affairs ("VA") for a loan guarantee, and for so long as any Mortgage (as that term is defined in the Declaration) located on any Lot is approved by the U.S. Department of Housing and Urban Development ("HUD") for mortgage insurance, none of the following actions may take place unless the same are first approved in writing by both VA and HUD: (i) the merger or consolidation of the Association; (ii) the dissolution of the Association; and (iii) any material amendment to the Declaration, or these Articles of Incorporation or the Bylaws of the Association.

ARTICLE XI

The Association may be dissolved only upon a resolution duly adopted by the Executive Board, the affirmative vote of members of the Association who own not less than eighty percent (80%) of the Lots (other than the Declarant), and the consent of the Declarant so long as the Declarant owns any Lot. Upon the dissolution of the Association, so long as the VA is guaranteeing, and/or HUD is insuring, any Mortgage on any Lot, HUD and/or VA, as applicable, shall be notified if the Association shall be dissolved. In the event that the Association shall be dissolved pursuant to this Article XI, any assets which the Association may have acquired shall be dedicated to a public body or conveyed to a nonprofit organization with purposes similar to those of the Association.

ARTICLE XII

These Articles of Incorporation may be amended only upon a resolution duly adopted by the Executive Board, the affirmative vote of members who own at least two-thirds (2/3rds) of the Lots, and the consent of the Declarant, so long as the Declarant owns any Lot; provided, however, that no members of the Association shall be entitled to vote on any proposal to amend to these Articles of Incorporation for the sole purposes of complying with the requirements of any governmental (including, without limitation, HUD or VA) or quasi governmental entity or institutional lender authorized to fund, insure or guarantee Mortgages on individual Lots, as such requirements may exist from time to time which amendments may be adopted by the Executive Board of the Association.

IN WITNESS WHEREOF, the undersigned executes these Articles of Incorporation on this 8th day of August, 2003.

THE LAKE II AT BRECKENRIDGE
TOWNHOME ASSOCIATION, INC.

By: Carrie G. Tolbert
Carrie G. Tolbert
Incorporator

Carrie G. Tolbert, Esq.
POWELL, GOLDSTEIN, FRAZER & MURPHY LLP
Sixteenth Floor
191 Peachtree Street, N.E.
Atlanta, Georgia 30303