

ARTICLES OF INCORPORATION

OF

NORTH RIDGE HOME OWNER'S ASSOCIATION

(A nonstock corporation formed pursuant to Chapter 2 of Title 13.1 of the Code of Virginia, 1950, as amended)

ARTICLE I

NAME

The name of the Corporation is NORTH RIDGE HOME OWNERS ASSOCIATION

(Hereinafter referred to as the Corporation).

Article II

Subject to the provisions of Articles VII and VIII hereof, the purposes for which the corporation is formed are:

(A) To maintain, operate, and administer the common areas of a residential community (hereafter referred to as the Community) located in Bath County, VA, which common areas are more particularly described in that certain declaration of Covenants, conditions, and restrictions made by Virginia Hot Springs Development Company, a Virginia Corporation (hereinafter referred to as the Developer), a copy of which has been recorded in the Clerk's office, circuit court, Bath County, VA (such declaration, as the same may be amended from time to time, being hereinafter referred to as the declaration), and such additional common areas which may from time to time be annexed in accordance of the Declaration (all of such common areas together with any improvements constructed thereon being hereinafter referred to as the Property); to enforce the covenants, restrictions, easements, charges, and liens provided in the

Declaration to be enforced by the Corporation; to assess, collect, and disburse the charges created under the Declaration, all in the manner set forth in, and subject to the provisions of the Declaration; and to exercise all powers and privileges and to perform all duties and obligations of the Corporation under the Declaration.

(B) To pay all expenses incident to the conduct of the business of the Corporation including all taxes and other governmental charges levied or imposed against the Corporation or any real or personal property owned by the Corporation.

(C) To acquire (by gift, purchase, or otherwise), to own, hold, improve, build upon, operate, maintain, sell, lease, transfer, mortgage, encumber, dedicate for public use or otherwise dispose of any real or personal property owned by the Corporation.

(D) To borrow money and to mortgage, pledge or hypothecate any real or personal property owned by the Corporation as a security for money borrowed or expenses incurred. Without limitation by the foregoing, the Corporation shall have the right to do any and all lawful things and acts that the Corporation, from time to time, in its discretion, may deem to be for the benefit of the property or advisable, proper, or convenient for the promotion of the peace, health, comfort, safety, or general welfare of the inhabitants of the Community, it being understood that the Corporation is not formed for the pecuniary gain or profit.

### ARTICLE III

#### QUALIFICATIONS AND RIGHTS OF MEMBERS

(A) The members of the Corporation shall be every owner (hereinafter referred to as Owner) of a portion of the property described in Exhibit A to the Declaration that has been set

aside for the improvement as a site for a single family residence in accordance with the provisions of the Declaration (such portion of the property is hereinafter referred to as a unit), provided however, that any such person or entity who holds such interest merely as security for the performance of an obligation shall not be a member, unless and until such person or entity has succeeded to such Owner's interest by enforcement of such security interest. Membership shall be appurtenant to and may not be separated from ownership of any unit.

(B) The Board of Directors of the Corporation may suspend any person from membership in the Corporation during any time period when such person is in default of any of his obligations under the Declaration (including, without limitation, the failure to pay any assessment provided for therein), provided that such default has continued uncured for such a period of ten (10) days after written notice thereof to such member.

#### ARTICLE IV

#### DIRECTORS

The affairs of the Corporation shall be managed by a Board of Directors consisting of seven (7) members who shall serve staggered terms and hold office until the election of their successor or successors. The entire Board of Directors shall be elected at the annual meeting in 1993 with two directors elected for a one-year term, two directors elected for a two-year term, and three directors elected for three year terms. At each annual meeting after 1993, the members shall elect the requisite number of Directors for terms of three years.

The current members of the Board of Directors shall serve until their successors are elected at the annual meeting in 1993. The number of Directors may be changed, provided in Article III, Section 2 of the Bylaws of the Corporation.

ARTICLE V

REGISTERED OFFICE

The registered office of the Corporation is located in the Gate House, North Ridge, Hot Springs, Virginia. The mailing address of the registered office is P.O Box 295, Hot Springs, VA 24445.

ARTICLE VI

REGISTERED AGENT

The registered agent of the Corporation is Mary L. Condon, who is a resident of Virginia and an officer of the Corporation, whose business address is the same as that of the registered office.

ARTICLE VII

EARNINGS

No part of the net earnings of the Corporation shall inure to the benefit of or be distributable to its directors, trustee, officers or other private persons, except the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payment and distributions in furtherance of the purposed set forth in Article II hereof. The Corporation shall not engage in propaganda activities or otherwise attempt to influence legislation and the Corporation shall not participate in or intervene in (including the publishings or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these Articles, the Corporation shall not carry on any activities not permitted to be carried on (i) be a corporation exempt from Federal Income Tax under Section 501 © (3) of the Internal Revenue Code of 1954 or the corresponding

provision of any future United States Internal Revenue Law, or (ii) by a corporation, defined in Section 170 © (2) of the Internal Revenue Code of 1954, contributions to which are deductible under Section 170 (a) of the Internal Revenue Code of 1954 or the corresponding provision of any future United States Internal Revenue Law.

#### ARTICLE VIII

#### DISSOLUTION

Upon the dissolution of the Corporation, the Board of Directors, after paying or making provision for the payment of all of the liabilities of the Corporation, shall dispose of the remaining assets of the Corporation by distributing such assets in a manner deemed appropriate by the Board of Directors to an organization or organizations organized and operated exclusively for charitable, educational, religious or scientific purposes, which qualify as an exempt organization or organizations under 501 © (3) of the Internal Revenue Code of 1954, or the corresponding provision of any future United States Internal Revenue Law.

#### ARTICLE IX

#### IDEMIFICATION

(i) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including an action or suit by or in the right of the Corporation to procure a judgment in its favor) by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another Corporation, partnership, joint venture, trust or other enterprise, against

judgments, fines, amounts paid in settlement, and expenses (including attorneys' fees) actually and reasonable incurred by him in connection with such action, suit or proceeding by him in connection with such action, suit or proceeding if he acted in a good faith and in the manner he reasonable believed to be in or not opposed to the best interest of the Corporation. The termination of any action, suit or proceeding by judgment, order of settlement shall not of itself create a presumption that the person did not act in good faith and in the manner he reasonably believed to be in or not opposed to the best interest of the Corporation.

(ii) Notwithstanding the provisions of Section (i) of this Article IX, no indemnification shall be made in action or suit by or in the right of the Corporation to procure a judgment in its favor in respect of any claim, issue or matter as to which such person shall have been finally adjudged to be liable for gross negligence or willful misconduct in the performance of his duty to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonable entitled to indemnification.

(iii) To the extent that any such person has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in sections (i) and (ii) of this Article IX, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(iv) Any indemnification under sections (i) and (ii). Such determination shall be made either by (a) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding; (b) if such a majority vote is not obtainable,

or even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; or (c) by a majority vote of members of the Corporation. If the determination is to be made by the Board of Directors, it may rely, as to all questions of law, on the advise of independent counsel.

(v) Expenses (including attorneys' fees) incurred defending an action, suit or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in section (iv) of this Article IX, upon receipt of an undertaking by or on behalf of such person to repay such amount unless it shall be ultimately be determined that he is entitled to indemnification by the Corporation as authorized in this section.

(vi) Every reference herein to director or officer shall include former directors or officers, and their respective heirs, executors, and administrators. The right of indemnification hereby shall not be exclusive of any other rights to which any director or officer may be entitled, including any right under policies of insurance that may respect their claims, issues or matters in relation to which the Corporation would not have the power to indemnify such director or officer under the provisions of this Article IX.

(vii) Notwithstanding the foregoing provisions, this article shall not be construed to authorize any action which would cause a violation of the self-dealing rules, if applicable, contained in section 4941 of the Internal Revenue Code of 1954, as amended.