

DECLARATION OF CONDOMINIUM

Establishing a plan for condominium ownership of property located in Forsyth County, North Carolina, pursuant to the United Ownership Act of the State of North Carolina, to be known as:

CEDAR COVE CONDOMINIUM
Section 1

THIS DECLARATION, made this 4th day of April, 1975, by JIMMIE J. TAYLOR and wife, MILDRED M. TAYLOR, hereinafter called the "Declarant," pursuant to the provisions of Chapter 47A of the North Carolina General Statutes, entitled and hereinafter referred to as the "Unit Ownership Act" or the "Act;"

W I T N E S S E T H :

WHEREAS, the Declarant is the fee simple owner of that certain real property (hereinafter referred to as the "Development Area") situated in Forsyth County, State of North Carolina, and more particularly described on "Exhibit A" attached hereto and incorporated herein by reference; and

WHEREAS, the Declarant is in the process of constructing community recreational facilities, including a swimming pool and two tennis courts on a section of the aforesaid Development Area known as the Amenities Area more particularly described on "Exhibit B" attached hereto and incorporated herein by reference, and has or will convey the aforesaid Section and the community recreational facilities located thereon to the non-profit Cedar Cove Recreational Corporation; and

WHEREAS, the Declarant has constructed a multifamily project on a section of the Development Area known as Section No. One consisting of 24 units, and it is now the intention and desire of the Declarant to submit and establish Section No. One of the Development Area as a condominium regime hereinafter referred to and known as Cedar Cove Condominium, Section One."

WHEREAS, the Declarant may construct and establish condominium regimes on remaining portions of the Development Area to be known as additional numbered sections of Cedar Cove Condominium.

NOW, THEREFORE, said Declarant, the fee simple owner of a section of the Development Area known as Section No. One and more particularly described on "Exhibit C" attached hereto and incorporated herein by reference, hereby makes the following declaration as to division, covenants, restrictions, limitations, conditions and uses to which said real property and improvements thereon, known as Cedar Cove Condominium, Section No. One, consisting of twenty-four (24) unit multifamily project and appurtenances, may be put, hereby specifying that said declaration shall constitute covenants to run with the land and shall be binding on the Declarant, their heirs, successors and assigns, and all subsequent

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owners of all or any of part of said real property and improvements, together with their grantees, successors, heirs, executors, administrators, devisees or assigns:

A. Said Declarant, in order to establish a condominium regime hereinafter referred to and known as Cedar Cove Condominium, Section No. One, for the above-described property and improvements, hereby covenants and agrees that it hereby divides said property into twenty-four (24) separately designated and legally described freehold estates, each consisting of (1) a condominium unit and (2) an undivided interest in the common areas and facilities of the Section No. One Condominium. The location of the individual units and common areas and facilities is shown on the plat for Cedar Cove Condominium, Section No. One prepared and certified by Gupton-Skidmore Associates, licensed to practice in the State of North Carolina, which plat is dated February 6, 1975, and on the plans for Cedar Cove Condominium, Section No. One, prepared by Gupton-Skidmore Associates, dated February 6, 1975, all of which are recorded among the Land Records of Forsyth County, simultaneously herewith, which plat and plans are attached hereto as "Exhibit D" and incorporated herein by reference.

B. For the purpose of this declaration, the ownership of each condominium unit shall include the respective undivided interests in the common areas and facilities specified and established in Paragraph E hereof.

C. A portion of the common area facilities is hereby set aside and allocated for the respective condominium units as limited common areas and facilities, which are more fully shown on the plans attached hereto as "Exhibit D."

D. The terms and provisions of this Declaration and the Exhibits attached hereto, including the By-Laws of the Condominium, which are attached hereto as "Exhibit E" and incorporated herein by reference as if fully set out herein, hereinafter called the "By-Laws," shall be defined, construed and have the same meaning as stated in the Unit Ownership Act unless defined differently herein, or unless the context herein otherwise requires.

E. The twenty-four (24) individual condominium units hereby established and which shall be individually conveyed and the percentage of undivided interests in the common areas and facilities appurtenant to each unit are as follows:

<u>UNIT NO.</u> <u>OF CONDOMINIUM</u>	<u>STREET ADDRESS</u> <u>OF CONDOMINIUM</u>	<u>PERCENTAGE OF</u> <u>UNDIVIDED INTERESTS</u>
101	CEDAR COVE LANE	4.1667
102	"	"
103	"	"
104	"	"
105	"	"
106	"	"
107	"	"
108	"	"
109	"	"
110	"	"

111	CEDAR COVE LANE	4.1667
112	"	"
113	"	"
114	"	"
115	"	"
116	"	"
117	"	"
118	"	"
119	"	"
120	"	"
121	"	"
122	"	"
123	"	"
124	"	"

TOTAL

The above respective undivided interests established and to be conveyed with the respective condominium units as indicated above, cannot be changed, except as provided in the Act; and the said Declarant, its successors and assigns, and grantees, covenant and agree that the undivided interests in the common areas and facilities and the fee titles to the respective condominium units conveyed therewith together with the restricted common areas and facilities allocated for the restrictive use of the respective condominium units, shall not be separated or separately conveyed; and each said undivided interest and allocated limited common area and facility shall be deemed to be conveyed or encumbered with its respective condominium unit even though the description in the instrument of conveyance or encumbrance may refer only to the fee title to the condominium unit. Each of the aforesaid percentages of undivided interest are equivalent to the percentage which the value of the condominium unit, at the date of this Declaration, bears to the value of all the condominium units and all of the common areas and facilities at the date of this Declaration.

F. The proportionate shares of the separate owners of the respective condominium units in the common expenses of administration, maintenance and repair of the common areas and facilities as well as their proportionate representation for voting purposes in the Association of Owners, described in the By-Laws, shall be percentages established for each unit as provided in Paragraph E hereof. Declarant shall be considered to own only the undivided interest in common areas and facilities based upon condominium units which have been completed but not conveyed by Declarant for purposes of common expenses.

G. The following particulars are hereinafter set out in compliance with the Act:

1. Description of Property. All that certain lot, parcel, piece or plot of land with the buildings and improvements thereon erected or to be erected, situated, lying and being in the Winston- and Southfork Township, County of Forsyth, State of North Carolina, and being more particularly described in "Exhibit C" attached hereto and made a part hereof.

2. Description of Building. The Declarant has constructed or will construct upon the above-described property, twelve (12) multi-unit buildings containing a total to twenty-four (24) dwelling units. Said multi-unit buildings are more particularly described in the plans and specifications of said buildings, a copy of which plans are attached hereto and made a part hereof as "Exhibit D" showing all particulars of the buildings including the layout, location, ceiling and floor elevations, unit members and dimensions of the units and location of the common areas

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and facilities affording access to each unit. As required by the Unit Ownership Act, such plans bear the verified statement of a registered architect or licensed professional engineer, certifying that said plans are an accurate copy of the plans of said multi-unit buildings built or to be built.

In general, said buildings will have when completed a total of approximately 21,936 square feet of unit space area divided into a total of twenty-four (24) individual dwelling units which such dwelling units are more particularly described hereinafter. The buildings are constructed principally of concrete block foundation, and wood frame construction, wood or painted sheetrock panel interior walls, tar, felt and gravel with cedar shingles on roof, cedar or other wood siding, and stucco with concrete to a sand finish on exterior walls.

For a further description of the principal materials on which said multi-unit buildings are or will be constructed, reference is hereby made to the plans filed herewith.

3. Unit Designations. The unit designation of each condominium unit, its location, its dimensions, approximate area, number of rooms and common areas and facilities to which it has immediate access, and other data concerning its proper identification are set forth in "Exhibit D" attached hereto and made a part hereof. Each unit is bounded both as to horizontal and vertical boundaries by the undecorated interior surface of its perimeter walls, ceilings, and floors which are shown on said plans, subject to such encroachments as are contained in the buildings, whether the same now exist or may be caused or created by construction, settlement or movement of the building, or by permissible repairs, construction or alteration.

4. Common Areas and Facilities. The common areas and facilities consist of all parts of the multi-unit buildings situated on the property described hereinabove, other than the individual dwelling units therein and described in Paragraph 3 above, and other than the limited common areas and facilities described in Paragraph 5 below, including, without limitation, the following (except such portions of the following as may be included within an individual unit);

(a) The land on which the building is erected and all lands surrounding the building as is more fully described in Paragraph 1 above, excluding, however, the balcony-deck and patio areas of the property which are limited common areas and facilities described in Paragraph 5 below.

(b) All foundations, columns, girders, beams, supports and other structural members.

(c) All exterior walls and interior walls except those partitioned walls wholly within a unit; provided, that the surface of the interior walls shall be within its relevant unit;

(d) Roofs, halls, corridors, stairs, stairways, and entrances to and exits from the buildings, provided, however, that doors to individual units opening into common areas are

the property of the appurtenant unit owner except for the surface of the door facing into the common area or limited common area.

(e) All central and appurtenant installations for services such as power, light, telephone, gas, hot and cold water, heat, refrigeration, air conditioning, incinerating (including all pipes, ducts, wires, cables, tanks, pumps, motors, fans, conduits and compressors in connection therewith, whether located in common areas or in units) and all other mechanical equipment spaces. However, normally each dwelling unit will have its own individual cooling and heating equipment which may be located in or on the common areas, as more particularly described in the architectural plans attached hereto. Any such equipment located on the common area will be considered a part of the dwelling unit to which it appertains, but the ground on which it may be situated will remain a part of the common area.

(f) All sewer pipes.

(g) All other parts of the property and all apparatus and installations existing in the building or upon the property for common use or necessary or convenient to the existence, maintenance or safety of the property.

5. Limited Common Areas and Facilities. Certain parts of the common areas and facilities herein called and designated as "Limited Common Areas and Facilities" are hereby set aside and reserved for the exclusive use of the units to which they are appurtenant and such units shall have appurtenant thereto an exclusive easement for the use of such Limited Common Area and Facilities. The Limited Common Areas and Facilities are more particularly described on the plans shown on "Exhibit D" hereto, but in general are all decks, balconies, or patios adjacent to and associated with a particular unit. All units have one or more decks, balconies or patios associated with the unit which are limited to the exclusive use of the unit to which they are adjacent and are limited common areas.

6. Use of Units. Each unit and the Common Areas and Facilities shall be occupied and used as follows:

(a) No part of the Property shall be used for other than housing and the related common purposes for which the Property was designed. Each unit shall be used as a residence for a single family and for no other purpose, except that a unit may be used as a professional office by a physician or dentist (hereinafter referred to as "professional use") if such unit owner obtains the prior written consent of the Board of Directors of the Cedar Cove Condominium. Section No. One, hereinafter called the Board of Directors.

(b) Nothing shall be done or kept in any unit or in the common areas and facilities which will increase the rate of insurance for the property or the contents thereof, applicable for residential or professional use, without the prior written consent of the Board of Directors. No owner shall permit anything to be done or kept in his unit or in the common area and facilities which will result in the cancellation of insurance on the Property, or the contents thereof, or which would be in violation of any law. No waste will be committed in the common areas and facilities.

(c) No immoral, improper, offensive or unlawful use shall be made of the Property or any part thereof, and all valid laws, zoning ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction thereof, relating to any portion of the Property, shall be complied with, by and at the sole expense of the unit owner or the Board of Directors, whichever shall have the obligation to maintain or repair such portion of the Property.

(d) Nothing shall be done in any unit or in, on, or to the common area and facilities which will impair the structural integrity of the Property or which would structurally change any building or improvements thereon except as is otherwise provided in this Declaration or the By-Laws attached hereto and recorded herewith.

(e) Except for professional use permitted by Paragraph (a) of this section, no industry, business, trade, occupation or profession of any kind, commercial, religious, educational, or otherwise, designed for profit, altruism, exploration or otherwise, shall be conducted, maintained, or permitted on any part of the Property, nor shall any "For Sale" or "For Rent" signs or other window displays or advertising be maintained or permitted on any part of the Property or in any unit therein. The right is reserved by the Declarant or its agent to place "For Sale," "For Rent," or "Sold" signs on any unsold or unoccupied units or at suitable places in the common areas and facilities, and the right is hereby given to any mortgagee, who may become the owner of any unit, to place such signs on any unit owned by such mortgagee. The right is reserved by the Declarant or its agent to use any unsold units or unit for sales or display purposes.

(f) A unit owner shall not change the exterior appearance of any entrance door to his unit (by painting it a different color, adding fixtures thereto, or otherwise) without obtaining the prior written approval of the Board of Directors.

(g) Nothing shall be altered or constructed in or removed from the common areas and facilities, except upon the written consent of the Board of Directors.

(h) The common areas and facilities shall be used only for the furnishings of the services and facilities for which they are reasonably suited and which are incident to the use and occupancy of the units.

(i) No portion of a unit (other than the entire unit) may be rented, and no transient tenants may be accommodated therein, except as otherwise provided in the By-Laws.

7. Person or Receive Service of Process. Mr. Jimmie J. Taylor, 102 Cedar Cove Lane, Winston-Salem, North Carolina, is hereby designated to receive services of process in any action which may be brought against or in relation to the condominium. Said person's residence or place of business of 102 Cedar Cove Lane, Forsyth County, Winston-Salem, North Carolina, which is within the county in which the buildings are located.

H. Said Declarant, their heirs, successors and assigns, by this Declaration, and all future owners of the units, by their acceptance of their Deeds, covenant and agree as follows:

1. The common areas and facilities shall not be divided nor shall any right to partition any thereof exist except in the case of destruction of substantially all of the property of the condominium as provided in the By-Laws or as provided in the Act. Nothing herein contained, however, shall be deemed to prevent ownership of a condominium unit by the entireties, jointly or in common or in any other form by law permitted.

2. While the property remains subject to this Declaration and the provisions of the North Carolina Unit Ownership Act, no liens of any nature shall arise or be created against the common areas and facilities except with the unanimous consent in writing of all of the condominium unit owners and the holders of first liens thereon except such liens as may arise or be created against the several units and their respective common interests under provisions of the North Carolina Unit Ownership Act. Every agreement for the performance of labor, or the furnishing of materials to the common areas and facilities, whether oral or in writing, must provide that it is subject to the provisions of this Declaration and the right to file a mechanics lien or other similar lien by reason of labor performed or materials furnished is waived.

3. The owner of the respective condominium units shall not be deemed to own the undecorated and/or unfinished surface of the perimeter walls, floors and ceilings surrounding his respective condominium unit, nor shall said owner be deemed to own pipes, wires, conduits or other public utility lines running through said respective condominium units which are utilized for, or serve more than one condominium unit, except as tenants in common with the other condominium unit owners as heretofore provided in Paragraph E. Said owner, however, shall be deemed to own the walls and partitions which are contained in said owner's respective condominium unit, and also shall be deemed to own the inner decorated

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finished surfaces of the perimeter walls, floors and ceilings, including plaster, paint, wallpaper, etc.

4. The owners of the respective condominium units agree that if any portion of the common areas and facilities encroaches upon the condominium units, a valid easement for the encroachment and for the maintenance of same, so long as it stands, shall and does exist. In the event the multifamily structure is partially or totally destroyed, and then rebuilt, the owners of condominium units agree that minor encroachment of parts of the common areas and facilities due to construction shall be permitted and that valid easements for said encroachments and the maintenance thereof shall exist.

5. Every wall depicted on "Exhibit D" as being partly in one condominium unit and partly in an adjacent condominium unit is a party wall, and the owner of each condominium unit shall have the right to use and enjoy the party wall jointly with the owner of the adjacent unit; that each such condominium unit shall have the benefit of, and be burdened with, a perpetual easement to the extent that such party wall shall deviate from the vertical by reason of any shifting of the building, or any part thereof; and that should such party wall be injured or damaged by any cause other than the deliberate or negligent conduct of either such condominium unit owner, it shall be repaired at the joint expense of such adjacent owners.

6. Every condominium unit owner shall have a perpetual easement in, upon and through and over the land of the condominium, to keep, maintain, use, operate, repair and replace; (a) his condominium unit in its original position, and in every subsequent position to which it changes by reason of the gradual forces of nature and of the elements, whether such subsequent positions be, in whole or in part, adjacent, subjacent or superjacent to said original position; (b) every chimney, cupola, weathervane, stock or vent, if originally installed by the Declarant; (c) every threshold screen door, storm window shutter, hood, awning and all hardware pertaining thereto; (d) every rain gutter, downspout, roof overhang and exterior wall light, if originally installed by the Declarant.

7. Every condominium unit owner shall have a perpetual easement in the land of the condominium for the subterranean installations, maintenance and repair of any pipe, cable, wire, or other conduit of liquids or energy supplying water, sewerage, telephone, radio, television, electricity, heat, steam, or other similar service to the unit owned by him, subject, however, to the provision that the work of installation or repair shall be preformed by the Association of Owners or an agent of the Association.

8. If there are additional properties annexed as hereinafter provided in the future, the Declarant, their heirs, successors and assigns, hereby declares that condominium units owned in such properties shall have a perpetual easement in the land of this condominium and the owners of condominium units in this condominium and the owners of condominium units in this condominium shall have a perpetual easement in the land of such other condominium for the following purposes: (a) to maintain, use, repair and replace all existing storm sewerage systems and roadways used by the owners in the subterranean installation, maintenance and repair of any

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pipe, cable or other conduit or liquids or energy supplying water, sewerage, telephone, radio, television, electricity, heat or other similar services to the condominium subject, however, to the provision that where the work to be done is not a repair or replacement of any existing facility it shall be done only with the written permission of the Association of Owners of the condominium regime involved, which permission shall not be unreasonably withheld.

9. An owner of a condominium unit shall automatically, upon becoming the owner of a condominium unit or units, be a member of the Association of Owners and this condominium regime, hereinafter referred to as the "Association" and shall remain a member of said Association until such time as his ownership ceases for any reason, at which time his membership in said Association shall automatically cease.

10. The owners of condominium units covenant and agree that the administration of the condominium regime shall be in accordance with the provisions of this Declaration and the By-Laws of the condominium, which are made a part hereof, and attached hereto as "Exhibit E."

11. Each owner, tenant or occupant of a condominium unit shall comply with the provisions of this Declaration, the By-Laws, decisions and resolutions of the Association or its representatives, as lawfully amended from time to time, and failure to comply with any such provisions, decisions or resolutions shall be grounds for an action to recover sums due for damages or for injunctive relief.

12. This Declaration may be amended by the vote of the unit owners having at least two-thirds (2/3) of the total votes, cast in person or by proxy at a meeting duly held in accordance with the provisions of the By-Laws. No such amendment shall be effective until recorded in the Office of the Register of Deeds for the County wherein the Property, the subject of this Declaration, is located.

I. All sums assessed by the Association but unpaid for the share of the common expenses chargeable to any condominium unit shall constitute a lien on such condominium unit prior to all other liens except only (1) tax liens on the condominium unit in favor of any assessing unit and special district, and (2) all sums unpaid on the first mortgage of record. Such lien may be foreclosed by suit by the Manager or Board of Directors of the Association, acting on behalf of the owners of the condominium units, in like manner as a mortgage of real property. In any such foreclosure, the condominium unit owner shall be required to pay a reasonable rental for the condominium unit, if so provided in the By-Laws, and the Plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Manager or Board of Directors, acting on behalf of the owners of the condominium units, shall have the power to bid in the unit at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Suit to recover a money judgment for unpaid common expenses shall be maintainable without foreclosing or waiving the lien securing the same.

J. Where the mortgagee of the first mortgage of record or other purchaser of a condominium unit obtains title to the Unit as a result of foreclosure of the first mortgage, such acquirer of title, his successors

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and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such family unit which became due prior to the acquisition of title to such condominium unit by such acquirer. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the condominium unit owners, including such acquirer, his successors and assigns.

K. The respective condominium units shall not be rented by the owners thereof for transient or hotel purposes, which shall be defined as (a) rental for any period less than thirty (30) days; or (b) any rental if the occupants of the condominium unit are provided customary hotel services, such as room service for food and beverage, maid service, furnishing laundry and linen, and bellboy service. Other than the foregoing obligations, the owners of the respective condominium units shall have the absolute right to lease same provided that said lease is made subject to the covenants and restrictions contained in this Declaration and further subject to the By-Laws.

L. In the event the property subject to this Enabling Declaration is totally or substantially damaged or destroyed, the repair, reconstruction or disposition of the property shall be as provided by the By-Laws.

M. In a voluntary conveyance of a condominium unit the grantee of the unit shall be jointly and severally liable with the Declarant for all unpaid assessments by the Association against the latter for his share of the common expenses up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the Declarant the amounts paid by the grantee thereof. However, any such grantee shall be entitled to a statement from the Manager or Board of Directors, as the case may be, setting forth the amount of the unpaid assessments against the Declarant due the Association and such grantee shall not be liable for, nor shall the condominium unit conveyed be subject to a lien for, any unpaid assessments made by the Association against the Declarant in excess of the amount therein set forth.

N. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established in the Act, this Declaration, or in the By-Laws, shall be deemed to be binding on all owners of condominium units, their successors and assigns.

O. As more fully set out in the By-Laws, the Board of Directors or the Manager shall obtain and continue in effect blanket property insurance in form and amounts satisfactory to mortgagees holding first mortgages covering condominium units but without prejudice to the rights of the owner of a condominium unit to obtain individual condominium unit insurance. Such blanket property insurance shall cover loss by damage and fire and such other hazards as are covered under standard extended coverage provisions and may include such other and additional coverage as the Board of Directors deems necessary or desirable.

P. Insurance premiums for any blanket insurance coverage and the other insurance coverages, shall be a common expense to be paid by monthly assessments levied by the Association; and such payments shall be held in a separate escrow account of the Association and used solely for the payment of the blanket property insurance premiums and other insurance premiums as such premiums become due, all as more fully set out in the By-Laws.

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Q. Declarant covenants to take no action which would adversely affect the rights of the Association with respect to assurance against latent defects in the property or other rights assigned to the Association, the members of such Association and their successors in interest, as their interests may appear, by reason of the establishment of the condominium regime.

R. With respect to the non-profit Cedar Cove Recreational Corporation, hereinafter referred to as "Corporation," and its facilities, said Declarant, by this Declaration and all owners of condominium units, by their acceptance of their Deeds, covenants and agree as follows that:

1. As used in this Paragraph R--

(a) "Unit" or "condominium unit" shall mean a condominium unit in a condominium regime which is located in the Development Area;

(b) "Declarant" shall mean any owner or owners of a part of the Development Area;

(c) "Part of the Development Area" shall mean any part of the Development Area on which a condominium regime has not been established.

2. All condominium unit owners shall automatically be members of the Corporation and shall enjoy the privileges and be bound by the obligations contained in the Corporation's Articles and By-Laws.

3. Each condominium owner for each condominium unit owned shall pay to the Corporation an annual assessment equal to 1/24th of the total sum necessary to provide for the insurance, reserve fund for replacement, maintenance and operation of the recreational and other common facilities of the Corporation. If additional condominium regimes are created in the Development Area as herein provided and the membership of the Corporation is thereby increased, the share of said assessment for each unit owner shall be reduced to a fraction, the numerator of which is equal to the number of units owned by said owner and the denominator of which shall be the total number of units, the owners of which are entitled to membership in the Corporation. In such additional condominium regimes, for purposes of computing the reduced fraction, Declarant shall be considered to own only condominium units which have been completed but not conveyed by Declarant.

4. The amount of assessment as provided for in Subparagraph 3 shall be assessed by the Corporation as a lien at the beginning of each annual assessment period. Each assessment shall be due and payable on a monthly basis on the first of each month during the annual assessment period, and upon default of payment by the 15th of such month, shall be a lien against each condominium unit owned by the defaulting owner, and the Corporation shall be entitled to enforce the payment of said lien according to the laws of the State of North Carolina and to take any other actions for collection from the defaulting parties. Any such lien against a condominium unit shall be subordinate to any recorded first mortgage or first Deed of Trust covering such condominium unit.

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5. In addition to the annual assessments authorized above, the Corporation may levy in any assessment year special assessments for the purpose of defraying, in whole or in part, (a) the cost of any construction, reconstruction, repair or replacement of a capital improvement, including fixtures and personal property related thereto, or (b) the expenses of any other contingencies; provided that any such assessments shall have the assent of two-thirds (2/3) of the votes of the members who are voting in person or by proxy at a meeting duly called for this purpose.

6. Each member for each condominium unit owned shall pay to the Corporation a special assessment a fraction of the total sum approved by the Corporation computed in the same manner as in Subparagraph 4 hereof, to meet the costs and expenses as provided in Subparagraph 5 hereof.

7. The amount of the special assessment provided for in Subparagraphs 5 and 6 shall be assessed as a lien by the Corporation. Each such assessment shall be due and payable on a monthly basis on the first day of each month, but no later than the 15th day of the month during the annual assessment period, unless otherwise required by the Board of Directors of the Corporation, and upon default of payment by the 15th of each month shall be a lien against each condominium unit owned by the defaulting owner and the Corporation shall be entitled to enforce the payment of said lien according to the laws of the State of North Carolina and to take any other actions for collection from the defaulting parties. Any such lien against a condominium unit shall be subordinate to any recorded first mortgage or first Deed of Trust covering such condominium unit.

S. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion thereof as may be determined by a court of competent jurisdiction shall not affect the validity or enforceability of any provisions hereof.

T. No provisions contained in this Declaration shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

U. The captions herein are inserted only as a matter of convenience and for reference and in no way to define, limit or describe the scope of this Declaration nor the intent of any provision hereof.

V. This Declaration and the By-Laws attached hereto shall be construed and controlled by and under the laws of the State of North Carolina.

IN WITNESS WHEREOF, the Declarant has caused this Declaration to be executed by its duly authorized Officers and its Corporate Seal to be hereunto affixed, this the 4th day of April, 1975.

DECLARANT:

Jimmie J. Taylor (SEAL)
Jimmie J. Taylor

Mildred M. Taylor (SEAL)
Mildred M. Taylor

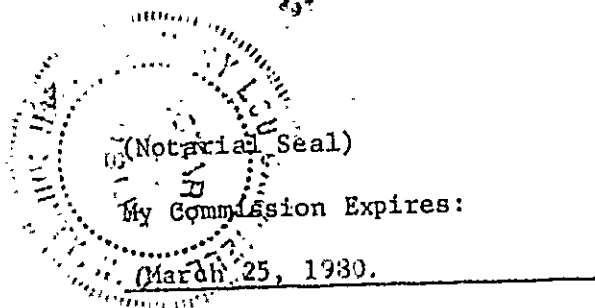
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STATE OF NORTH CAROLINA)
COUNTY OF FORSYTH)

I, Mary Lou Cardwell, a Notary Public of said
County and State, do hereby certify that JIMMIE J. TAYLOR and wife, MILDRED
M. TAYLOR, each personally appeared before me this day and acknowledged the
due execution of the foregoing instrument.

WITNESS my hand and notarial seal, this the 4th day of April,
19 75.

Mary Lou Cardwell
Notary Public



STATE OF NORTH CAROLINA—Forsyth County

The foregoing (or annexed) certificate of Mary Lou Cardwell, N.P.
(here give name and official title of the officer signing the certificate—passed upon)

is (are) certified to be correct. This the 4th day of April, 1975.

Probate fee 50¢ paid.

PRESENTED FOR
REGISTRATION
AND RECORDED
APR 14 3 18 PM '75
EUNICE AYERS
REGISTER OF DEEDS
FORSYTH CO. N.C.

Eunice Ayers, Register of Deeds
By Elizabeth Sutphin Deputy-Assistant

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EXHIBIT A

DEVELOPMENT AREA

BEGINNING at an iron stake in the Northwestern right of way line of Peacehaven Road, the common corner of Lots 2 and 3 of the Samuel and Mattie Woosley property recorded in Plat Book 18, Page 116 in the Office of the Register of Deeds of Forsyth County, North Carolina, in said right of way line; thence from said point of Beginning, North 38 degs. 58 min. West, 215.0 feet to an iron stake, another common corner of Lots 2 and 3; thence South 51 degs. 06 min. West, 105.40 feet to an iron stake; thence North 2 degs. 27 min. East, 445.64 feet to an iron stake, a Northwest corner of Samuel C. Woosley and wife; thence North 87 degs. 49 min. West, 256.0 feet to an iron stake; thence South 2 degs. 10 min. West, 595.5 feet to an iron stake D. C. Lucas' corner; thence with Lucas' line, South 37 degs. 27 min. East, 268.95 feet to an iron stake in the Northwestern right of way line of Peacehave Road, Lucas' corner; thence with said right of way line North 50 degs. 40 min. East, 109.9 feet to an iron stake; thence North 51 degs. 16 min. East, 292.30 feet to an iron stake, the point of BEGINNING. Containing 5.2 acres, more or less. Being all of Lots 1 and 2 as shown on the plat of Samuel and Mattie Woosley recorded in Plat Book 18, page 116 in the Forsyth County Registry and a tract adjacent thereto. Also being known as Lots 12, 1M and 2M, Block 3908 as shown on the Forsyth County Tax Maps. Said description is in accordance with a survey made by Harris B. Gupton, R. E. dated November 6, 1971.

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"EXHIBIT B"

Amenities Area

BEGINNING at a point in the northwest right-of-way line of Peace Haven Road at the southernmost corner of property of Samuel Woosley and wife, described in Plat Book 18, page 116; thence with the southwest line of Woosley North 38° 58' West 216.00 feet to a point; thence with a southeast line of Woosley South 51° 06' West 128.71 feet to a point; thence South 2° 27' West 53.93 feet to a point; thence South 29° 35' East 176.30 feet to a point in the northwest right-of-way line of Peace Haven Road; thence with said right-of-way line North 51° 16' East 193.14 feet to the point and place of BEGINNING. Being that portion of property shown on Plat of Cedar Cove Condominiums, Section 1, designated Amenities Area, containing 0.851 acres, said plat being prepared by Gupton Skidmore Associates, dated February 6, 1975, recorded in Condominium Book 1, page 7, Forsyth County, North Carolina Registry.

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"EXHIBIT C"

BEGINNING at an iron in the northwest right-of-way line of Peace Haven Road at the easternmost corner of property of Danley C. Lucas and wife described in Deed Book 633, page 226, Forsyth County, North Carolina Registry; thence with the northwest right-of-way line of Peace Haven Road North 50° 40' East 109.90 feet to an iron, and continuing North 51° 16' East 99.16 feet to the southernmost corner of Amenities Area described in Exhibit B hereof; thence with the southwest line of said Amenities Area North 29° 35' West 176.30 feet to a point; thence with the west line of said Amenities Area North 2° 27' East 53.93 feet to a point; thence with a northwest line of said Amenities Area North 51° 06' East 23.31 feet to an iron at the southernmost corner of property of Samuel C. Woosley and wife, described in Deed Book 610, page 306; thence with the west line of said property North 2° 27' East 145.12 feet to a point; thence a new line North 87° 50' West 254.58 feet to a point in the east line of property of H. G. Johnson and wife described in Deed Book 797, page 342; thence with Johnson's east line South 2° 10' West 304.86 feet to a point at the northernmost corner of said Danley C. Lucas property; thence with the northeast line of said Lucas property South 37° 27' East 268.95 feet to the point and place of BEGINNING. Being the property shown on plat entitled Cedar Cove Condominiums, Section 1, designated as Common Area, Access and Utility Easements and Units, said map being prepared by Gupton Skidmore Associates dated February 6, 1975, and recorded in Condominium Book 1, page 7, Forsyth County, North Carolina Registry.

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"EXHIBIT D"

Plans of the Buildings

The plans and specifications of the multi-unit buildings in which are contained the twenty-four (24) living units in the Cedar Cove Condominiums, Section 1, are filed in the Register of Deeds Office for Forsyth County, North Carolina, in Condominium Book 1, page 7 through 28, which pages are incorporated herein by reference as if actually attached hereto, filed herewith and set forth fully herein all in compliance with North Carolina General Statute Section 47A-15 which is known as the Unit Ownership Act.

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"EXHIBIT E"

BY-LAWS

CEDAR COVE CONDOMINIUM

SECTION 1

Forsyth County, North Carolina

ARTICLE I

Plan of Unit Ownership

Section 1. Unit Ownership. The Property located in the County of Forsyth, State of North Carolina (hereinafter called the "Property"), has been submitted to the provisions of the Unit Ownership Act of the State of North Carolina (Chapter 47A, Section 47A-1, et. seq. of the General Statutes of North Carolina), by the Declaration recorded in the Office of the Register of Deeds in and for Forsyth County, North Carolina, simultaneously herewith, and shall hereinafter be known as the "Cedar Cove Condominium, Section 1" (hereinafter called the "Condominium" or the "Section 1 Condominium.")

Section 2. Applicability of By-Laws. The provisions of these By-Laws are applicable to the Property of the Condominium and to the use and occupancy thereof. All present and future owners, mortgagees, lessees and occupants of Units and their employees, and any other person who may use the facilities of the Property in any manner are subject to these By-Laws, the Declaration and the Rules and Regulations. The acceptance of a Deed or conveyance or the entering into of a Lease or the act of occupancy of a Unit shall conclusively establish the acceptance and ratification of these By-Laws, the Rules and Regulations, and the provisions of the Declaration, as they may be amended from time to time, by the person so acquiring, leasing or occupying a Unit and shall constitute and evidence an agreement by such person to comply with the same.

ARTICLE II

Association of Unit Owners

Section 1. Composition. The owners of the Units will constitute the association of owners known as Cedar Cove Association (hereinafter "Association" or "Association of Unit Owners"). This Association shall have the responsibility of administering the Section 1 Condominium, establishing the means and methods of collecting the contributions to the common expenses, arranging for the management of the Condominium, and performing all of the other acts that may be required to be performed by the Association of Unit Owners by the Unit Ownership Act, the Declaration and these By-Laws. Except as to those matters which the Unit Ownership Act specifically requires to be performed by the vote of the Owners of the Units, the administration of the foregoing responsibilities shall be performed by the Board of Directors, as more particularly set forth in Article III.

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Section 2. Annual Meetings. The first annual meeting of members shall be held within 90 days after the establishment of Cedar Cove, Section One, and each subsequent regular annual meeting of the members shall be held on June 30, of each year thereafter, at the hours of 7:30 P. M. If the day for the annual meeting of the members is a Saturday, Sunday or a legal holiday, the meeting will be held at the same hour on the first day following which is not a weekend or a legal holiday.

Section 3. Place of Meetings. Meetings of the Association of Unit Owners shall be held at the principal office of the Condominium or at such other suitable place convenient to the Owners, as may be designated by the Board of Directors.

Section 4. Special Meetings. It shall be the duty of the President to call a special meeting of the Association of Unit Owners if so directed by resolution of the Board of Directors or upon a Petition signed and presented to the Secretary by Owners owning not less than 25% of the Percentage Interests of all Owners. The notice of any special meeting shall state the time and place of meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 5. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting of the Owners at least ten (10) but not more than twenty (20) days prior to such meeting, stating the purpose thereof, as well as the time and place where it is to be held, to each Owner of record, at such address as each Owner shall have designated by notice in writing to the Secretary. The mailing of a notice of meeting in the manner provided in this Section shall be considered service of notice.

Section 6. Adjournment of Meetings. If any meetings of the Association of Unit Owners cannot be held because a quorum is not present, Owners owning a majority of the Percentage Interests who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called.

Section 7. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-fourth (1/4) of the votes of the membership shall constitute a quorum for any action except as otherwise provided in the Declaration or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 8. Order of Business. The order of business at all annual meetings of the Association of Unit Owners shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meeting.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of Officers.
- (e) Report of Board of Directors.
- (f) Reports of Committees.
- (g) Election of Inspectors of Election (when so required).
- (h) Election of members of the Board of Directors (when so required).
- (i) Unfinished business.
- (j) New business.

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Section 9. Title to Units. Title to Units may be taken in the name of an individual or in the names of two or more persons, as tenants in common or as joint tenants or as tenants by the entirety, or in the name of a Corporation or Partnership, or in the name of a fiduciary.

Section 10. Voting. Voting at all meetings of the Association of Unit Owners shall be on a percentage basis and the percentages of the vote to which each Owner is entitled shall be the Percentage Interest assigned to his Unit in the Declaration. Where the ownership of a Unit is in more than one person, then the person who shall be entitled to cast the vote of that Unit shall be the person named in a certificate signed by all of the owners of the Unit and filed with the Secretary. Such certificate shall be valid until revoked by a subsequent certificate. Wherever the approval or disapproval of an Owner is required by the Unit Ownership Act, the Declaration or these By-Laws, such approval or disapproval shall only be made by the person who would be entitled to cast the vote for the Owner of such Unit at any meeting of the Association of Unit Owners. Except where a greater majority of the Owners is required by the Unit Ownership Act, the Declaration, or these By-Laws, a majority of the Owners is required to adopt decisions at any meeting of the Association of Unit Owners. If the Developer or the Board of Directors owns or holds title to one or more Units, the Developer or the Board of Directors, as the case may be, shall have the right at any meeting of the Association of Unit Owners to cast the votes to which such Unit is entitled.

Section 11. Proxies. A vote may be cast in person or by proxy. Proxies may be valid only for the particular meeting designated therein and must be filed with the Secretary before the appointed time of the meeting.

Section 12. Majority of Owners. As used in these By-Laws, the term "majority of the Owners" shall mean those Owners having more than fifty percent (50%) of the aggregate Percentage Interests of all Owners.

Section 13. Conduct of Meeting. The President shall preside over all meetings of the Association of Unit Owners and the Secretary-Treasurer shall keep the minutes of the meeting and record in a minute book all resolutions adopted by the meeting as well as a record of all transactions occurring thereat. Roberts Rules of Order shall govern the conduct of all meetings of the Association of Unit Owners when not in conflict with the Declaration, these By-Laws or the Unit Ownership Act.

ARTICLE III

Board of Directors

Section 1. Number and Qualification. The affairs of the Condominium shall be governed by a Board of Directors of five (5) Directors, who must be members of the Association, except that those designated by the Developer, as Owner of Units, may be Officers or Directors of the Developer or such other persons as Developer may designate.

Section 2. Powers and Duties. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Condominium and may do all such acts and things as are not by the Unit Ownership Act or by these By-Laws directed to be exercised and done by the Association of Unit Owners. The Board of Directors shall have the power from

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time to time to adopt any Rules and Regulations deemed necessary for the enjoyment of the Condominium provided such Rules and Regulations shall not be in conflict with the Unit Ownership Act or the Declaration. The Board of Directors shall delegate to one of its members the authority to act on behalf of the Board of Directors on all matters relating to the duties of the Managing Agent, if any, which might arise between meetings of the Board of Directors. In addition to the duties imposed by these By-Laws or by any resolution of the Association of Unit Owners that may hereafter be adopted, the Board of Directors shall have the power to, and be responsible for, the following:

(a) Preparation of an Annual Budget, in which there shall be established the contribution of each Owner to the Common Expenses.

(b) Making assessments against Owners to defray the costs and expenses of the Condominium, establishing the means and methods of collecting such assessments from the Owners, and establishing the period of the installment payment of the annual assessment for common expenses. Unless otherwise determined by the Board of Directors, the annual assessment against each Owner for his proportionate share of the Common Expenses shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month for said month.

(c) Providing for the operation, care, upkeep, maintenance, and surveillance of all of the Property and services of the Condominium.

(d) Designating, hiring and dismissing the personnel necessary for the maintenance, repair and replacement of the Common Areas and Facilities, and providing services for the Property, and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties, which supplies and equipment shall be deemed the common property of the Owners.

(e) Collecting the assessments against the Owners, depositing the proceeds thereof in a bank depository which it shall approve, and using the proceeds to carry out the administration of the Property.

(f) Making and amending Rules and Regulations respecting the use of the Property.

(g) Acting as the Insurance Trustee in the manner provided by these By-Laws.

(h) Opening of bank accounts on behalf of the Condominium and designating the signatories required therefor.

(i) Purchasing or leasing or otherwise acquiring in the name of the Board of Directors, or its designee, corporate or otherwise, on behalf of all Owners, Units offered for sale or lease to the Board of Directors.

(j) Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of members of the Board of Directors), or otherwise dealing with Units acquired by, and subleasing Units leased by, the Board of Directors, or its designee, corporate or otherwise, on behalf of all Owners.

(k) Purchasing of Units at foreclosure or other judicial sales in the name of the Board of Directors, or its designee, corporate or otherwise, on behalf of all Owners.

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(l) Organizing corporations to act as designees of the Board of Directors in acquiring title to, or leasing, Units on behalf of all Owners.

(m) Making, or contracting for the making of, repairs, additions, and improvements to, or alterations of, the Property and repairs to, and restoration of, the Property, in accordance with the other provisions of these By-Laws, after damage or destruction by fire or other casualty.

(n) Enforcing by legal means the provisions of the Declaration, these By-Laws and the Rules and Regulations for the use of the Property adopted by it, and bringing any proceedings which may be instituted on behalf of the Owners.

(o) Obtaining and carrying insurance against casualties and liabilities, as provided in Article VI of these By-Laws, and paying the premium cost thereof.

(p) Paying the cost of all services rendered to the Condominium and not billed to Owners of individual Units.

(q) Keeping books with detailed accounts in chronological order of the receipts and expenditures affecting the Property, and the administration of the Condominium, specifying the maintenance and repair expenses of the Common Areas and facilities and any other expenses incurred. The said books and vouchers accrediting the entries thereupon shall be available for the examination by the Owners, their duly authorized agents or attorneys, during general business hours on working days at the times and in the manner that shall be set and announced by the Board of Directors for the general knowledge of the Owners. All books and records shall be kept in accordance with good and accepted accounting practices, and the same shall be audited at least once a year by an outside auditor employed by the Board of Directors who shall not be a resident of the Condominium, or an Owner of a Unit therein. The cost of such audit shall be a Common Expense.

(r) The Board of Directors shall notify the mortgagee of any Unit of any default by the Owner of such Unit whenever requested in writing by such mortgagee to send such notice.

(s) To do such other things and acts not inconsistent with the Unit Ownership Act and with the Declaration which it may be authorized to do by a resolution of the Association.

Section 3. Managing Agent. The Board of Directors may employ for the Condominium a professional Managing Agent at a compensation established by the Board of Directors, to perform such duties and services as the Board of Directors shall authorize, including, but not limited to, the duties listed in paragraph (a), (c), (d), (e), (m), (o), (r), and (s) of Section 2 of this Article III. The Board of Directors may delegate to the Managing Agent all of the powers granted to the Board of Directors by these By-Laws other than the powers set forth in paragraphs (b), (f), (g), (h), (i), (j), (k), (l), and (n) of Section 2 of this Article III.

Section 4. Election and Term of Office. At the first annual meeting of the Association of Unit Owners, the term of office of two (2) members of the Board of Directors shall be fixed at three (3) years, the term of office of two (2) members of the Board of Directors shall be fixed at two (2) years, and the term of office of one (1) member of the Board of

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Directors shall be fixed at one (1) year. At the expiration of the initial term of office of each respective member of the Board of Directors, his successor shall be elected to serve for the term of three (3) years. The members of the Board of Directors shall hold office until their respective successors shall have been elected by the Association of Unit Owners.

Section 5. Removal of Members of the Board of Directors. At any regular or special meeting duly called, any one or more of the members of the Board of Directors may be removed with or without cause by a majority of the Owners, and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Owners shall be given at least ten (10) days' notice of the calling of the meeting and the purpose thereof and he shall be given the opportunity to be heard at the meeting. Notwithstanding anything in this Section to the contrary, so long as the Developer owns one (1) or more Units, no person selected and designated by the Developer as a member of the Board of Directors may be removed without the consent of the Developer and in such event the Developer shall select and designate his successor.

Section 6. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a director by a vote of the Association of Unit Owners shall be filled by a vote of a majority of the remaining directors at a special meeting of the Board of Directors held for that purpose promptly after the occurrence of any such vacancy, even though the directors present at such meeting may constitute less than a quorum, and each person so elected shall be a member of the Board of Directors for the remainder of the term of the member so removed and until a successor shall be elected at the next annual meeting of the Association of Unit Owners; provided, however, that the vacancy of any Director designated by the Developer pursuant to a right of the Developer to make such designation shall be filled by the Developer.

Section 7. Organization Meeting. The first meeting of the members of the Board of Directors following the annual meeting of the Association of Unit Owners shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Association of Unit Owners at the meeting at which such Board of Directors shall have been elected, and no notice shall be necessary to the newly elected members of the Board of Directors in order legally to constitute such meeting, providing a majority of the whole Board of Directors shall be present thereat.

Section 8. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each director, by mail or telegraph, at least three (3) business days prior to the day named for such meeting.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) business days' notice of each director, given by mail or telegraph, which notice shall state the time, place and purpose of the meeting or special meeting. Special meetings of the Board of Directors shall be called by the President or Secretary-Treasurer in like manner and on like notice on the written request of at least two (2) directors.

Section 10. Waiver of Notice. Any director may, at any time, in writing, waive notice of any meeting of the Board of Directors, and such

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waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board of Directors shall constitute a waiver of notice by him of the time and place of such meeting. If all directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

Section 11. Quorum of Board of Directors. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 12. Fidelity Bonds. The Board of Directors shall obtain adequate fidelity bonds for all officers and employees of the Condominium handling or responsible for Condominium funds. The premiums on such bonds shall constitute a Common Expense.

Section 13. Compensation. No director shall receive any compensation from the Condominium for acting as such; except that a director may be reimbursed for any actual expenses he incurs in performing any of his duties as Director.

Section 14. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors and the Secretary-Treasurer shall keep a Minute Book of the Board of Directors recording therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings. Roberts Rules of Order shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Declaration, these By-Laws or the Unit Ownership Act.

Section 15. Liability of the Board of Directors. The members of the Board of Directors shall not be liable to the Owners for any mistake in judgment, negligence, or otherwise except for their own individual willful misconduct or bad faith. The Owners shall indemnify and hold harmless each of the directors from and against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Owners unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration or of these By-Laws. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Owners. It is also intended that the liability of any Owner arising out of any contract made by the Board of Directors or out of the aforesaid indemnity in favor of the members of the Board of Directors shall be limited to such proportion of the total liability thereunder as his Percentage Interest bears to the Percentage Interests of all of the Owners. Every agreement made by the Board of Directors or by the Managing Agent on behalf of the Owners shall if obtainable, provide that the members of the Board of Directors, or the Managing Agent, as the case may be, are acting only as agents for the Owners and shall have no personal liability thereunder shall be limited to such proportion of the total liability thereunder as his Percentage Interest bears to the Percentage Interests of all Owners.

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ARTICLE IV

Officers

Section 1. Designation. The principal officers of the Condominium shall be the President, the Vice President, and the Secretary-Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an assistant treasurer, an assistant secretary, and such other officers as in its judgment may be necessary. The President and Vice President shall be members of the Board of Directors. Any other officers may be, but shall not be required to be, members of the Board of Directors.

Section 2. Election of Officers. The officers of the Condominium shall be elected annually by the Board of Directors at the organization meeting of each new Board of Directors and shall hold office at the pleasure of the Board of Directors.

Section 3. Removal of Officers. Upon the affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.

Section 4. President. The President shall be the chief executive of the Condominium. He shall preside at all meetings of the Association of Unit Owners and of the Board of Directors. He shall have all of the general powers and duties which are incident to the office of president of a stock corporation organized under the Business Corporation Act of the State of North Carolina, including, but not limited to, the power to appoint committees from among the Owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Condominium.

Section 5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President.

Section 6. Secretary-Treasurer. The Secretary-Treasurer shall keep the minutes of all meetings of the Association of Unit Owners and of the Board of Directors; he shall have charge of such books and papers as the Board of Directors may direct; he shall have the responsibility for Condominium funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data; he shall be responsible for the deposit of all monies and other valuable effects in the name of the Board of Directors, or the Managing Agent, in such depositories as may from time to time be designated by the Board of Directors, and he shall, in general, perform all the duties incident to the office of secretary and treasurer of a stock corporation organized under the Business Corporation Act of the State of North Carolina.

Section 7. Agreements, Contracts, Deeds, Checks, etc. All agreements, contracts, deeds, leases, checks and other instruments of the Condominium

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shall be executed by any two officers of the Condominium or by such other person or persons as may be designated by the Board of Directors.

Section 8. Compensation of Officers. No officer shall receive any compensation from the Condominium for acting as such.

ARTICLE V

Operation of the Property

Section 1. Determination of Common Expenses and Assessments Against Owners.

(a) Fiscal Year. The fiscal year of the Condominium shall consist of the twelve-month period commencing on June 1st of each year and terminating on May 31st of the following year.

(b) Preparation of Approval of Budget. Each year on or before May 1st, the Board of Directors shall adopt a budget for the Condominium containing an estimate of the total amount which it considers necessary to pay the cost of maintenance, management, operation, repair and replacement of the common areas and facilities and those parts of the Units as to which it is the responsibility of the Board of Directors to maintain, repair and replace, and the cost of wages, materials, insurance premiums, water and sewer charges, services, supplies and other expenses that may be declared to be common expenses by the Declaration, the Act, these By-Laws or a Resolution of the Association of Unit Owners, and which will be required during the ensuing fiscal year from the administration, operation, maintenance and repair of the Property and the rendering to the Owners of all related services. Such budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide working capital for the Condominium, a general operating reserve, and reserves for contingencies and replacements. The Board of Directors shall send to each Owner a copy of the budget, in a reasonably itemized form which sets forth the amount of the common expenses payable by each Owner, on or before May 15th, preceding the fiscal year to which the budget applies. The said budget shall constitute the basis for determining each Owner's contribution for the common expenses of the Condominium.

(c) Assessment and Payment of Common Expenses. The total amount of the estimated funds required for the operation of the Property set forth in the budget for the fiscal year adopted by the Board of Directors shall be assessed against each Owner in proportion to his respective Percentage Interest, and shall be a lien against each Owner's Unit as provided in the Unit Ownership Act and Article IX, Section 2(a) of these By-Laws. Developer shall be considered to own only the individual interest in common areas and facilities based upon Condominium units which have been completed but not conveyed by Developer for purposes of assessing common expenses. On or before the first day of each fiscal year, and the first day of each of the succeeding eleven (11) months in such fiscal year, each Owner shall be obligated to pay to the Board of Directors or the Managing Agent (as determined by the Board of Directors), one-twelfth (1/12th) of the assessment for such fiscal year made pursuant to the foregoing provisions. Within sixty (60) days after the end of each fiscal year, the Board of Directors shall supply to all Owners an itemized accounting of the common expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Board of Directors for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount

required for actual expenses and reserves shall, if the Board of Directors deems it advisable, be credited according to each Owner's Percentage Interest to the next monthly installments due from Owners under the current fiscal year's budget, until exhausted, and any net shortage shall, if the Board of Directors deems it advisable, be added according to each Owner's Percentage Interest to the installments due in the succeeding six (6) months after the rendering of the accounting.

(d) Reserves. The Board of Directors shall build up and maintain reasonable reserves for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. If the reserves are inadequate for any reason, including non-payment of any Owner's assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed against the Owners according to their respective Percentage Interests, and which may be payable in a lump sum or in installments as the Board of Directors may determine. The Board of Directors shall serve notice of any such further assessment on all Owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall, unless otherwise specified, in the notice, become effective with the next monthly payment which is due more than ten (10) days after the delivery or mailing of such notice of further assessment. All Owners shall be obligated to pay the adjusted monthly amount or, if the additional assessment is not payable in installments, the amount of such assessment.

(e) Initial Assessment. When the first Board of Directors elected under these By-Laws takes office, it shall determine the budget, as defined in this Section, for the period commencing thirty (30) days after their election and ending at the end of the fiscal year in which their election occurs. Assessments shall be levied against the Owners during said period as provided in Paragraph (c) of this Section.

(f) Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt the annual budget for any fiscal year shall not constitute a waiver or release in any manner of an Owner's obligation to pay his allocable share of the Common Expense as herein provided, whenever the same shall be determined, and in the absence of any annual budget or adjusted budget, each Owner shall continue to pay the monthly rate established for the previous fiscal period until the monthly payment which is due more than ten (10) days after such new annual or adjusted budget shall have been mailed or delivered.

(g) Accounts. All sums collected by the Board of Directors with respect to assessments against the Owners may be commingled into a single fund, but shall be held for each Owner in accordance with his Percentage Interest.

Section 2. Payment of Common Expenses. All Owners shall be obligated to pay the Common Expenses assessed by the Board of Directors pursuant to the provisions of Section 1 of this Article V. No Owner shall be liable for the payment of any part of the Common Expenses assessed against his Unit subsequent to a sale, transfer or other conveyance by him (made in accordance with the provisions of Article VIII of these By-Laws) of such Unit. The purchaser of a Unit shall be jointly and severally liable with the selling Owner for all unpaid assessments against the latter for his proportionate share of the Common Expenses up to the time of the conveyance, without prejudice to the purchaser's right to recover from the selling Owner

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the amounts paid by the purchaser therefor; provided, however, that any such purchaser shall be entitled to a statement from the Board of Directors or Managing Agent setting forth the amount of the unpaid assessments against the selling Owner and such purchaser shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid assessments in excess of the amount therein set forth; and provided, further, that if a mortgagee of a first mortgage of record or other purchaser of a Unit obtains title to the Unit as a result of foreclosure of a first mortgage, such purchaser, its successors and assigns shall not be liable for, and such Unit shall not be subject to, a lien for the payment of Common Expenses assessed prior to the acquisition of title to such Unit by such purchaser pursuant to the foreclosure sale. Such unpaid share of Common Expenses assessed prior to the acquisition of title to such Unit by such purchaser pursuant to the foreclosure sale shall be deemed to be Common Expenses of the Unit, collectible from all Owners, including such purchaser at the foreclosure sale, in proportion to their respective Percentage Interests.

Section 3. Collection of Assessments. The Board of Directors shall take prompt action to collect any assessments for Common Expenses due from any Owner which remain unpaid for more than thirty (30) days from the due date for payment thereof.

Section 4. Statement of Common Expenses. The Board of Directors shall promptly provide any Owner so requesting the same in writing, with a written statement of all unpaid assessments for common expenses due from such Owner.

Section 5. Maintenance and Repair.

(a) By the Board of Directors. The Board of Directors shall be responsible for the maintenance, repair and replacement (unless necessitated by the negligence, misuse or neglect of an Owner, in which case such expense shall be charged to such Owner) of the following, the cost of which shall be charged to all Owners as a common expense:

(1) All of the common areas and facilities, whether located inside or outside of the units.

(2) All exterior walls and exterior surfaces, the roof, party walls and all other portions of the Units which contribute to the support of any Building such as the outside walls of a Building and all fixtures on the exterior thereof, the boundary wall of Units, floor slabs, floor joists and attached ceilings, corridor and Unit party walls, but excluding, however, any interior walls, interior ceilings and interior floors of Units.

(3) The sanitary and storm sewer systems and appurtenances, and all water and plumbing facilities and systems, that are deemed common areas and facilities, and including all conduits, ducts, plumbing, wiring and other facilities for the furnishing of such utility services into two or more Units, but excluding therefrom all plumbing, fixtures, systems and parts thereof which are enjoyed by only a single Unit and are located solely within the boundary of an individual Unit; and including, all catch basins and television master antenna systems located outside the specific boundaries of any Unit; the roof and all roof drainage pipes, gutters and leaders.

(4) All incidental damage caused to any Unit by such work as may be done or caused to be done by the Board of Directors in accordance therewith.

(b) By the Owner. Except for the portions of his Unit required to be maintained, repaired and replaced by the Board of Directors, each Owner shall be responsible for the maintenance, repair and replacement, at his own expense, of his own individual unit, including, but not limited to the following: any interior walls, the balcony, patio or deck which is adjacent to the Unit, kitchen and bathroom fixtures and equipment, refrigerator and range, lighting, heating and air-conditioning unit, even though it is located totally outside the Unit, and those parts of the plumbing system which are contained within his Unit. Each Owner shall keep the interior of his Unit and its equipment and appurtenances in good order, condition and repair and in a clean and sanitary condition, and shall do all re-decorating, painting and varnishing which may at any time be necessary to maintain the good appearance and condition of his Unit. In addition, each Owner shall be responsible for all damages to any and all other Units or to the common areas and facilities resulting from his failure to make any of the repairs required to be made by him by this Section. Each Owner shall perform his responsibility in such manner as shall not unreasonably disturb or interfere with the other Owners. Each Owner shall promptly report to the Board of Directors or the Managing Agent any defect or need for repairs for which the Board of Directors is responsible.

(c) Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality. The method of approving payment vouchers for all repairs and replacements shall be determined by the Board of Directors.

Section 6. Balconies and Patios. A balcony or patio which is appurtenant to a Unit and to which such Unit has sole access shall be for the exclusive use of the Owner of such Unit. The Owner of such Unit shall keep such balcony or patio in a clean and sanitary condition and free and clear of snow, ice and any accumulation of water, and shall also make all repairs thereto.

Section 7. Additions, Alterations or Improvements by Board of Directors. Whenever in the judgment of the Board of Directors the Common Areas and Facilities shall require the additions, alterations or improvements costing in excess of Five Hundred & no/100 Dollars during any period of twelve (12) consecutive months, and the making of such additions, alterations, or improvements shall have been approved by a majority of the Owners, the Board of Directors shall proceed with such additions, alterations or improvements and shall assess all Owners for the cost thereof as a Common Expense. Any additions, alterations or improvements costing Five Hundred & no/100 Dollars or less during any period of twelve (12) consecutive months may be made by the Board of Directors without approval of the Owners and the cost thereof shall constitute part of the Common Expense. Notwithstanding the foregoing, if, in the opinion of not less than 80% of the members of the Board of Directors, such additions, alterations or improvements are exclusively or substantially exclusively for the benefit of the Owner or Owners requesting the same, such requesting Owners shall be assessed therefor in such proportion as they jointly approve or, if they are unable to agree thereon, in such proportions as may be determined by the Board of Directors.

Section 8. Additions, Alterations or Improvements by Owners. No Owner shall make any structural addition, alteration or improvement in or

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to his Unit without the prior written consent thereto of the Board of Directors. The Board of Directors shall be obligated to answer any written request by any Owner for approval of a proposed structural addition, alteration or improvement in such Owner's Unit within thirty (30) days after such request, and its failure to do so within the stipulated time shall constitute a consent by the Board of Directors to the proposed addition, alteration or improvement. Any application to any governmental authority for a permit to make an addition, alteration or improvement in or to any Unit shall be executed by the Board of Directors only, without, however, incurring any liability on the part of the Board of Directors or any of them to any contractor, subcontractor or materialman on account of such addition, alteration or improvement, or to any person having any claim for injury to person or damage to property arising therefrom. The provision of this Section 8 shall not apply to Units owned by the Developer until such Units shall have been initially sold by the Developer and conveyed to the new Owner.

Section 9. Use of Common Areas and Facilities. An Owner shall not place or cause to be placed in the lobbies, vestibules, public halls, common stairways, or other common areas or common facilities, other than the areas designated as storage areas, any furniture, packages or object of any kind. The lobbies, vestibules, public halls, and common stairways shall be used for no purpose other than for normal transit through them.

Section 10. Right of Access. An Owner shall grant a right of access to his Unit to the Board of Directors or the Managing Agent, or any other person authorized by the Board of Directors or the Managing Agent, or any group of the foregoing for the purpose of making inspections or for the purpose of correcting any condition originating in his Unit and threatening another Unit or the Common Areas and Facilities, or for the purpose of performing installations, alterations or repairs to the mechanical, electrical, or television services or the Common Areas and Facilities in his Unit or elsewhere in the Property, or to correct any condition which violates the provisions of any mortgage covering another Unit, provided that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the Owner. In case of an emergency, such right of entry shall be immediate, whether the Owner is present at the time or not.

Section 11. Rules and Regulations. Rules and Regulations concerning the operation and use of the Common Areas and Facilities and the Condominium in general may be promulgated and amended by the Board of Directors, provided that such Rules and Regulations are not contrary to or inconsistent with the Unit Ownership Act, the Declaration or the By-Laws. Copies of the Rules and Regulations shall be furnished by the Board of Directors to each Owner prior to the time when the same shall become effective.

Section 12. Water Charges and Sewer Rents. Water shall be supplied to the common areas and facilities through one or more meters and the Board of Directors shall pay, as a common expense, all charges for water so consumed, together with all related sewer rents, if any, arising therefrom, promptly after the bills for the same shall have been rendered. Water and sewer service shall be supplied directly to each Unit through a separate meter and each Owner shall be required to pay the bills for water and sewer services used by his Unit.

Section 13. Electricity and Gas. Electricity shall be supplied by the public utility company serving the area directly to each Unit through a separate meter and each Owner shall be required to pay the bills for electricity consumed or used by his Unit. The electricity serving the common

areas and facilities shall be separately metered, and the Board of Directors shall pay all bills for electricity consumed in such portions of the common areas and facilities as a common expense.

Section 14. Parking Spaces. All parts of the common areas and facilities identified as parking areas in the Architectural Plans recorded simultaneously with the Declaration and these By-Laws shall be used by the Owners for self-service parking purposes on a first-come, first-served basis. The cost of maintenance and repair of all parking areas shall be a common expense.

ARTICLE VI

Insurance

Section 1. Authority to Purchase. Except as otherwise provided in Section 3 of this Article VI, all insurance policies relating to the Property shall be purchased by the Board of Directors as Trustee for the Owners of the Units and their respective mortgagees, as their interest may appear, which insurance shall be governed by the following provisions:

(a) The Board of Directors shall obtain a single master policy covering physical damage for the entire Property for the benefit of the Association, the Unit Owners and their mortgagees, as their interests may appear, and provision shall be made for the issue of certificates or mortgagee endorsements to the mortgagees of the Unit Owners. The Policy shall name the Board of Directors and Insurance Trustee designated in Section 4 of this Article as insured parties, with appropriate language to effectuate Section 1(b)(3) of this Article. The original of said policy and endorsements thereto shall be deposited with the Board of Directors, and provision shall be made for duplicates thereof to be issued to each Unit Owner and his mortgagee, if any, upon request.

(b) In addition, the Board of Directors shall be required to make every effort to secure a master policy covering physical damage that will provide the following:

(1) That the insurer waives its rights of subrogation to any claims against the Board of Directors, the Managing Agent, the Owners and their respective agents; and, in the case of the Owners, the members of their own household.

(2) That the master policy may not be cancelled or substantially modified without at least thirty (30) days' prior written notice to the insured and all mortgagees of Units.

(3) That the net proceeds of such policies, shall be payable to the Board of Directors, or such other Insurance Trustee as designated in Section 4 of this Article.

(4) That the master policy shall contain a standard mortgagee clause in favor of each mortgagee of a Unit, which shall provide that the loss, if any, to a particular Unit shall be payable to such mortgagee and the Owner as their interests may appear, subject, however,

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to the loss payment and adjustment provisions in favor of the Board of Directors and the Insurance Trustee contained in Section 4 and 5 of this Article.

(c) All policies of insurance shall be written with a company licensed to do business in the State of North Carolina and holding a rating of "AAA" or better by Best's Insurance Reports.

(d) In no event shall the insurance coverage obtained and maintained by the Board of Directors hereunder be brought into contribution with insurance purchased by individual Owners or their mortgagees, unless otherwise required by North Carolina or other applicable law or insurance regulations.

(e) Each Owner shall be required to notify the Board of Directors of all improvements made by the Owner to his Unit, the value of which is in excess of \$1,000.00.

(f) Any Owner who obtains individual insurance policies covering any portion of the Property, other than personal property belonging to such Owner, shall be required to file a copy of such individual policy or policies with the Board of Directors within thirty (30) days after the purchase of such insurance.

Section 2. Insurance Coverage.

(a) The Board of Directors shall be required to obtain and maintain the following insurance: (1) fire insurance with extended coverage, vandalism, malicious mischief and windstorm endorsements, insuring the entire Property (including all of the Units and the bathroom and kitchen fixtures initially installed therein by the Developer, but not including furniture, furnishings, or other personal property supplied or installed by Owners), together with all air-conditioning equipment and other service machinery appurtenant to a Unit and covering the interests of the Board of Directors and all Owners and their mortgagees, as their interests may appear, in an amount equal to the maximum insurable replacement value of the Property, without deduction for depreciation; (2) workmen's compensation insurance if and to the extent necessary to meet the requirements of law; and (3) such other insurance as the Board of Directors may determine or as may be requested from time to time by a majority of the Owners.

(b) The Board of Directors shall also be required to obtain and maintain, to the extent obtainable, public liability and property damage insurance in such limits as the Board of Directors may from time to time determine, insuring each member of the Board of Directors, the Managing Agent, and each Owner against any liability to the public or to the Owners (and their invitees, agents and employees) arising out of, or incident to, the ownership and/or use of the Common Areas and facilities. Said insurance shall be issued on a comprehensive liability basis and shall contain a cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to his action against another named insured. The Board of Directors shall review such limits once each year, but in no event shall insurance be less than Two Hundred Thousand Dollars (\$200,000.00) with respect to any one person and Five Hundred Thousand Dollars (\$500,000.00) with respect to any one accident or occurrence and Fifty Thousand Dollars (\$50,000.00) with respect to any claim for

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property damage. It shall be the responsibility of each Owner to obtain, at his own expense, liability insurance with respect to his ownership and/or use of his Unit, and the Board of Directors shall not be responsible for obtaining such insurance.

(c) A duplicate original of the master policy of physical damage insurance, all renewals thereof, and all subpolicies or certificates issued thereunder, together with proof of payment of premiums, shall be delivered to all mortgagees of Units at least ten (10) days prior to expiration of the then current policies. Prior to obtaining any policy of fire insurance or any renewal thereof, the Board of Directors shall obtain an appraisal from an insurance company, or such other source as the Board of Directors may determine, of the full replacement value of the Property, without deduction for depreciation, for the purpose of determining the amount of physical damage insurance to be effected pursuant to this Section.

Section 3. Separate Insurance. Each Owner, at his own expense, shall keep in force comprehensive personal liability insurance for damage to person or property of others occurring within such Owner's Unit, another Unit, or upon the Common Areas and Facilities, in such amounts as the Board of Directors from time to time determine, but in no case less than One Hundred Thousand Dollars (\$100,000.00) for each occurrence. Each Owner shall have the right, at his own expense, to obtain insurance coverage upon his personal property. No Owner shall acquire or maintain any insurance coverage which will cause the insurance coverage maintained by the Board of Directors pursuant hereto to be brought into contribution with such insurance coverage obtained by the Owner.

Section 4. Insurance Trustee.

(a) So long as the condominium shall exist, the Board of Directors shall be designated as the Insurance Trustee. If for any reason the Board of Directors desire to be removed, shall fail, refuse or cease to act as such, the Board of Directors shall have the right to designate any bank, trust company, savings and loan association, building loan association, insurance company, or any institutional lender as the Insurance Trustee, and all parties beneficially interested in such insurance coverage shall be bound thereby; provided, however, that prior to such designation of a new Insurance Trustee, the Board of Directors shall obtain the consent to such new Insurance Trustee of the mortgagee or mortgagees holding mortgages constituting first liens on at least fifty-one percent (51%) of the number of Units in the Condominium encumbered by mortgages. The Insurance Trustee at the time of the deposit of such policies and endorsements shall acknowledge that the policies and any proceeds thereof will be held in accordance with the terms of these By-Laws.

(b) The Insurance Trustee shall not be liable for payment of premiums, the renewal of the policies, the sufficiency of coverage, the form or contents of the policies, the correctness of any amounts received by it on account of the proceeds of any insurance policies, nor for the failure to collect any insurance proceeds. The sole duty of the Insurance Trustee shall be to receive such proceeds as are paid to it and to hold the same in trust for the purpose elsewhere stated in these By-Laws, for the benefit of the Owners of the Units and their respective mortgagees.

Section 5. Board of Directors as Agent. The Board of Directors is hereby irrevocably appointed the Agent for each Owner of a Unit and for

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each mortgagee of a Unit and for each Owner of any other interest in the Property to adjust all claims arising under insurance policies purchased by the Board of Directors and to execute and deliver releases upon the payment of claims.

Section 6. Premiums. Premiums upon all insurance policies purchased by the Board of Directors shall be deemed to be a common expense.

ARTICLE VII

Repair and Reconstruction After Fire or Other Casualty

Section 1. When Repair and Reconstruction Are Required. In the event of damage to or destruction of all or any of the Buildings as a result of fire, or other casualty (unless more than two-thirds (2/3) of the Buildings are destroyed and at least three-fourths (3/4) of the Owners and at least three-fourths (3/4) of the mortgagees of Units in the Property, based upon one (1) vote for each mortgage owned, vote not to proceed with the reconstruction and repair of the Buildings), the Board of Directors shall arrange for and supervise the prompt repair and restoration of the Buildings (including any damaged Units, and any floor covering or any kitchen or bathroom fixtures initially installed therein by the Developer, and replacements thereof installed by the Owners, but not including any other furniture, furnishings, fixtures, or equipment installed by the Owners in the Units). Notwithstanding the foregoing, each Owner shall have the right to supervise the redecorating of his own Unit.

Section 2. Procedure for Reconstruction and Repair.

(a) Cost Estimates. Immediately after a fire or other casualty causing damage to any Building, the Board of Directors shall obtain a reliable and detailed estimate of the cost of repairing and restoring the Building (including any damaged Units, and any floor coverings and kitchen and bathroom fixtures initially installed therein by the Developer, and replacements thereof installed by the Owner, but not including any other furniture, furnishings, fixtures or equipment installed by the Owner in the Unit) to a condition as good as that existing before such casualty. Such costs may also include professional fees and premiums for such bonds as the Board of Directors determines to be necessary.

(b) Assessments. If the proceeds of insurance are not sufficient to defray the said estimated costs of reconstruction and repair as determined by the Board of Directors or if at any time during reconstruction and repair, or upon completion of reconstruction and repair, the funds for the payment of the costs thereof are insufficient, assessments shall be made against all the Owners in proportion to the Owners' respective Percentage Interests.

(c) Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the Plans and Specifications under which the Property was originally constructed.

(d) Encroachments. Encroachments upon or in favor of Units which may be created as a result of such reconstruction or repair shall not constitute a claim or basis for any proceeding or action by the Owner upon

whose property such encroachment exists, provided that such reconstruction was substantially in accordance with the Architectural Plans under which the Property was originally constructed. Such encroachments shall be allowed to continue in existence for so long as the reconstructed Building shall stand.

Section 3. Disbursements of Construction Funds.

(a) Construction Fund. The net proceeds of insurance collected on account of a casualty and the funds collected by the Board of Directors from assessments against Owners on account of such casualty shall constitute a construction fund which shall be disbursed in payment of the cost of reconstruction and repair in the manner set forth in this Section. The entire construction fund shall be disbursed by the Board of Directors as Insurance Trustee, or in the alternative, by the Insurance Trustee, if different from the Board of Directors.

(b) Method of Disbursement. The construction fund shall be paid by the Board of Directors or the Insurance Trustee, as the case may be, in appropriate progress payments, to such contractors, suppliers and personnel engaged in performing the work or supplying materials or services for the repair and reconstruction of the Building as are designated by the Board of Directors.

(c) Surplus. It shall be presumed that the first monies disbursed in payment of the cost of reconstruction and repair shall be from insurance proceeds; and if there is a balance in a construction fund after the payment of all of the costs of the reconstruction and repair for which the fund is established, such balance shall be distributed jointly to the Owners and their mortgagees who are the beneficial Owners of the fund, in proportion to the Owners' respective Percentage Interests.

(d) Common Elements. When the damage is to both common areas and facilities and Units, the insurance proceeds shall be applied first to the cost of repairing the common areas and facilities and the balance to the cost of repairing the Units in the shares set forth above.

(e) Certificate. The Insurance Trustee shall be entitled to rely upon a certificate executed by the President or Vice President, and the Secretary of the Condominium certifying (i) whether or not the damaged property is required to be reconstructed and repaired; (ii) the name of the payee and the amount to be paid with respect to disbursements from any construction fund held by it or whether surplus funds to be distributed are less than the assessments paid by the Owners; and (iii) all other matters concerning the holding and disbursing of any construction fund held by it. Any such certificate shall be delivered to the Insurance Trustee promptly after request.

Section 4. When Reconstruction is Not Required. If more than two-thirds (2/3) of the Buildings are destroyed by fire or other casualty and at least three-fourths (3/4) of the Owners and at least three-fourths (3/4) of the mortgagees of Units in the Property, based upon one (1) vote for each mortgage owned, vote not to proceed with repair or restoration (i) the Property shall be deemed to be owned as tenants in common by the Unit Owners; (ii) the undivided interest in the Property owned by the Unit Owners as tenants in common which shall appertain to each Unit Owner shall be the Percentage Interest previously owned by such Owner in the common areas and facilities; (iii) any liens affecting any of the Units shall be deemed to

be transferred in accordance with the existing priorities to the Percentage Interest of the Unit Owner in the Property as provided herein; and (iv) the Property shall be subject to an action for partition at the suit of the Owner of any Unit, as if the Property was owned in common, in which event the net proceeds of sale, together with the net proceeds of insurance policies, if any, shall be considered as one Fund, and shall be divided by the Board of Directors or the Insurance Trustee, as the case may be, among the Owners of all the Units in proportion to their respective Percentage Interests, after first paying out of the share of each Owner, to the extent sufficient for this purpose, the amount of any unpaid liens on his Unit, in the order of the priority of such liens.

ARTICLE VIII

Mortgages of Units

Section 1. Notice to Board of Directors. An Owner who mortgages his Unit shall notify the Board of Directors of the name and address of his mortgagee and shall file a conformed copy of the Note and Mortgage with the Board of Directors.

Section 2. Notice of Unpaid Assessments for Common Expenses. The Board of Directors, whenever so requested in writing by a mortgagee of a Unit, shall promptly report any then unpaid assessments for common expenses due from, or any other default by, the Owner of the mortgaged unit, which is not cured within thirty (30) days from the date of the default.

Section 3. Notice of Default. The Board of Directors, when giving notice to an Owner of a default in paying an assessment for common expenses or any other default, shall send a copy of such notice to each holder of a mortgage covering such Owner's Unit whose name and address has theretofore been furnished to the Board of Directors.

Section 4. Mortgagee's Right of Inspection. First mortgagees of Units shall have the right to examine the books and records of the Association of Unit Owners at all reasonable times.

Section 5. Mortgagee's Priority. Notwithstanding any other provision of these documents, no Unit Owner, or other party, shall have priority over any rights of first mortgagees of Units pursuant to their mortgages in the case of a distribution to Unit Owners of insurance proceeds or condemnation awards for losses or a taking of Condominium Units and/or common areas and facilities.

ARTICLE IX

Compliance and Default

Section 1. Relief. Each Owner of a Unit shall be governed by, and shall comply with, all of the terms of the Declaration, these By-Laws, and the Rules and Regulations, and any amendments of the same. A default by an Owner shall entitle the Association of Unit Owners, acting through its Board of Directors or through the Managing Agent, to the following relief:

(a) Legal Proceedings. Failure to comply with any of the terms of the Declaration, these By-Laws, and the Rules and Regulations shall

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be grounds for relief which may include, without limiting the same, an action to recover any sums due for money damages, injunctive relief, foreclosures of the lien for payment of all assessments, any other relief provided for in these By-Laws, or any combination thereof, and any other relief afforded by a Court of competent jurisdiction, all of which relief may be sought by the Association of Unit Owners, the Board of Directors, the Managing Agent, or, if appropriate, by any aggrieved Owner.

(b) Additional Liability. Each Owner shall be liable for the expense of all maintenance, repair or replacement rendered by his act, neglect or carelessness or the act, neglect or carelessness of any member of his family or his employees, agents or licensees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy, or abandonment of any Unit or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation.

(c) Costs and Attorneys' Fees. In any proceeding arising out of any alleged default by an Owner, if the Association is the prevailing party, it shall be entitled to recover the costs of the proceeding, and such reasonable attorneys' fees as may be determined by the Court under the provisions of North Carolina General Statutes, Chapter 6, Section 21.2, or its then equivalent section, or any other Statutory Section allowing attorneys' fees in such matters.

(d) No Waiver of Rights. The failure of the Association of Unit Owners, the Board of Directors, or of an Owner to enforce any right, provision, covenant, or condition which may be granted by the Declaration, these By-Laws or the Rules and Regulations shall not constitute a waiver of the right of the Association of Unit Owners, the Board of Directors or the Owner to enforce such right, provision, covenant, or condition in the future. All rights, remedies and privileges granted to the Association of Unit Owners, the Board of Directors, or any Owner pursuant to any term, provision, covenant or condition of the Declaration, these By-Laws or the Rules and Regulations shall be deemed to be cumulative, and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such privileges as may be granted to such party by the Declaration, these By-Laws or the Rules and Regulations, or at law or in equity.

(e) Interest. In the event of a default by any Owner in paying any common expenses or other sum assessed against him which continues for a period in excess of fifteen (15) days, such Owner shall be obligated to pay interest in the amounts due at the rate of eight percent (8%) per annum from the due date thereof.

(f) Abatement and Enjoyment of Violations by Owners. The violation of any rule or regulation by the Board of Directors, or the breach of any By-Law contained herein, or the breach of any provision of the Declaration, shall give the Board of Directors the right, in addition to any other rights set forth in these By-Laws: (a) to enter the Unit in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

Section 2. Lien for Assessments.

(a) In accordance with the Unit Ownership Act, any sum assessed by the Association of Unit Owners for the share of the Common Expenses chargeable to any Unit, and remaining unpaid for a period of thirty (30) days or longer, shall constitute a lien of such Unit when filed of record in the Office of the Clerk of Superior Court of Forsyth County, North Carolina in the manner provided therefor by the laws of the State of North Carolina. The Board of Directors, or the Managing Agent, may file or record such other or further notice of lien, or such other or further document as may be required by the laws of the State of North Carolina to confirm the establishment of such lien.

(b) In any case where an assessment against an Owner is payable in installments, upon a default by such Owner in the payment of any single installment, which continues for ten (10) days after written notice of such default has been sent to the Unit Owner, the maturity of the remaining total of unpaid installments of such assessments may be accelerated, at the option of the Board of Directors, and the then balance owing may be declared due and payable in full by the service of notice to such effect upon the defaulting Owner by the Board of Directors or the Managing Agent.

(c) The lien for contribution may be foreclosed in the manner provided by the laws of the State of North Carolina by suit brought in the name of the Board of Directors, or the Managing Agent, acting on behalf of the Association of Unit Owners. During the pendency of such suit the Owner shall be required to pay a reasonable rental for the Unit for any period prior to sale pursuant to any judgment or order of any Court having jurisdiction over such sale. The Plaintiff in such proceeding shall have the right to the appointment of a receiver, if available under the then laws of the State of North Carolina.

(d) Suit to recover a money judgment for unpaid contributions shall be maintainable without foreclosing or waiving the lien securing the same, and foreclosing shall be maintainable notwithstanding the pendency of any suit to recover a money judgment.

ARTICLE X

Miscellaneous

Section 1. Notices. All notices, demands, bills, statements or other communications under these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by registered or certified mail, return receipt requested, first-class postage prepaid, (i) if to an Owner, at the address which the Owner shall designate in writing and file with the Secretary-Treasurer, or if no such address is designated, at the address of the Unit of such Owner, or (ii) if to the Association of Unit Owners, the Board of Directors or the Managing Agent, at the principal office of the Managing Agent, or at such other address as shall be designated by notice in writing to the Owners pursuant to this Section.

Section 2. Invalidity. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws.

Section 3. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these By-Laws, or the intent of any provision thereof.

Section 4. Gender. The use of the masculine gender in these By-Laws shall be deemed to include the feminine gender and the use of the singular shall be deemed to include the plural, whenever the context so requires.

ARTICLE XI

Amendments to By-Laws

Section 1. Amendments. Except as otherwise provided in this Section, these By-Laws may be modified or amended by a vote of 66-2/3% of the Owners at any regular or special meeting, provided that notice of the proposed amendment shall have been given to each Owner at least fourteen (14) days in advance of such meeting; provided, however, that Section 1 of Article III, insofar as it provides that the Developer, so long as it is the Owner of a Unit, as therein stated, shall be entitled to designate persons other than members of the Association as members of the Board of Directors; Section 10 of Article II, insofar as it provides that the Developer, so long as it is the Owner of one or more Units, may vote the votes appurtenant thereto; and this Section 1 of Article XI, however, may not be amended without the consent in writing of the Developer, so long as the Developer shall be the Owner of one or more Units, whether built or not.

Section 2. Recording. A modification or amendment of these By-Laws shall become effective only if such modification or amendment is set forth in an amendment to the Declaration and recorded in the Office of the Register of Deeds in and for Forsyth County, North Carolina.

Section 3. Conflicts. No modification or amendment of these By-Laws may be adopted which shall be inconsistent with the provisions of the Unit Ownership Act, or the Declaration recorded herewith, as from time to time amended. If any conflict appears, the Declaration shall control over the By-Laws and the By-Laws over the Unit Ownership Act, except insofar as it is prohibited by the Unit Ownership Act. Any provisions of the Articles of Incorporation or the By-Laws of the Cedar Cove Condominium Association which may be in conflict with these By-Laws, the Declaration, or the Unit Ownership Act shall be superseded by the provisions of, in the following order: (1) the Declaration, (2) the By-Laws, and (3) the Unit Ownership Act. A modification or amendment once adopted and recorded as provided for herein shall then constitute a part of the official By-Laws of the Condominium, and all Owners shall be bound to abide by such modification or amendment.

Section 4. Approval of Mortgagees. These By-Laws contain provisions concerning various rights, priorities, remedies and interest of the mortgagees of Units. Such provisions in these By-Laws are to be construed as covenants for the protection of the mortgagees on which they may rely in making loans secured by mortgages on the Units. Accordingly, no amendment or modification of these By-Laws impairing or affecting such rights, priorities, remedies or interests of a mortgagee shall be adopted without the prior written consent of such mortgagee. If there is more than one mortgagee holding mortgages on the Units, it shall be sufficient to obtain the written consent of the mortgagee or mortgagees holding mortgages on more than one-half (1/2) of the Units encumbered by mortgages.

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