



DRAFTED BY: T. LAWSON Newton
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STATE OF NORTH CAROLINA) DECLARATION OF CONDOMINIUM
) OF
COUNTY OF FORSYTH) SHEPHERD STREET OFFICE
) CONDOMINIUMS

B & F Properties, a North Carolina Partnership,
(hereinafter referred to as the "Declarant") does hereby make,
declare and publish this Declaration of intention to submit the
property and improvements described hereinafter to the provisions
of the Unit Ownership Act, Chapter 47A of the North Carolina
General Statutes.

1. DESCRIPTION OF PROPERTY. The Declarant is the
owner of fee simple title to that certain real property situated
in Winston Township, Forsyth County, North Carolina, more
particularly described in Exhibit A, attached hereto and
incorporated herein by reference, on which real property there
has been or will be constructed are buildings and its supporting
facilities and other appurtenant improvements. The building is,
or will be, constructed of wood frame, concrete and brick veneer
materials.

2. ESTABLISHMENT OF CONDOMINIUM. The Declarant
hereby submits the above described real property and improvements
thereon to condominium ownership pursuant to the provisions of
the Unit Ownership Act, Chapter 47A of the North Carolina General
Statutes (hereinafter referred to as the "Unit Ownership Act"),
and declares the same to be a condominium to be known and
identified as Shepherd Street Office Condominiums (hereinafter
referred to as the "Condominium").

3. SURVEY AND DESCRIPTION OF IMPROVEMENTS. Filed
simultaneously herewith in Condominium Book 3 at page 78+79
(hereinafter referred to as the "Unit Ownership File") and
incorporated herein by reference are a survey of the real
property described in Exhibit A, and a plot plan of the
improvements constituting the building constructed on said
property at the time of recordation, which plot plan graphically
shows: (1) all of the particulars of the building including, but
not limited to, the layout, location, ceiling and floor
elevations, unit numbers and the dimensions of the Units; (2)
area and location of the Common Areas and Facilities and their
respective locations. Also attached to the plot plan is a
certification of engineer.

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4. DEFINITIONS. The following terms when used in this Declaration or the Exhibits attached hereto, shall have the following meaning, unless the context clearly requires otherwise:

(a) "Association of Unit Owners" or "Association" shall mean all the Unit Owners acting as a group in accordance with this Declaration and the By-Laws of Shepherd Street Office Condominiums Association, a non-profit corporation whose purpose is to manage, maintain and care for the Condominium.

(b) "Board of Directors" shall mean the governing body of the Association.

(c) "Building" or "Buildings" shall mean all structures and improvements now or hereafter erected upon the Property.

(d) "By-Laws" shall mean the by-laws of Shepherd Street Office Condominiums, a copy of which is marked Exhibit C, attached hereto and incorporated herein by reference.

(e) "Common Areas and Facilities" shall mean that part of the Property more particularly described in paragraph 6 of this Declaration.

(f) "Common Expenses" shall mean and include:

(i) All sums lawfully assessed against the Unit Owners by the Association;

(ii) Expenses of administration, maintenance, repair or replacement of the Common Areas and Facilities;

(iii) Expenses agreed upon as Common Expenses by the Association;

(iv) Expenses declared Common Expenses by the provisions of the Unit Ownership Act, or by this Declaration or the By-Laws;

(v) Insurance premiums.

(g) "Common Profit" shall mean the balance of all income, rents, profits and revenues from the Common Areas and Facilities remaining after the deductions of the Common Expenses, and all other funds and assets of the Association.

(h) "Declaration" shall mean this instrument by which the Property is submitted to the provisions of the Unit Ownership Act which shall be duly recorded in the Office of the Register of

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Deeds of Forsyth County, North Carolina, as the same may be amended from time to time.

(i) "Mortgage" shall mean a deed of trust as well as a mortgage.

(j) "Mortgagee" shall mean a beneficiary under or a holder of a deed of trust as well as a mortgage.

(k) "Owner" or "Unit Owner" shall mean a person, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof, having an ownership interest of record in a Unit other than a Mortgagee.

(l) "Property" shall mean and include the land, buildings, and all improvements and structures thereon, submitted to the Unit Ownership act by this Declaration, including all easements, rights and appurtenances belonging thereto, and all articles of personal property intended for common use in connection therewith.

(m) "Unit" shall mean that part of the Property described in paragraph 5 of this Declaration which are the subject of individual ownership.

5. UNIT DESIGNATIONS. The condominium shall consist of one building divided into various Units which will be conveyed and treated as an individual property capable of independent use and fee simple ownership, which Units are more particularly designated in the Unit Ownership File or any subsequent amendments thereto, excluding however, all space and improvement lying:

(a) Beneath the interior surface material of all perimeted walls, interior bearing walls and/or bearing partitions;

(b) Above the interior surfacing material of the ceilings;

(c) Beneath the subflooring material of all floors;

and further excluding all pipes, ducts, wires, conduits and other facilities for the furnishing of utilities and other services to the Units and the Common Areas and Facilities up to, and including, the point of entry of such pipes, ducts, wires and conduits through the interior surfacing material for walls and ceilings and the subflooring surfacing material for floors. All pipes, ducts, wires, conduits and other such facilities shall become a part of the respective Units at the point of entry. All

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exterior doors, window frames, panes and screens shall be part of the respective Units with which they are associated; provided, however, that the exterior decoration and painting of the exterior surface of such doors and window frames shall be the responsibility of the Association.

6. COMMON AREAS AND FACILITIES. The Common Areas and Facilities consist of all of the Property except: (i) the Units described in paragraph 5 of this Declaration. The Common Areas and Facilities include but are not limited to:

(a) All central and appurtenant installations for services such as power, light, water, gas, sewer, TV antenna and cables, and all tanks, pumps, motors, fans, conduits and compressors used in connection therewith;

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

(c) All roofs, exterior walls and interior load bearing columns and weight support walls, attics and crawl spaces;

(d) All other parts of the Property and all apparatus and installations, including all items of personal property, existing upon the Property for common use or which are necessary of convenient to the existence, maintenance or safety of the Property.

As an appurtenance to the ownership of each Unit, each Unit Owner shall own an undivided interest in the Common Areas and Facilities. The undivided interest of the Common Areas and Facilities appurtenant to each Unit is set out in Exhibit B attached hereto and incorporated herein by reference. The percentage or proportional interest of the respective Units in the Common Areas and Facilities has been determined by the ratio of square footage of each Unit to the total square footage of all Units excepting Unit #6. Unit #6 shall have an interest in the Common Areas and Facilities in the amount of 5% which represents one percent (1%) of each of the other Units' percentage share of the Common Areas and Facilities. The appurtenant undivided interest in the Common Areas and Facilities assigned to each Unit shall not be changed except with the unanimous consent of all of the Unit Owners.

7. CONDOMINIUM SUBJECT TO RESTRICTIONS. The Units and the Common Areas and Facilities shall be, and the same are hereby declared to be subject to the restrictions, easements, conditions and covenants prescribed and established herein governing the use of the Units and the Common Areas and Facilities and setting forth the obligations and responsibilities incident to ownership of each Unit and its appurtenant undivided interest in the Common Areas and Facilities, and the Units and the Common Areas and Facilities are further declared to be subject to the restrictions, easements, conditions, and limitations now of record affecting the Property.

8. EASEMENTS AND PARKING. (a) Each Unit Owner shall have an easement in common with all other Unit Owners to use all pipes, wires, ducts, cables, conduits, public utility lines and other common facilities located in any of the other Units and serving his Unit. Each Unit Owner shall be subject to an easement in favor of the Unit Owners to use the pipes, ducts, cables, wires, conduits, public utility lines and other common facilities serving the other Units and located in his Unit. The Board of Directors shall have the right of access to each Unit to remove violations therefrom and to maintain, repair or replace the Common Areas and Facilities contained therein.

(b) The Common Areas and Facilities shall be subject to a perpetual non-exclusive easement in favor of all other Unit Owners for their use and the use of their immediate families, guests and invitees, for all property purposes, and for the furnishing of services and facilities for which they are intended, and for the enjoyment of the Unit Owners. Notwithstanding the foregoing, the Association shall have the exclusive right to establish rules and regulations pursuant to which each Unit Owner, his family, guests and invitees, may be entitled to use the Common Areas and Facilities.

(c) If any portion of the Common Areas and Facilities encroaches upon any Unit, or if any Unit now encroaches upon any other Unit or upon any portion of the Common Areas and Facilities as a result of the construction of any Unit, or if any such encroachment shall occur hereafter as a result of settling or shifting of any Unit, then such encroachments shall be permitted and a valid easement for the maintenance thereof shall exist so long as the encroachments shall naturally remain. If any Unit or the Common Areas and Facilities shall be partially or totally destroyed by fire or other casualty or as a result of the condemnation or eminent domain proceedings, and shall thereafter be rebuilt, encroachment on parts of the Common Areas and

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Facilities upon any Unit or of any Unit upon any other Unit or upon any portion of the Common Areas and Facilities due to such rebuilding shall be permitted, and valid easements for such encroachments and the maintenance thereof shall exist so long as the encroachments shall naturally remain.

(d) The Board of Directors may hereafter grant easements for utility purposes for the benefit of the Property including the right to install, lay, maintain, repair, replace and relocate water lines, pipes, sewer and drain lines, gas mains, telephone wires and equipment and electrical conduits, and wires over, under, along and on any portion of the Common Areas and Facilities, and each Unit Owner hereby grants the Board of Directors an irrevocable power of attorney to execute, acknowledge and record for and in the name of each Unit Owner such instruments as may be necessary to effectuate the foregoing.

(e) The Declarant shall have an easement to maintain sales offices, management offices and models throughout the Property and to maintain one or more advertising signs on the Common Areas and Facilities while the Declarant is selling Units in the Condominium. The Declarant reserves the right to place models, management offices and sales offices in any Units owned by Declarant and on any portion of the Common Areas and Facilities in such number, of such size and in such locations as the Declarant deems appropriate. The Declarant may from time to time relocate models, management offices and sales offices to different locations within the Property. Upon the relocation of a model, management office or sales office constituting Common Areas and Facilities, the Declarant may remove all personal property and fixtures therefrom. Any fixtures not so removed shall be deemed Common Areas and Facilities, and any personal property not so removed shall be deemed the property of the Association.

(f) (i) The Declarant reserves an easement to use the Common Areas and Facilities and any Units owned by the Declarant for construction or renovation purposes including but not limited to the storage of tools, machinery, equipment, building materials, appliances, supplies and fixtures, and the performance of work respecting the Property;

(ii) The Declarant reserves an easement on, over and under those portions of the Common Areas and Facilities for the purpose of maintaining and correcting drainage of surface, roof or storm water. The easement created by this paragraph expressly includes the right to cut any trees, bushes or shrubbery, to grade the soil or to take any other action reasonable necessary, following which the Declarant shall restore

the affected property as closely to its original condition as practicable;

(iii) For a period of two years from the date of recordation of this Declaration, the Declarant shall have an easement through the Units and Common Areas and Facilities for any access necessary to complete any renovations or modifications to be performed by the Declarant.

(g) So long as the Declarant is selling Units in the Condominium, the Declarant shall have the right to restrict the use of parking in the Common Areas and Facilities and to reserve spaces for use by prospective Unit purchasers, the Declarant's employees and others engaged in sales, maintenance, construction or management activities for the Declarant. All parking spaces constituting a portion of the Property and as may be designated from time to time by the Board of Directors shall constitute part of the Common Areas and Facilities even though the Board of Directors may, in its discretion, elect to assign, with or without charge, specific parking spaces to a specific Unit, and if parking spaces are so assigned, each Unit Owner agrees to be bound by such decision and abide by such rules and regulations as may be established in that regard.

(h) In any case of an emergency originating in or threatening any Unit, regardless of whether the Unit Owner is present at the time of the emergency, any person authorized by the Association shall have the right to enter the Unit for the purpose of remedying or abating the cause of the emergency, and the right to entry shall be immediate, and to facilitate entry in the event of an emergency, the Unit Owner shall deposit under the control of the Association a key to his Unit.

(i) Whenever it is necessary to enter any Unit for the purpose of performing any maintenance, alteration or repair to any portion of the Common Areas and Facilities, the Unit Owner shall permit other Unit Owners or their representatives, or the duly constituted and authorized agent of the Association, to enter his Unit for such purpose, provided that any entry shall be made only at reasonable times and with reasonable advance notice.

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9. SERVICE OF PROCESS AGENT. T. Lawson Newton, whose address is 418 North Trade Street, Winston-Salem, North Carolina, is hereby designated to receive service of process in any action which may be brought against or in relation to the Condominium.

10. NATURE AND INCIDENTS OF UNIT OWNERSHIP. Unit ownership as created by this Declaration and the Unit Ownership Act vests each Unit Owner exclusive ownership and possession to his Unit and appurtenant undivided interest in the Common Areas and Facilities with all the incidents of real property. Any Unit may be individually conveyed, leased and encumbered and may be inherited or devised by will, as if it were solely and entirely independent of the other Units in the Building of which it forms a part. Any Unit may be held and owned by more than one person either as tenants in common or tenants by the entirety or in any other manner recognized under the laws of the State of North Carolina.

11. COMBINATION, SEPARATION AND PARTITION. No Unit may be divided or subdivided into a smaller Unit or Units, nor shall any Unit or portion thereof be added to or incorporated into any other Unit; provided, however, that upon the express written consent of the Board of Directors, two or more Units may be combined to form an office suite. In the event of such combination, each Unit shall retain its individual legal character and its appurtenant undivided interest in the Common Areas and Facilities. The cost of any such combination shall be the responsibility of the Unit Owner whose Units are being combined and shall be in compliance with all governmental laws, codes, ordinances and regulations as well as the plans and specifications of the Condominium. The prohibition against subdivision of a Unit set forth in this paragraph 11 shall not prevent a subsequent physical division of any office suite into its component offices and subsequent leasing of those subdivided units. Any such division shall be at the sole cost and expense of the Unit Owner making such division.

The appurtenant undivided interest in the Common Areas and Facilities of each Unit shall not be conveyed, devised, encumbered or otherwise dealt with separately from each Unit, and the appurtenant undivided interest in Common Areas and Facilities of each Unit shall be deemed conveyed, devised, encumbered or otherwise included with the Unit even though such undivided interest is not expressly mentioned or described in the instrument conveying, devising, encumbering or otherwise dealing with such Unit. Any conveyance, mortgage, devise or other

instrument which purports to grant any right, interest or lien in, to or upon a Unit, shall be null, void and of no affect insofar as the same purports to affect any interest in a Unit and its appurtenant undivided interest in Common Areas and Facilities, unless the same purports to convey, devise, encumber or otherwise trade or deal with the entire Unit. Any instrument conveying, devising, encumber, or otherwise dealing with any Unit, which describes the Unit by the Unit designation assigned thereto in the Unit Ownership File without limitation or exception, shall be deemed and construed to affect the entire Unit and its appurtenant undivided interest in Common Areas and Facilities. Nothing herein contained shall be construed as limiting or preventing ownership of any Unit and its appurtenant undivided interest in the Common Areas and Facilities by more than one person or entity as tenants in common, joint tenants, or as tenants by the entirety.

Recognizing that the proper use of a Unit by an Owner is dependent upon the use and enjoyment of the Common Areas and Facilities in common with all of the Unit Owners and that it is in the interest of all Unit Owners that the ownership of the Common Areas and Facilities be retained in common by the Unit Owners, it is hereby declared that the percentage of the undivided interest in the Common Areas and Facilities appurtenant to each Unit shall remain undivided and no Unit Owner shall bring or have any right to bring any actions for partition or division.

12. ASSOCIATION. To efficiently and effectively provide for the administration of the Condominium by the Unit Owners, an incorporated association known as Shepherd Street Office Condominiums Association, Inc. has been organized. The Association shall administer the operation and management of the Condominium, and shall undertake and perform all acts and duties incident thereto in accordance with the terms of the By-Laws of the Association. A true copy of the By-Laws is marked Exhibit C, attached hereto, and incorporated herein by reference.

The Owner of each Unit shall automatically become a member of the Association upon acquisition of an ownership interest in title to any Unit and its appurtenant undivided interest in the Common Areas and Facilities, and the membership of each Owner shall terminate automatically when he is divested of his ownership interest in the title to his Unit or Units, regardless of the means by which his ownership may be divested. No person, firm or corporation holding any lien, mortgage or other encumbrance upon any Unit shall be entitled, by virtue of such lien, mortgage or other encumbrance or membership in the Association, or to any of the rights or privileges of membership.

In the administration, operation and management of the Condominium, the Association shall have, and is hereby granted, the authority to enforce the provisions of this Declaration, to levy and collect assessments in the manner hereinafter provided, and to adopt, promulgate and enforce such rules and regulations governing the use of the Units and the Common Areas and Facilities as the members of the Association may deem to be in the best interest of the Association.

13. LIMITATION UPON RIGHT OF OWNERS TO ALTER AND MODIFY CONDOMINIUM UNITS. No Unit Owners shall permit there to be made any structural modification or alteration in his Unit without first obtaining the written consent of the Association, which consent may be withheld in the event that the Board of Directors shall determine, in its sole discretion, that the structural modifications or alterations would adversely affect or, in any way endanger the Condominium in part or in its entirety. No Unit Owner shall cause any non-structural improvements or changes to be made on the exterior of the Condominium, including painting or other decoration, or in any manner change the appearance of any portion of the Building without the prior written consent of the Association.

14. RIGHT OF THE ASSOCIATION TO ALTER AND IMPROVE PROPERTY. The Association shall have the right to make or cause to be made any alterations or improvements to the Common Areas and Facilities which do not prejudice the rights of any Unit Owner in the use and enjoyment of his Unit, provided the making of the alterations and improvements are approved by a majority of the Unit Owners of the Association, and the cost of the alterations or improvements shall be a Common Expense to be assessed and collected from all of the unit Owners. However, where any alterations and improvements are exclusively or substantially benefitted, the assessment shall be levied in that proportion as may be determined by the Board of Directors.

15. MAINTENANCE AND REPAIR OF UNITS. Every Unit Owner must perform promptly all maintenance and repair work within his Unit which, if omitted, would affect the Condominium either in its entirety or in a part belonging to other Unit Owners, every Unit Owner being expressly responsible for the damages and liability which his failure to do so may endanger. Each Unit Owner shall further be responsible and liable for maintenance, repair and replacement of any and all interior exposed walls, ceiling and floor surfaces, painting, decorating and furnishings, and all other accessories which he may desire to place or maintain in his Unit. Furthermore, each Unit Owner shall be responsible for the maintenance, repair and replacement of all heating and air conditioning equipment which services his Unit, and other equipment required to provide

water, light, power, telephone, gas, sewage and sanitary service to his unit. Notwithstanding the foregoing, the water heater located in Unit #1 shall be the responsibility of the Association pro rata according to Common Area percentage ownership. Whenever the maintenance, repair and replacement of any items for which the Unit Owner is obligated to maintain, replace or repair at his own expense is occasioned by any loss or damage which may be covered by any insurance maintained in force by the Association, the proceeds of the insurance received by the Association shall be used for the purpose of making the maintenance, repair or replacement, except that the Unit Owner shall be, in this instance, required to pay that portion of the costs of the maintenance, repair and replacement as shall, by reason of the applicability of any deductibility provisions of the insurance, exceed the amount of the insurance proceeds applicable to the maintenance, repair or replacement.

16. MAINTENANCE AND REPAIR OF COMMON AREAS AND FACILITIES. Except as provided in paragraph 15 of this Declaration, the Association, at its expense, shall be responsible for the maintenance, repair and replacement of all of the Common Areas and Facilities, including those portions thereof which contribute to the support of any Building, and all conduits, ducts, plumbing, wiring and other facilities located in the Common Areas and Facilities for the furnishing of utility and other services to the Units and the Common Areas and Facilities, and should any incidental damage be caused to any Unit by virtue of any work which may be done or caused to be done by the Association in the maintenance, repair or replacement of any of the Common Areas and Facilities, the Association shall, at its expense, repair any incidental damage. Whenever the maintenance, repair and replacement of any item for which the Association is obligated to maintain, replace or repair at its expense is occasioned by any act of a Unit Owner, his agents, employees, guests, or invitees, and the loss or damage may be covered by any insurance maintained in force by the Association, the proceeds of the insurance received by the Association shall be used for the purpose of making the maintenance, repair or replacement, except that the Unit Owner who is responsible for the loss or the damage (whether done by himself or by his agents, employees, guests or invitees) shall be required to pay that portion of the cost of the maintenance, repair and replacement as shall, by reason of the applicability of any deductibility provisions of such insurance, exceed the amount of the insurance proceeds applicable to the maintenance, repair or replacement.

17. RECONSTRUCTION OR REPAIR OF CASUALTY DAMAGE.

(a) If any part of the Property shall be damaged by casualty the determination of whether or not to reconstruct or repair shall be made as follows:

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(i) Partial destruction shall be deemed to mean destruction which renders less than two-thirds (2/3) of all the Units untenable. In the event of partial destruction, the Property shall be reconstructed or repaired unless this Declaration is terminated by the unanimous act of all of the Unit Owners at a meeting of the members of the Association and which shall be called prior to commencement of any reconstruction or repair.

(ii) Total destruction shall be deemed to mean destruction which renders two-thirds (2/3) or more of all the Units untenable and in the event of total destruction the Property shall not be reconstructed or repaired if at a meeting of the Association which shall be called within thirty (30) days after the occurrence of the casualty (or if by such date the insurance loss has not been finally adjusted, then within thirty (30) days thereafter) the Unit Owners, who in the aggregate own three-fourth (3/4) or more of the Units vote against reconstruction or repair.

(iii) Any such reconstruction or repair shall be substantially in accordance with the plans and specifications contained in the Unit Ownership File. Encroachment upon or in favor of Units which may be created as a result of any reconstruction or repair shall not constitute a claim or basis of a proceeding or action by the Unit Owner upon whose property such encroachment exists, provided that the reconstruction was either substantially in accordance with the plans and specifications or as the Building was originally constructed.

(b) If the damage is only to those parts of one or more Units for which the responsibility for maintenance and repair is that of the Unit Owners, then the Unit Owner shall be responsible for reconstruction and repair after casualty. In all other instances, the responsibility of reconstruction and repair after casualty shall be that of the Association as follows:

(i) Immediately after the casualty causing damage to property for which the Association has the responsibility for maintenance and repair, the Association shall obtain reliable and detailed estimates of the cost to place the damaged property in condition as good as that before the casualty.

(ii) When the damage is to both Common Areas and Facilities and Units, any insurance proceeds shall be applied first to the costs of repairing the Common Areas and Facilities and the balance to the Units.

(c) Each Unit Owner shall be deemed to have delegated to the Association his right to adjust with insurance company all

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losses under policies purchased by the Association, except in any case where the damage is restricted to one Unit.

18. AUTHORITY TO PURCHASE INSURANCE. Insurance policies upon the Property shall be purchased by the Association in the name of the Association, as trustee for the Unit Owners, for the benefit of the Unit Owners and their respective Mortgagees as their interests may appear, and shall provide for the issuance of certificates or mortgage endorsements to the holders of first Mortgages on the units or any of them, and if insurance companies will agree, shall provide that the insurer waives its rights of subrogation as to any claims against the Unit Owners, the Association and their respective servants, agents and guests. Each Unit Owner may obtain insurance, at his own expense, affording coverage upon his Unit, his personal property and for his personal liability as may be permitted or required by law, but all such insurance shall contain the same waiver of subrogation as that referred to above if the same is available. Premiums upon insurance policies purchased by the Association shall be paid by said Association and charged as a Common Expense.

19. INSURANCE COVERAGE. The following insurance coverage shall be maintained in full force and effect by the Association covering the operation and management of the Units and the Common Areas and Facilities:

(a) Casualty insurance covering the Property, except such personal property as may be owned by the Unit Owners, shall be procured in an amount equal to the maximum insurable replacement value thereof (exclusive of excavation and foundations) as determined annually by the insurance company affording such coverage. Such coverage shall afford protection against loss or damage by fire and other hazards covered by the standard extended coverage endorsement, and such other risks as from time to time customarily shall be covered with respect to property similar in construction, location and use including, but not limited to, vandalism, malicious mischief and windstorm;

(b) Public liability and property damage insurance in such amounts and in such forms as shall be required by the Association, and including but not limited to legal liability, hired automobile, non-owned automobile and off-premises employee coverage;

(c) All liability insurance shall contain cross-liability endorsements to cover liabilities of the unit Owners as a group to a Unit Owner.

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(d) Each Unit Owner, at his expense, shall keep in force comprehensive personal liability insurance covering liability for damages to person or property of others located within such Unit in such amounts as the Board of Directors shall from time to time determine, but in no event less than \$250,000.00.

20. USE AND DISTRIBUTION OF INSURANCE PROCEEDS. All insurance policies purchased by the Association shall be for the benefit of the Association and the unit owners and their Mortgagees, as their respective interests may appear, shall be primary over insurance policies owned by the Unit Owners, and shall provide that all proceeds payable as a result of casualty losses to the Common Areas and Facilities and the Units shall be paid to the Association as trustee for the benefit of the Association, the Unit Owners and their respective Mortgagees, if any. The Board of Directors of the Association is hereby irrevocably appointed as the attorney-in-fact of each Unit Owner and his Mortgagee, if any, as their interest may appear, for the purpose of compromising and settling insurance claims arising pursuant to policies purchased by the Association, and the Board of Directors is further empowered to execute and deliver releases to the insurance carrier upon the payment of claims.

The Association shall hold any insurance proceeds as trustee for the benefit of the Association, the Unit Owners and their respective Mortgagees, if any, as follows:

(a) Proceeds on account of damage to the Common Areas and Facilities an undivided share for each Unit Owner in proportion to the undivided interest in the Common Areas and Facilities appurtenant to each Unit.

(b) Proceeds on account of damage to Units shall be held in the following undivided shares:

(i) In the event of partial destruction when the Condominium is to be restored, for the Unit Owners of the damaged Units in proportion to the costs of repairing the damage suffered by each Unit.

(ii) In the event of total destruction of the Condominium or where the Condominium is not to be restored, for all Unit Owners, the share of each being the appurtenant undivided interest in the Common Areas and Facilities.

(c) In the event a mortgagee endorsement has been issued as to a unit, in proportion to the undivided interest in the Common Areas and Facilities appurtenant to each Unit.

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(d) Proceeds of insurance policies received by the Association for damages to Units shall be distributed in the following manner:

(i) If the damage for which the proceeds were paid is to be repaired or reconstructed, the proceeds shall be paid to defray the costs thereof as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial Unit Owners, all remittances to Unit Owners and their Mortgagees being payable jointly to them. This is a covenant for the benefit of, and may be enforced by such Mortgagee.

(ii) If the damage for which the proceeds were paid will not be reconstructed or repaired, the proceeds shall be distributed to the beneficial Unit Owner, remittances to Unit Owners and their Mortgagees being payable jointly to them. This is a covenant for the benefit of, and may be enforced by, such Mortgagee.

(e) Proceeds of insurance policies received by the Association for damages to the Common Areas and Facilities shall be distributed as follows:

(i) If the damage for which the proceeds were paid is to be repaired or restored, the proceeds shall be paid to defray the costs thereof as if a Common Expense of the Association. Any remaining proceeds shall be considered Common Profit of the Association.

(ii) If the damage for which the proceeds were paid will not be repaired or restored, the proceeds shall be considered Common Profit of the Association.

21. ASSESSMENT: LIABILITY, LIEN AND ENFORCEMENT.

The Association is given the authority to administer the operation and management of the Condominium, it being recognized that the delegation of such duties to one entity is in the best interest of all of the Unit Owners. The Association will incur, for the mutual benefit of all of the Unit Owners, certain costs and expenses. To provide the funds necessary for proper operation and management of the Association and to promote the security, safety, welfare, health and property interests of the Unit Owners, the Association has been and is hereby granted the right to make, levy and collect an assessment against all Unit Owners and their Units for the administration, operation and maintenance of and capital improvements to the Condominium, (hereinafter referred to as the "Maintenance and Capital Improvements Assessment"). In furtherance of this grant of authority to the Association to make, levy and collect

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assessments to pay for the costs and expenses of the operation and management of the Condominium the following provisions shall be operative and binding upon all of the Unit Owners:

(a) Each Unit Owner by acceptance of a deed to a Unit, whether or not it shall be expressly set forth in such deed, is deemed to covenant and agree to pay to the Association upon proper notice and levy: (i) annual assessments; (ii) special assessments for capital improvements; (iii) special assessments for other purposes permitted by the By-Laws of the Association; and (iv) charges properly related to his Unit, which are not common to all units but which are borne or advanced as provided in this Declaration or the By-Laws of the Association. Annual, and special assessments if any, for all Units shall be established and collected as provided.

(b) All assessments levied by the Association shall be used exclusively for the payment of the Common Expenses to promote the security, safety, welfare, health and property interests of the Unit Owners, and to provide for the administration, operation and maintenance of the Condominium, and to provide for the enhanced use and enjoyment of the Common Areas and Facilities, and to otherwise provide for services and facilities devoted to such purposes. Use of assessment monies for the foregoing general and particular purposes may include, but not be limited to: repairs, replacements and additions; labor and equipment; security, management and supervision; licenses, taxes, assessments and any other governmental fees and charges levied upon the Condominium; garbage and rubbish collection, snow removal and any other utility or similar service; insurance as provided by this Declaration; employment of attorneys, accountants, auditors and other professional for Association purposes.

(c) The Maintenance and Capital Improvement Assessment levied against the Unit Owners and their Units shall be uniform and, unless specifically provided for otherwise in this Declaration, the Maintenance and Capital Improvement Assessment levied against each Unit Owner and his Unit shall bear the same ratio to the total Maintenance and Capital Improvement Assessment made against all Unit Owners and their Units as the appurtenant undivided interest in the Common Areas and Facilities of each Unit bears to the total undivided interest in the Common Areas and Facilities appurtenant to all Units. In the event the Association is the Owner of any Unit, the Maintenance and Capital Improvements Assessment which would otherwise be due and payable to the Association by the Owner of the Unit shall be apportioned and the assessment therefor levied ratably among the Unit Owners of all Units which are not owned by the Association based upon their appurtenant undivided interest in the Common Areas and

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Facilities, exclusive of the undivided interest appurtenant to any Unit owned by the Association. All assessments shall be rounded to the next highest dollar amount.

(d) For the assessment period beginning 1986, and for each subsequent year thereafter, the Association shall establish, in advance, for each fiscal year an annual budget for the Condominium. The fiscal year shall correspond to the calendar year. The budget shall project all expenses for the forthcoming year which shall be required for the proper operation, management and maintenance of the Condominium, including, but not limited to: a reasonable allowance for contingencies in reserve; repairs, replacements and additions; labor, equipment, security, management and supervision; licenses, taxes, assessments and any other governmental fees and charges levied or proposed upon the Association; garbage and rubbish collection, snow removal, and any other utility or similar service; insurance as provided for in this Declaration; employment of attorneys, accountants, auditors and other professionals for Association purposes. The budget shall also take into account the projected anticipated income which is to be applied in reduction of the amounts required to be collected as assessments each year. In developing the annual budget, the Association shall keep separate, in accordance with subparagraph (e) hereof, items relating to operation and maintenance from items relating to capital improvements. Upon the adoption of the annual budget by the Association, copies of the annual budget shall be delivered to each Unit Owner. The Maintenance and Capital Improvement Assessment for the forthcoming year shall be established based upon the budget, although the delivery of a copy of the budget to each Unit Owner shall not affect the liability of any Unit Owner for the assessment. Upon the failure or delay of establishing the Maintenance and Capital Improvement Assessment as provided herein, each Unit Owner shall continue to pay a monthly assessment equal to the assessment established for each Unit for the year immediately preceding until such time as the Association establishes a revised assessment as provided herein. In the event the Association at any time determines, in its sole discretion, that the assessment levied is, or may prove to be, insufficient to pay the costs of operation and management of the Condominium, or in the event of emergencies, the Association

shall have the authority to levy an additional assessment as it may deem necessary and prudent.

(e) The Association, in establishing an annual budget for operation, management and maintenance of the Condominium, may designate a sum to be collected and maintained as a reserve fund for replacement of and capital improvements to the Common Areas and Facilities (Hereinafter referred to as the "Capital Improvement Fund") which shall be for the purpose of enabling the Association to replace structural elements, mechanical equipment and any personal property constituting a part of the Common Areas and Facilities. The amount to be allocated to the Capital Improvement Fund may be established by the Association so as to collect and maintain at all times a sum reasonably necessary to anticipate the need for the replacement of the Common Areas and Facilities. The amount collected for the Capital Improvement Fund shall be maintained in a separate account by the Association, and such monies shall be used only for replacement of and capital improvements to the Common Areas and Facilities. Any interest earned on monies deposited in the Capital Improvement Fund may, in the discretion of the Association, be expended for current operation and maintenance. Each Unit Owner shall be deemed to own a portion of the Capital Improvement Fund equal to his appurtenant undivided interest in the Common Areas and Facilities and the Association shall annually notify each Unit owner of the amount of his balance in the Capital Improvement Fund although the balance shall not be subject to withdrawal by a Unit Owner.

(f) The Maintenance and Capital Improvement Assessment shall be paid monthly on the first day of each month, and shall commence as to all Units on the subject to assessment on the first day of the month immediately following the recordation of this Declaration in the Office of the Register of Deeds of Forsyth County, North Carolina. The annual Maintenance and Capital Improvement Assessment for 1985 shall be adjusted according to the number of months remaining in the calendar year. A Unit shall not be subject to assessment until such time as it is first conveyed by the Declarant, and upon such first conveyance to a Unit Owner, the Maintenance and Capital Improvement Assessment for 1985 assessed against such Unit shall be prorated according to the number of months remaining in the year, the first monthly payment being due on the first day of the first month following the acquisition of the Unit by its Owner.

(g) Notwithstanding any provision of this Declaration or By-Law to the contrary, the Maintenance and Capital Improvement Assessment for the year beginning 1986, and for each subsequent year thereafter, shall not exceed the Maintenance and Capital Improvement Assessment of the year immediately preceding

by an amount of more than ten percent plus the percentage increase shown on the most recent U. S. Bureau of Labor Statistics Consumer Price index for Urban Wage Earners, All Areas, or if such index shall cease to exist, by the index most nearly comparable thereto. Provided however, that the Maintenance and Capital Improvement Assessment may be increased without limitation upon a vote of two-thirds (2/3) of the Unit Owners present, in person or by proxy, at a meeting of the Association duly called for such purpose.

(h) At no time shall there be any assessment, annual or special, against the Declarant for or on account of any vacant or unsold Unit, contrary authority, if any, found in the Declaration or elsewhere notwithstanding. This paragraph shall not apply in the case of a Unit required by the Declarant.

(i) All monies collected by the Association from the Unit Owners shall be treated as the separate property of the Association and (except as stated in subparagraph (f) hereof) the monies may be applied by the Association to the payment of any expenses of operating and managing the Condominium, or to the proper undertaking of all acts and duties imposed upon the Association by virtue of this Declaration and the By-Laws of the Association. Although all funds and the Common Profit, including other assets of the Association and any increments thereto or profits derived therefrom, or from the leasing of use of the Common Areas and Facilities, shall be held for the benefit of the members of the Association, no member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Unit. When a unit Owner ceases to be a member of the Association by reason of his divestment of ownership of his Unit, by whatever means, the Association shall not be required to account to him for any share of the fund or assets of the Association, or which may have been paid to the Association by such Unit Owner. All monies which any Unit Owner has paid to the Association shall be and constitute an asset to the Association which may be used in the operation and management of the Condominium.

(j) The payment of any assessment or installment thereof due to the Association shall be in default if such assessment, or any installment thereof, is not paid to the Association within fifteen (15) days of the due date for such payment. When in default, the delinquent assessment or delinquent installment thereof due to the Association shall bear interest at the rate of twelve percent (12%) per annum or the Wachovia Bank and Trust Co., N.A. prime rate currently in effect, if higher, until such delinquent assessment or installment thereof, and all interest due thereon, has been paid in full to the Association. The interest rate shall be established on the

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day of default and shall remain in effect until the next following January 1 at which time, if still owing, a new rate shall be set. All monies owing to the Association shall be due and payable at the following address: 1074 West Fourth Street, Winston-Salem, NC 27102.

(k) Each Unit Owner shall be personally liable, jointly and severally, as the case may be, to the Association for the payment of all assessments, annual or special, which may be levied by the Association against his Unit. In the event that any Unit Owner is in default in the payment of any assessment or installment thereof owed to the Association, he shall be personally liable, jointly and severally, for interest as provided for above, and for all costs of collecting the assessment or installment thereof and interest thereon, including a reasonable attorney fees incurred, whether legal action be insituted or not.

(l) No Unit Owner may exempt himself from liability for any assessment levied against him and his unit by waiver of the use or enjoyment of any of the Common Areas and Facilities, or by abandonment of the Unit or in any other way.

(m) Recognizing that the necessity for providing proper operation and management of the Condominium entails the continuing payment of costs and expenses therefor, which results in benefit to all of the Unit Owners, and that the payment of the Common Expenses represented by the assessments levied and collected by the Association is necessary in order to preserve and protect the investment of the Unit Owners, the Association is hereby granted a lien upon each Unit and its appurtenant undivided interest in Common Areas and Facilities, which lien shall secure and does secure the monies due for all assessments now or hereafter levied against each Unit Owner, which lien shall also secure interest, if any, which may be due on the amount of any delinquent assessment or installment thereof owing to the Association, and which lien shall also secure all costs and expenses, including reasonable attorney fees, which may be incurred by the Association in enforcing this lien upon any Unit and its appurtenant undivided interest in the Common Areas and Facilities. The lien granted to the Association may be foreclosed in the same manner as real estate deeds of trust containing a power of sale clause may be foreclosed in the State of North Carolina, and in any suit for the foreclosure of a lien, the Association shall be entitled to a reasonable rental from the Unit Owner from the date on which the payment of any assessment or installment thereof became delinquent, and shall be entitled to the appointment of a Receiver for the Unit, without liability to the Owner of the Unit. The lien granted to the Association shall further secure any advances for taxes, and payments on accounts or superior mortgages, liens or encumbrances which may be required to be advanced by the Association in order to preserve and protect its lien, and the Association shall further

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be entitled to interest at the rate of twelve percent (12%) per annum or the Wachovia Bank and Trust Co., N.A. prime rate currently in effect, if higher, on any advances made. All persons, firms or corporations who shall acquire, by whatever means, any interest in the ownership of any Unit, or who may be given or acquire a mortgage, lien or other encumbrance thereon, are hereby placed on notice of the lien rights granted to the Association, and shall acquire such interest in any Unit expressly subject to such lien rights.

(n) The lien herein granted unto the Association shall be enforceable from and after the time of recording in the Office of the Clerk of Superior Court of Forsyth County, North Carolina, a claim of lien stating the description of the unit encumbered thereby, the name of the record owner, the amount due and the date when due. The claim of lien shall be recordable any time after default and the lien shall continue in effect until all sums secured by the lien have been paid in full. Any claims of lien shall include only assessments which are due and payable when the claim of lien is recorded, plus interest, costs, attorney fees, advances to pay taxes and prior encumbrances and interest thereon. Any claim of lien shall be signed and verified by an officer or agent of the Association. Upon full payment of all sums secured by a claim of lien, the same shall be satisfied of record.

Any lien shall be subordinated to the lien of any first Mortgage, and any person, firm or corporation acquiring title to any Unit and its appurtenant undivided interest in the Common Areas and Facilities by virtue of any foreclosure or judicial sale, or any proceeding, conveyance or assignment in lieu of foreclosure, shall only be liable and obligated for assessments as shall accrue and become due and payable for the Unit and its appurtenant undivided interest in the Common Areas and Facilities subsequent to the date of acquisition of title, and shall not be liable for the payment of any assessments which were in default and delinquent at the time it acquired title. In the event of the acquisition of title to a Unit by foreclosure or judicial sale or any proceeding, conveyance or assignment in lieu of foreclosure, any delinquent assessment shall be absorbed and paid by all Unit Owners as a part of the Common Expense, although nothing herein contained shall be construed as releasing the party liable for such delinquent assessment from payment or the enforcement of collection of payment by means other than foreclosure.

(p) Whenever any Unit may be leased, sold or mortgaged by a Unit Owner, the Association, upon written request of the Unit Owner, shall furnish to the proposed lessee, purchaser or mortgagee, a statement verifying the status of payment of any assessment which shall be due and payable to the Association by the Unit Owner. Any statement shall be executed by any officer

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of the Association, and any lessee, purchaser or mortgagee may rely upon the statement in concluding the proposed lease, purchase or mortgage transaction, and the Association shall be bound by the statement.

(q) In the event that a Unit is to be leased, sold or mortgaged at the time when payment of any assessment against the Unit Owner and his unit due to the Association shall be in default (whether or not a claim of lien has been recorded by the Association), then the rent, proceeds of sale, or mortgage proceeds, shall be applied by the lessee, purchaser or mortgagee first to payment of any then delinquent assessment including interest or installments thereof due to the Association before the payment of any rent, proceeds or purchase or mortgage proceeds to the Unit Owner who is responsible for payment of such delinquent assessment.

22. COMMON PROFIT. Common Profit shall be owned by the Unit Owners in the same proportion that the appurtenant undivided interest in the Common Areas and Facilities of each respective Unit bears to the total of all appurtenant undivided interests in the Common Areas and Facilities; provided, however, the Common Profit shall be held by the Association in the manner, and subject to the terms, provisions and conditions of this Declaration imposing certain limitations and restrictions upon the use and distribution of the Common Profit. Except for distribution of any insurance indemnity herein provided for, or the termination of the Condominium, any attribution of Common Profit and any distribution of Common Profit which may be made from time to time, shall be made to the then Unit Owners in accordance with this paragraph 22.

23. ASSOCIATION TO MAINTAIN REGISTER OF OWNERS AND MORTGAGEES. The Association shall maintain a register setting forth the name and address of each Unit Owner. In the event of the transfer of any Unit to a third party, the transferee shall notify the Association in writing of his interest in such Unit, together with the recording information necessary to identify the instrument by which the transferee acquired his interest. The Owner of each Unit shall also notify the Association of the name and address of any party holding a Mortgage on any Unit, the amount of such Mortgage, and recording information necessary to identify the Mortgage. The holder of a Mortgage upon any Unit may notify the Association of the existence of its Mortgage and the Association shall register in its records all pertinent information relating thereto.

24. LEASING. A Unit Owner may lease or sublease his Unit at any time and from time to time provided that:

(a) No Unit may be leased or subleased for any purpose inconsistent with city zoning regulations or restrictive covenants encumbering the Property or for an initial term of less than one year.

(b) No Unit may be leased or subleased without a written lease or sublease.

(c) A copy of any lease or sublease shall be furnished to the Board of Directors within ten (10) days after execution thereof.

(d) The rights of any lessee or sublessee of a Unit shall be subject to, and each such lessee or sublessee shall be bound by the covenants, conditions and restrictions set forth in this Declaration, By-Laws and all rules and regulations of the Association, and a default thereunder shall constitute a default under the lease or sublease; provided, however, that the foregoing shall not impose any direct liability on any lessee or sublessee of a Unit to pay any Common Expense assessments or special assessments on behalf of the Owner of the leased Unit.

Notwithstanding the foregoing, the provisions of this paragraph 24 shall not apply to a holder of a first Mortgage who is in possession of a Unit following a default in such Mortgage, a foreclosure proceeding or any deed or other arrangement in lieu of foreclosure.

25. TERMINATION. The Condominium shall be terminated, if at all, in the following manner:

(a) Termination may be effected only by the unanimous agreement of all Unit Owners by an instrument to that effect duly recorded; and, provided, that the holders of all liens affecting any of the Units consent thereunto, or agree, in either case by an instrument duly recorded, that their liens may be transferred to the appurtenant undivided interest of the Unit Owner in the Common Areas and Facilities as hereinafter provided. The termination shall become effective when the agreement has been recorded in the Office of the Register of Deeds of Forsyth County, North Carolina.

(b) Termination upon a vote against reconstruction or repair of casualty damage as provided in paragraph 17 of this Declaration shall be evidenced by a certificate of the Association duly recorded certifying as to the facts of such termination. Any liens affecting any of the units shall be deemed transferred to the appurtenant undivided interest of the Unit Owners in the Common Areas and Facilities. The termination shall become effective when the certificate has been recorded in

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the Office of the Register of Deeds of Forsyth County, North Carolina.

(c) After the termination of the Condominium, the Unit Owners shall own the Property as tenants in common in undivided shares and the holders of Mortgages and liens against the Units formerly owned by such Unit Owners shall have Mortgages and liens upon the respective undivided shares of the Unit Owners to the Common Areas and Facilities. All funds held by the Association and insurance proceeds, if any, shall be and continue to be held for the Unit Owners in the same proportion as the appurtenant undivided interest of each Unit Owner to the Common Areas and Facilities. Any costs incurred by the Association in connection with the termination shall be a Common Expense.

(d) Following the termination, the Property shall be subject to partition by any Unit Owner. If the Association, following the termination, determines by a vote of a majority of the Unit Owners to accept an offer for the sale of the Property, each Unit Owner shall be bound to execute such deeds and other documents reasonably required to effect such sale at such times and in such form as the Board of Directors directs. In such event, any action for partition or other division of the Property shall be held in abeyance pending such sale, and upon the consummation thereof shall be discontinued by all parties thereto. The net proceeds of any sale, by partition or otherwise, together with any insurance proceeds shall be considered as one fund and shall be divided among all Unit Owners in proportion to their respective appurtenant undivided interest in the Common Areas and Facilities after first paying out of the respective shares of each Unit Owner, to the extent sufficient for that purpose, all liens on the Unit of each Unit Owner, if any.

(e) The Association acting collectively as agent for all Unit Owners shall continue to have such powers as in this paragraph 25 are granted, notwithstanding the fact that the Association itself may be dissolved upon a termination.

26. EMINENT DOMAIN. Whenever any proceeding is instituted that could result in the temporary or permanent taking, injury or destruction of all or part of the Condominium by the exercise of the power of or power in the nature of eminent domain, or by any action or deed in lieu of condemnation, the Board of Directors and each Unit Owner shall be entitled to notice thereof. The Board of Directors shall, and the Unit Owners at their respective expense may participate in the proceedings and represent the Association and the Unit Owners named in the proceeding.

(a) With respect to Common Areas and Facilities, the damages or awards shall be determined for such taking, injury or destruction as a whole and not for the appurtenant undivided interest of each Unit Owner therein. After such determination, each Unit Owner shall be entitled to a share in the damages in the same proportion as his percentage of undivided interest in the Common Areas and Facilities. This provision does not prohibit a majority of Unit Owners from authorizing the Board of Directors to use such damages or awards for replacing or restoring the Common Areas and Facilities so taken on the remaining Property, provided that this Declaration and plot plans are duly amended.

(b) With respect to one or more Units or portions thereof, the damages or awards for such taking, injury or destruction shall be deemed to be proceeds from insurance on account of damage or destruction, pursuant to paragraph 20 of this Declaration, and shall be deposited with the Association as trustee, even though the damage or awards may be payable to the one or more Unit owners. Upon the failure of any Unit Owner to deposit any such damages or awards with the Association, the Board of Directors, at its option, shall make a special assessment against the defaulting Unit Owner in the amount of his award, or the amount of such award shall be set off against the sums hereafter made payable to such Unit Owner. The proceeds of the damages or awards shall be distributed or used in a manner, and the Unit Owners of the affected Units shall have the rights provided in paragraph 20 for insurance proceeds provided that the Property is removed from the provisions of the Unit Ownership Act. If the Property is not removed from the provisions of the Unit Ownership act, and one or more Units are taken, in whole or in part, the taking shall have the following effects:

(i) If the taking reduces the size of a Unit so that the remaining portion of the unit can be made tenable, the Unit shall be made tenable. If the cost of such work exceeds the amount of the award, the additional funds required shall be assessed against the Owner of the Unit. The balance of the award, if any, shall be distributed to the Mortgagee to the extent of the unpaid balance of its Mortgage and the excess, if any, shall be distributed to the Unit Owner. If any balance of the award is distributed to the Unit Owner or Mortgagee, the Unit Owner's appurtenant undivided interest in the Common Areas and Facilities of the Unit Owner shall be reduced by reducing such interest in the proportion by which the floor area of the Unit is reduced by the taking, and then recomputing the percentages of undivided interest of all Unit Owners in the Common Areas and Facilities.

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(ii) If the taking destroys or reduces the size of a Unit so that it cannot be made tenantable, the award shall be paid to the Mortgagee of the unit to the extent of the unpaid balance of its Mortgage and the excess, if any, shall be paid to the Unit Owner. The appurtenant undivided interests in the Common Areas and Facilities of the Units shall continue as a part of the Common Areas and Facilities among the remaining Unit Owners.

(c) Any change in the Units, the Common Areas and Facilities, or in the ownership of the Common Areas and Facilities that are affected by a taking referred to in this paragraph 26 shall be evidenced by an amendment to this Declaration and the plot plans, which must be approved by all the Unit Owners.

27. USE RESTRICTIONS.

(a) Rules, Regulations. The Association may, by its By-Laws, establish or provide for the establishment of rules and regulations to promote and facilitate the use and enjoyment of the Common Areas and Facilities, and such rules and regulations shall govern the use of the Common Areas and Facilities and the Units, and such rules and regulations shall be binding on all Unit Owners or other persons making use or attempting to make use of the Common Areas and Facilities and Units. Rules and regulations established by the Association shall be uniformly applied, and shall not restrict or interfere with the normal incidents of private or quiet enjoyment associated with ownership of the unit, and shall not be inconsistent with the general intent of the restrictions set out in the several sections to follow.

(b) Unit Use. Units shall be used for office and office-related storage purposes only excluding specifically but not limited to wholesale/retail/sales outlets, restaurants and the like.

(c) Animals. Animals shall not be kept at or allowed at, on or in the Common Areas and Facilities or the Units.

(d) Trees and Shrubbery. The planting of trees and shrubbery in or on the Common Areas and Facilities shall not be permitted other than by the Declarant or the Association or by or with the direction or permission of the Declarant or the Association. The Association may govern and restrict all persons in the planting and maintaining of plants, shrubbery, trees and ground cover in or on the Common Areas and Facilities.

(e) Signs. Signs or signposts shall not be permitted at or on the Common Area or any Unit, nor shall any

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sign be visible within the Unit except with the written consent of the Board of Directors.

(f) Common Areas and Facilities. The Common Areas and Facilities shall not be used for the storage of discarding of supplies, personal property (including vehicles), trash, refuse or rubbish except trash, refuse and rubbish may be deposited into receptacles provided for that purpose at places designated by the Association. The Common Areas and Facilities shall not be obstructed or used for other than its intended purposes. No activity shall be carried on or allowed or condition maintained on the the Common Areas and Facilities, or any part thereof, which in any way despoils the appearance of the Common Area or its quiet enjoyment by others. The Association may further define, limit or restrict use of the Common Area.

(g) Unit Exteriors. Nothing shall be placed or allowed to remain upon Unit exteriors. Unit exteriors shall not be altered or changed in any way other than by the Association in furtherance of its obligations and responsibilities or as may specifically be allowed by the Association in furtherance of its obligations and responsibilities or as may specifically be allowed by the Association.

(h) Parking. The Association shall govern parking in the Common Areas and Facilities subject to the following restrictions:

(i) No boats, boat trailers, recreational vehicles, campers, trailers and similar vehicles shall be parked on the Property.

(ii) Parking shall not be permitted elsewhere than in designated parking spaces or areas.

(iii) Parking (other than incidental and temporary service, maintenance and delivery parking) shall be restricted to private passenger-carrying vehicles; and trucks, property-hauling vehicles, equipment type or related vehicles and commercial vehicles shall be prohibited from parking.

(i) Nuisances and Unlawful Use. No immoral, improper, offensive or unlawful use shall be made of any Unit or of the Common Areas and Facilities, and all laws, zoning ordinances and regulations of all governmental authorities having jurisdiction of the Condominium shall be observed. No Owner of any Unit shall permit anything to be done in his Unit, or on the Common Areas and Facilities which will increase the rate of insurance on the Condominium, or which will interfere with the rights of other Unit Owners of the Condominium or annoy them by

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unreasonable noises, nor shall any Owner undertake any use which shall constitute a nuisance to any other unit Owner, or which interferes with the peaceful possession and proper use of any other Units or the Common Areas and Facilities.

28. AMENDMENT OF DECLARATION OF CONDOMINIUM. An amendment to this Declaration of Condominium may be proposed by the members of the Association owning a majority of the units, whether meeting as members or by a signed written instrument. Any proposed amendment shall be transmitted to the President of the Association (or other Officer of the Association in the absence of the President) who shall thereupon call a special meeting of the members of the Association for a date not sooner than twenty (20) days nor later than sixty (60) days from receipt of the proposed amendment, and it shall be the duty of the Secretary to give each member written or printed notice of the special meeting, stating the time and place and reciting the proposed amendment in reasonable detail, which notice shall be mailed not less than ten (10) days nor more than thirty (30) days before the date set for the special meeting. If mailed, the notice shall be deemed to be properly given when deposited in the United States mail addressed to the member at his post office address as it appears on the records of the Association, postage prepaid. Any member may, by signing a written waiver of notice, waive notice and any waiver, when filed in the records of the Association, whether before or after the holding of the special meeting, shall be deemed equivalent to the giving of notice. At the special meeting, the proposed amendment must be approved by an affirmative vote of a majority of the members owning Units in order to become effective. Thereupon, the amendment of this Declaration shall be transcribed and certified by the President and Secretary of the Association as having been duly adopted, and the original or an executed copy of the amendment so certified shall be recorded in the Office of the Register of Deeds of Forsyth County, North Carolina, within ten (10) days from the date on which the same became effective. Thereafter, a copy of the amendment in the form in which it was duly recorded shall be delivered to all Unit Owners, but delivery of a copy shall not be a condition precedent to the effectiveness of the Amendment. The written vote of any member of the Association shall be recognized if he is not in attendance at the special meeting or represented thereat by proxy, provided his written vote is delivered to the Secretary of the Association prior to the special meeting or at the special meeting.

Notwithstanding anything herein contained to the contrary, it is declared that:

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(a) No alteration, amendment or modification of the rights and privileges granted and reserved hereunder in favor of institutional Mortgagees shall be made without written consent of all institutional Mortgagees holding Mortgages the Units, being first obtained.

29. RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS. (a) Institutional Lender as the term is used herein shall mean and refer to banks, savings and loan associations, insurance companies, or other reputable mortgage bankers, brokers, or lenders. So long as any Institutional Lender holds a Mortgage upon any Unit or shall be the owner of any Unit, such Institutional Lender shall have the following rights:

(i) To examine upon request and at reasonable times and upon reasonable notice, the books and records of the Association, and upon request to be furnished at least one copy of the Annual Financial Statement and Report of the Association prepared by a Certified Public Accountant designated by the Association, which Financial Statement and Report shall be available by April 15 of each calendar year unless unavoidable delay is experienced but no later than June 30 of each calendar year.

(ii) To be given written notice by the Association of the call of any meeting of the membership when such meeting is to consider any amendment to this Declaration, Articles of Incorporation or the By-Laws of the Association, which notice shall state the purpose of such meeting, and to designate a representative to attend.

(iii) To be given written notice of default by any Unit Owner encumbered by a Mortgage held by the Institutional Lender.

(iv) To be given written notice of any loss to, or taking of, the Common Areas and Facilities of the Condominium if such loss or taking exceeds \$10,000.00 or damage to a Condominium Unit is in excess of \$1,000.00.

(v) To receive written notice of any condemnation or eminent domain proceeding or proposed acquisition by a condemning authority.

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Whenever any Institutional Lender desires the provisions of this paragraph to be applicable to it, it shall serve written notice of such fact upon the Association by Registered Mail or Certified Mail addressed to the Association and sent to its address stated herein, identifying the Unit upon which any such Lender holds a Mortgage, or identifying any Unit owned by it, together with sufficient facts to identify such Mortgages, which notice shall designate the place to which and the person to whom the notices are to be given by the Association to such Institutional Lender.

(b) The prior written approval of at least two thirds (2/3) of the holders of first Mortgages on the Units (based upon one vote for each first Mortgage owned) shall be required for any of the following:

(i) The termination or abandonment of the Condominium except for termination or abandonment as a result of condemnation or substantial loss to the units and/or Common Areas and Facilities;

(ii) A change in the schedule of appurtenant undivided percentage interests in the Common Areas and Facilities of each Unit as set forth in Exhibit B;

(iii) The partition or subdivision of any Unit, or the Common Areas and Facilities;

(iv) The abandoning, encumbering, selling or transferring of the Common Areas and Facilities, except for the granting of easements for public utilities or for other public purposes consistent with the intended uses of the Common Areas and Facilities;

(v) The use of hazard insurance proceeds for losses to the Condominium other than for repair, replacement or reconstruction.

30. REMEDIES IN EVENT OF DEFAULT. All Unit Owners, tenants of Owners, employees of Owners and tenants, or other persons that may in any manner use the Property or any part thereof shall be governed by and shall comply with the provisions of this Declaration and the By-Laws as they are now constituted or as they may be amended from time to time, and any default in so doing shall entitle the Association or the Owners of the other units to the following relief:

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(a) Failure to comply with any of the terms of this Declaration or the By-Laws shall be grounds for relief which may include, but not be limited to, an action to recover sums due for damages, injunctive relief, foreclosure of lien or any combination thereof, and which relief may be sought by the Association or, if appropriate, by an aggrieved Unit Owner.

(b) Each Unit Owner shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, or by that of any member of his family, or his or their guests, employees, agents or lessees, but only to the extent that the expense is not met by the proceeds of insurance carried by the Association. Liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of a Unit or its appurtenances. Nothing herein contained, however, shall be construed so as to modify any waiver by insurance companies of rights of subrogation.

(c) In any proceedings arising because of an alleged default by a Unit Owner, the Association, if successful, shall be entitled to recover the costs of the proceedings, and such reasonable attorney fees as may be determined by the court, but in no event shall the Unit Owner be entitled to attorney fees.

(d) The failure of the Declarant, or the Association, or any Unit Owner to enforce any right, provision, covenant or condition which may be granted by this Declaration or the By-Laws shall not constitute a waiver of the right of the Declaration or the Association or of any Unit Owner to enforce such right, provision, covenant or condition in the future.

(e) All rights, remedies and privileges granted to the Association or the unit Owners and their respective Mortgagees, if any, pursuant to the terms, provisions, covenants, or conditions of this Declaration or the By-Laws, shall be deemed to be cumulative, and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies or privileges as may be available to such party at law or in equity, nor shall it constitute a waiver of the right to enforce any right, privilege, covenant or condition in the future.

31. RIGHT OF DECLARANT TO REPRESENTATION ON BOARD OF DIRECTORS OF THE ASSOCIATION.

(a) Prior to First Annual Meeting of the Board of Directors. Declarant shall have the right to designate all three members of the Board of Directors up to the point at which Units having 65% of the appurtenant undivided interests in the Common Areas and Facilities have been sold and conveyed. After that point, the Association shall meet and the Unit Owners, other than declarant, shall elect one Board member to replace one of the Board members selected by the Declarants. Declarant shall have sole authority to determine the member to be replaced.

(b) First Annual Meeting. At the earlier of (i) three years following the date of the establishment of the Association (which date shall be the date of filing for record of the deed or other evidence of ownership following the first sale of a Unit), or (ii) within 120 days after the date of the sale and conveyance by the Declarant of Units to which appertain eighty (80%) or more of the appurtenant undivided interests in the Common Areas and Facilities to purchasers in good faith for value, the Association shall meet (hereinafter referred to as the "First Annual Meeting") and elect all three members of the Board and all officers of the Association, and all persons previously elected or designated, whether by the Declarant or by the other Unit Owners, shall immediately resign; provided, however, that such persons who are members of the Board shall be eligible for re-election to the Board. The persons so elected at the First Annual Meeting shall take office upon such election and shall serve the terms for which they are elected and perform such duties as the Association may by By-Law determine.

32. SEVERABILITY. In the event that any of the terms, provisions or covenants of this Declaration are held to be partially or wholly invalid or unenforceable for any reason whatsoever, such holding shall not affect, alter, modify or impair in any manner whatsoever any of the other terms, provisions or covenants hereof or the remaining portions of any terms, provisions or covenants held to be partially invalid or unenforceable.

33. LIBERAL CONSTRUCTION. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan of Condominium ownership. Throughout this Declaration wherever appropriate the singular shall include the plural and the masculine gender the feminine or neuter. The section headings are for convenience of reference only and shall not be considered terms of this Declaration.

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The restrictions and burdens imposed by the covenants of this Declaration shall constitute covenants running with land, and shall constitute an equitable servitude upon each Condominium Unit, and its appurtenant undivided interest in Common Property. This Declaration shall be binding upon Declarant, its successors and assigns, and upon all parties who may subsequently become Owners of the Condominium Units in the Condominium and their respective heirs, legal representative, successors and assigns.

IN WITNESS WHEREOF, B & F Properties has caused this instrument to be executed. This the 29th day of October, 1985.

B & F Properties, a North
Carolina General Partnership

By: [Signature]
Leigh S. Fultz
Partner

STATE OF NORTH CAROLINA)
COUNTY OF FORSYTH)

By: [Signature]
William A. Brady, M.D.
Partner

I, Marjorie E. Cline (Wendt) a Notary Public of Forsyth County, North Carolina, do hereby certify that Leigh S. Fultz and William A. Brady, M.D., General Partners of B & F Properties, a North Carolina General Partnership, Declarant, each personally appeared before me this day and acknowledged the execution of the foregoing instrument.

Witness my hand and notarial seal this the 29th day of October, 1985.

MARJORIE E. CLINE
NOTARY PUBLIC—FORSYTH CO., N. C.
My Commission Expires July 25, 1988

[Signature]
Notary Public

My Commission Expires: July 25, 1988

STATE OF NORTH CAROLINA—Forsyth County

The foregoing (or annexed) certificate of Marjorie E. Cline (Wendt) N.P.
(here give name and official title of the officer signing the certificate passed upon)

Forsyth Co., N.C.

is ~~(are)~~ certified to be correct. This the

PRESENTED FOR
REGISTRATION
AND RECORDED

Oct 1985

OCT 30 4 48 PM '85

Speas, Register of Deeds

L. E. SPEAS

By

[Signature]

Deputy-Assistant

Probate and Filing Fee \$

89.00

REGISTER OF DEEDS
FORSYTH CTY. N.C.

1512P1035

EXHIBIT "A"

BEING KNOWN AND DESIGNATED as Lot Number 7 as shown on the Map of STRATFORD EXECUTIVE PARK, SECTION 4, as recorded in Plat Book 27, Page 167 in the Office of the Register of Deeds of Forsyth County, North Carolina, reference to which is hereby made for a more particular description.

SAVE AND EXCEPT that portion as described in Deed Book 1415, Page 1775, Forsyth County Registry.

1512P1036

EXHIBIT "B"

<u>UNIT NUMBER</u>	<u>PERCENTAGE OF OWNERSHIP INTEREST IN COMMON AREA</u>
1	28.70
2	16.16
3	18.09
4	10.05
5	22.00
6	5.00

1512-1037

EXHIBIT C

BY-LAWS

OF

SHEPHERD STREET OFFICE CONDOMINIUMS ASSOCIATION, INC.

I.

ESTABLISHMENT

1.1 IDENTITY. These are the By-Laws of Shepherd Street Office Condominiums Association, Inc., a non-profit corporation created under the laws of the State of North Carolina which has been organized for the purpose of administering the operation and management of Shepherd Street Office Condominium, a condominium to be established in accordance with the laws of the State of North Carolina upon the property situated in Winston Township, Forsyth County, North Carolina, and described in Exhibit A of the Declaration of Condominium and incorporated herein by reference.

1.2 APPLICABILITY: The provisions of these By-Laws are applicable to the Condominium, and are expressly subject to the terms and conditions contained in the Declaration which will be recorded in the Office of the Register of Deeds of Forsyth County, North Carolina at the time Property is submitted to the plan of condominium ownership wherever. The terms and conditions of the Declaration are controlling wherever they may be in conflict herewith, and all definitions contained in the Declaration are incorporated herein by reference. All present or future owners, tenants, future tenants, or their employees or any other person that might use the Condominium or any of the facilities thereof in any manner, are subject to the regulations set forth in these By-Laws and in the Declaration.

1.3 OFFICE: The office of the Association shall be at such place in Forsyth County, North Carolina as the Board of Directors shall designate from time to time.

1.4 FISCAL YEAR: The fiscal year of the Association shall be the calendar year, except that the initial year of operation shall commence upon the closing of the sale of the first Unit.

II

MEMBERSHIP, VOTING, QUORUM, PROXIES

2.1 INITIAL MEMBERSHIP. The initial member of the Association shall be:

B & F Properties, a N.C. General Partnership

15-12P1038

2.2 MEMBERSHIP: Membership shall be established by the acquisition of a Unit (either the entire fee simple interest or an undivided interest therein) whether by conveyance, devise, judicial decree or otherwise, and the membership of any party shall be automatically terminated upon his being divested of all title to or his entire fee ownership interest in any Unit, except that nothing herein contained shall be construed as terminating the membership of any Owner who may own two or more Units so long as he shall retain title to or a fee ownership interest in a Unit.

The date of recordation of the deed to a Unit in the Office of the Register of Deeds of Forsyth County, North Carolina shall govern the date of ownership of a Unit. In the event of death of a Unit Owner, the transfer of ownership shall occur on the date of probate of the will for the deceased Unit Owner. In the event of death of a Unit Owner, the Association shall presume that the deceased Unit Owner died intestate until such time as the will of the deceased Unit Owner is probated, or a certified copy of the probated will is filed in the Office of the Clerk of Superior Court of Forsyth County, North Carolina.

2.3 MEMBERSHIP VOTE: On all matters which the membership shall be entitled to vote, the Owner of each Unit shall have a vote equal to the appurtenant undivided interest in the Common Areas and Facilities as set forth in Exhibit B of the Declaration. The vote of each Unit may be cast or exercised by the Owner of each Unit in such manner as may be provided in these By-Laws. A Unit Owner who owns more than one Unit shall be entitled to exercise or cast the vote associated with each Unit owned. If more than one person owns a Unit, the combined votes of the Unit Owners shall equal the undivided interest in the Common Areas and Facilities appurtenant to the Unit.

2.4 QUORUM: A quorum at membership meetings shall consist of fifty-one percent (51%) of the votes of the entire membership. The joinder of a Unit Owner in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purpose of determining a quorum.

2.5 VOTE CASTING: (a) The vote of the Owners of a Unit owned by more than one person shall be cast: (i) by the unanimous action of all persons owning the Unit; or, (ii) by one person named in a certificate signed by all of the Owners of the

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Unit and filed with the Secretary, and any certificate shall be valid until revoked by a subsequent certificate. If the vote is not unanimously cast or if a certificate is not on file, the vote of such Owners shall not be considered for any purpose; provided however, that the vote of a Unit owned exclusively by husband and wife may be cast by either spouse without the necessity of filing a certificate with the Association, unless prior to a meeting either spouse has notified the Secretary otherwise in writing.

(b) The vote of a Unit owned by a corporation or a partnership shall be cast by the one person named in a certificate signed by the corporation or partnership and filed with the Secretary, and any certificate shall be valid until revoked by a subsequent certificate. If a certificate is not on file, the vote of the unit owned by a corporation or partnership shall not be considered for any purpose.

(c) The owner of a life estate in a Unit shall be entitled to vote together with the owners of the remainder interest in the Unit provided that the provisions of 2.5(a) are met.

(d) The vote of a Unit owned by minors or fiduciaries shall be cast provided that the provisions of 2.5(b) are met.

(e) No person, other than the Declarant, shall be entitled to cast a vote until such person is listed in the register of Unit Owners and Mortgagees maintained by the Association, or until reasonable evidence of fee simple ownership is otherwise presented to the Secretary.

(f) Approval or disapproval of a Unit Owner upon any matter, whether or not the subject of an Association meeting, shall be by the same person who would cast the vote of such Owner if in an Association meeting.

2.6 PROXY VOTE: Votes may be cast in person or by proxy. Proxies shall be valid only for the particular meeting designated thereon and must be filed with the Secretary before the appointed time of the meeting.

2.7 MAJORITY: The term "majority of the membership", when used in the context of membership voting rights, shall mean the Owners of more than 50% of the appurtenant undivided interests in the Common Areas and Facilities. Except where otherwise required under other provisions of these By-Laws, the declaration or otherwise be required by law, the affirmative vote of the persons entitled to cast a majority of the votes at any duly called membership meeting at which a quorum is present

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shall be binding upon the Unit Owners.

2.8 MEMBERSHIP CLASSES: Until the first annual meeting of the Association, there shall be two classes of membership:

(a) Class A membership shall be held by all Unit Owners except the Declarant, and shall be entitled to one vote for each Unit owned.

(b) Class B membership shall be held by the Declarant, and shall be entitled to four votes for each Unit owned which has not been initially conveyed. Any Unit initially conveyed, but reacquired by the Declarant, shall be subject to Class A membership.

Class B membership shall cease upon the date of the first annual meeting of the Association and thereafter there shall be only one class of membership with each Unit being entitled to one vote.

III

ANNUAL AND SPECIAL MEETING OF MEMBERSHIP

3.1 FIRST ANNUAL MEETING: Upon the earlier of: (i) three years following the date of the establishment of the Association; or, (ii) within 120 days after the date of the sale and conveyance by the Declarant of Units representing eighty percent (80%) or more of the appurtenant undivided interests in the Common Areas and Facilities to purchasers in good faith for value, the Association shall meet (hereinafter referred to as the "first annual meeting") to elect all three members of the Board of Directors of the Association. All persons previously elected or designated, whether by the Declarant or by the other Unit Owners, shall immediately resign; provided, however, that such persons who are members of the Board shall be eligible for re-election to the Board. The persons elected at the first annual meeting shall take office upon such election, and shall serve the terms for which they were elected and perform such duties as provided in these By-Laws.

3.2 ANNUAL MEETINGS: The annual membership meeting shall be held at a time and place designated by the Board of Directors each year for the purpose of electing Officers and transacting any other business authorized to be transacted by the membership.

3.3 SPECIAL MEETINGS: Special membership meetings shall be held whenever called by the President, by a majority of

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the membership or a majority of the Board of Directors. The President must call a special meeting upon receipt of a written request from a majority of the membership or Board of Directors. The only business at any special meeting shall be that business for which the special meeting was called.

3.4 NOTICE OF MEETINGS: Notice of all membership meetings, regular or special, shall be given by the President or the Secretary of the Association, or other Officer of the Association in their absence, to each Unit Owner, unless waived in writing, and any notice shall be written and shall state the time, place and purpose for which the meeting is called. Any notice shall be given to each Unit Owner not less than ten (10) days nor more than sixty (60) days prior to the date set for the meeting, which notice shall be mailed or delivered personally to each Unit Owner. If delivered personally, receipt of the notice shall be signed by the Unit Owner, indicating the date on which the notice was received by him. If mailed, the notice shall be deemed to be properly given when deposited, postage paid, in the United States mail addressed to the member at his post office address as it appears on the register of Unit Owners and Mortgagees as of the date of mailing the notice. Proof of mailing shall be given by the affidavit of the person giving the notice. Any Unit Owner may, by a signed written waiver of notice, waive notice and, when filed in the records of the Association, whether before or after the holding of the meeting, any waiver shall be deemed equivalent to the giving of notice to the Unit Owner. If any membership meeting cannot be organized because a quorum has not attended, or because the greater percentage of the membership required to constitute a quorum for particular purposes has not attended, the Unit Owners who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum, or the required percentage of attendance, if greater than a quorum, is present.

3.5 ORDER OF BUSINESS: The order of business as far as practical at any membership meeting shall be:

- (a) Calling of the roll and certifying of proxies;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Reading and disposal of any unapproved minutes;
- (d) Reports of Officers;
- (e) Reports of Committees;
- (f) Unfinished business;
- (g) New business; and
- (h) Adjournment.

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3.6 ACTION WITHOUT MEETING: All actions, except removal of a Director, which may be taken at a meeting of the Association, may be taken without a meeting with the approval of, and in a writing or signed by Unit Owners having the percentage of voting power required to take such action if it had been taken at a meeting. Such writings shall be filed with the Secretary of the Association. A copy of the action taken, when approved, shall be mailed promptly to all Unit Owners of the Association.

IV

BOARD OF DIRECTORS

4.1 INITIAL BOARD OF DIRECTORS: The initial Board of Directors of the Association established by the Articles of Incorporation shall consist of three (3) persons. So long as the Declarant owns more than twenty percent (20%) of the Units, but in any event no longer than three (3) years, the Declarant shall have the right to designate and select all of the persons who shall serve as members of each board of directors of the Association. So long as the Declarant is the owner of at least twenty percent (20%) of the Units, but in any event no longer than three (3) years, the Declarant shall have the right to designate and select two Directors or a majority of Directors of the Association.

4.2 QUALIFICATION: Each Director shall be either: (i) an individual owning all or part of a Unit; or (ii) in the case of a Unit owned by a corporation, partnership, minor or fiduciary, the person designated in a certificate filed with the Secretary as the person shall cast the vote for such Unit. Anything contained herein to the contrary, the Declarant may appoint, without restriction or qualification, any person to be a Director so long as the Declarant has the right pursuant to the Declaration or these By-Laws to appoint one or more Directors.

4.3 ELECTION OF DIRECTORS: The election of Directors shall be conducted in the following manner:

(a) The Declarant shall, at the beginning of the election of the Board of Directors, select that number of Directors which it shall be entitled to select in accordance with the provisions of the Declaration and these By-Laws, and upon the selection of the Declarant by a written instrument presented at the meeting at which the election is held, the individuals so selected by the Declarant shall be considered Directors of the Association and shall thenceforth perform the offices and duties of the Directors until their successors shall have been elected in accordance with the provisions of these By-Laws.

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(b) All members of the Board of Directors whom the Declarant shall not be entitled to select pursuant to the provisions of the Declaration and these By-Laws shall be elected by a majority of the votes cast at the annual meeting of the membership immediately following the selection of the members of the Board of Directors whom the Declarant shall be entitled to select.

(c) The initial Board of Directors will consist of three (3) members whose names are set forth in the Articles of Incorporation. From and after the date of the first annual meeting of members, there shall be 3 directors. The initial Board of Directors shall serve until their successors at the first annual meeting of members are elected and qualify. Each director shall hold office for a term of 1 year or until his death, resignation, retirement, removal, disqualification or until his successor is elected and qualified.

(d) In the election of Directors, there shall be appurtenant to each Unit a total vote equal to the number of Directors to be elected multiplied by the Unit's appurtenant undivided interest in the Common Areas and Facilities; provided, however, no member may cast a vote greater than his unit's appurtenant undivided interest in the Common Areas and Facilities for any one person nominated as a Director so that voting for Directors shall be noncumulative. Nominees receiving the greatest number of the votes shall be elected Directors. Notwithstanding the fact that the Declarant may be entitled to select a majority of the members or one of the members of the Board of Directors, the Declarant shall still be entitled to cast the vote for each Unit owned by it in the election of other Directors.

(e) Vacancies in the Board of Directors may be filled until the date of the next annual meeting by the remaining Directors, except that should any vacancy in the Board of Directors be created in any directorship previously filled by any person selected by the Declarant, that vacancy shall be filled by the Declarant selecting, by written instrument delivered to any Officer of the Association, the successor Director to fill the vacated directorship.

(f) In the event the Declarant, in accordance with the rights established in these By-Laws, selects any person to serve on the Board of Directors of the Association, the Declarant shall have the absolute right at any time, in its sole discretion, to replace any person with another person to serve on the Board of Directors. Replacement of any person designated by the Declarant to serve on the Board of Directors shall be made by a written instrument delivered to any Officer of the Association,

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which instrument shall specify the name of the person to be replaced and the name of the person designated as successor to the person removed. The removal of any Director and the designation of his successor shall be effective immediately upon delivery of the written instrument by the Declarant to any Officer of the Association.

4.3 ORGANIZATIONAL MEETING: The organizational meeting of each newly elected Board of Directors shall be held within ten (10) days of their election, at such time and place as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organizational meeting shall be necessary, provided a quorum shall be present.

4.4 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. Notice of regular meetings shall be given to each Director, personally or by mail, telephone or telegram, at least three (3) days prior to the day named for such meeting, unless notice is waived.

4.5 SPECIAL MEETINGS: Special meetings of the Directors may be called by the President, or by a majority of the Directors. The President must call a special meeting upon receipt of a written request from a majority of the Directors. Notice of special meetings shall be given to each Director, personally or by mail, telephone or telegram, at least forty-eight (48) hours prior to the meeting. Special meetings may be held at such time and place, and for such purpose or purposes, as shall be given in the notice hereof.

4.6 OPEN MEETINGS: All meeting of the Board shall be open to all Unit Owners. Adequate notice of all meetings shall be posted conspicuously on the Property at least 48 hours in advance of meetings of the Board except in case of emergency.

4.7 PRESIDING OFFICER: The presiding Officer of the Director's meetings shall be the President of the Association. In the absence of the presiding Officer, the Directors present shall designate one of their number to preside.

4.8 WAIVER OF NOTICE: Any Director may, by a signed written waiver of notice, waive notice of a meeting before or after the meeting, and any waiver shall be deemed equivalent to the giving of notice to the Director.

4.9 QUORUM: A quorum at a Directors' meeting shall consist of the Directors entitled to cast a majority of the votes of the entire Board. The acts of the Board approved by a

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majority of the votes cast at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except as otherwise specifically provided in the Articles of Incorporation, these By-Laws, or the Declaration. If any Directors' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the Directors required to constitute a quorum for particular purposes has not attended, the Directors who are present may adjourn the meeting from time to time until a quorum or the required percentage of attendance, if greater than a quorum, is present. At any adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of the director for the purpose of determining a quorum.

4.10 COMPENSATION: The Directors of the Association shall serve without compensation. Nothing contained herein shall be construed to preclude a Director from having arms length dealings with the Association in some other capacity and receiving compensation. The Directors shall be reimbursed for any actual out-of-pocket expenses incurred on account of services to the Association in the ordinary course of business on behalf of the Association.

4.11 ACTIONS WITHOUT MEETING: All actions, except removal of Officers, which may be taken at a meeting of the Board, may be taken without a meeting with the unanimous consent in writing of all of the Directors. Such writing, signed by each Director, shall be filed with the minutes and proceedings of the Board.

4.12 POWERS: All of the powers and duties of the Association shall be exercised by the Board of Directors, including those existing under the common law and statutes, the Articles of Incorporation, these By-Laws and the Declaration, and shall include, but not be limited to, the following:

(a) To make, levy and collect assessments against the Unit Owners and their Units to defray the costs of the Condominium and to use the proceeds of any assessments in the exercise of the powers and duties granted unto the Association;

(b) To maintain, repair, replace, operate and manage the Common Areas and Facilities wherever it is required to be done and accomplished by the Association for the benefit of its members and, to approve any expenditure made or to be made for these purposes;

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(c) To reconstruct any part of the Common Areas and Facilities after casualty in accordance with the Declaration, and to make further improvement to the Common Areas and Facilities, real and personal, and to make and to enter into any and all contracts necessary or desirable to accomplish these purposes;

(d) To make, amend and enforce regulations governing the use of the Common Areas and Facilities and the Units so long as such regulations or amendments thereto do not conflict with the restrictions and limitations which may be placed upon their use under the terms of the Articles of Incorporation or the Declaration;

(e) To acquire, operate, lease, manage and otherwise trade and deal with property, real and personal, including Units, as may be necessary or convenient in the operation and management of the Condominium and in accomplishing the purposes set forth in the Declaration, provided that the acquisition of real property other than Units shall require the approval of the Association;

(f) To acquire and to enter into leases and agreements whereby the Association acquires leaseholds, memberships and other possessory or use interests in lands or facilities as may be of benefit to the Unit Owners;

(g) To contract for the management of the Condominium and to designate to the contractor all of the powers and duties of the Association, except those which may be required by the Declaration to have approval of the Board of Directors of membership of the Association;

(h) To enforce by legal means or proceedings the provisions of the Articles of Incorporation, these By-Laws, the Declaration and any rules and regulations governing use of the Common Areas and Facilities of the Condominium;

(i) To pay all taxes and assessments which are or may become liens against any part of the Condominium, other than the Units and the appurtenances thereto, and to assess the same against the member;

(j) To purchase insurance for the protection of the Unit Owners, Directors and Association against casualty and liability and all other insurance in accordance with the Declaration;

(k) To pay all costs of power, water, sewer and other utility services rendered to the Condominium and not

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billed to the Owners of the separate Units; and,

(1) To designate and remove personnel necessary for the maintenance, repair, replacement and operation of the Condominium, including the Common Areas and Facilities.

4.13 ACTIONS OF INITIAL BOARD: The undertakings and contracts authorized by the initial Board of Directors shall be binding upon the Association in the same manner as though the undertakings and contracts had been authorized by any Board of Directors duly elected by the membership after the Declaration has been recorded, so long as the undertakings and contracts are within the scope of the powers and duties which may be exercised by the Board of Directors of the Association in accordance with the Articles of Incorporation, these By-Laws or the Declaration.

4.14 REMOVAL: Any one or more of the members of the Board of Directors may be removed, either with or without cause, at any time by affirmative vote of the Unit Owners owning a majority of the aggregate undivided interest in the Common Areas and Facilities of the Condominium, at any special meeting called for that purpose, or at the annual meeting; provided however, that only the Declarant shall have the right to remove a director appointed by it.

V

OFFICERS

5.1 OFFICERS OF THE ASSOCIATION: The Officers of the Association shall be a President (who shall be a Director), a Treasurer and a Secretary, all of whom shall be elected annually by a majority of the Directors, and who may be preemptorily removed, with or without cause, by a majority vote of the Directors at any meeting. Any person may hold two or more offices, except that the President shall not also be the Secretary. The Board of Directors shall from time to time, elect such other Officers and designate their powers and duties as the members shall find to be required to manage the affairs of the Association.

5.2 PRESIDENT: The President shall be the chief executive officer of the Association. He shall have all of the powers and duties which are usually vested in the office of the president of any association including the power to appoint committees from among the members as he may determine appropriate to assist in the conduct of the affairs of the Association.

5.3 SECRETARY: The Secretary shall keep the minutes of all proceedings of the membership. He shall attend to the

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giving and serving of all notices to the Unit Owners and such other notices required by law. He shall have custody of the seal of the Association and affix the same to instruments requiring a seal when duly signed. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of the secretary of an association and as may be required by the members or the President.

5.4 TREASURER: The Treasurer shall have custody of all of the property of the Association, including funds, securities and evidences of indebtedness. He shall keep, or supervise the keeping of, detailed, accurate records in chronological order of the receipts and expenditures affecting the Common Areas and Facilities, specifying and identifying the maintenance and repair expenses of the Common Areas and Facilities and any other expense incurred.

5.5 COMPENSATION: The Officers of the Association shall serve without compensation. Nothing contained herein shall be construed to preclude an officer from having arms length dealings with the Association in some other capacity and receiving compensation. The Officers shall be reimbursed for any actual out-of-pocket expenses incurred on account of services to the Association in the ordinary course of the business on behalf of the Association.

VI

INDEMNIFICATION

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS: The Association shall indemnify any Director or Officer, or any former Director or Officer against reasonable expenses including attorney's fees, judgments, decrees, fines, penalties or amounts paid in settlement actually and necessarily incurred by him in connection with the defense of any pending or threatened action, suit or proceeding, criminal or civil, to which he is or may be made a party by reason of being or having been a Director or Officer, provided that:

(a) he was not, and is not adjudicated to have been, guilty of misconduct in the performance of his duty to the Association;

(b) he acted in good faith in what he reasonably believed to be in the best interest of the Association;

(c) in any criminal action, suit or

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proceeding, he had no reasonable cause to believe that his conduct was unlawful, and

(d) in the case of settlement, that the amount paid in the settlement was reasonable.

Such determination shall be made either (i) by the Board of Directors action at a meeting at which a quorum consisting of Directors who are not parties to or threatened with any such action, suit or proceeding is present, or (ii) in the event of settlement, by a written opinion of independent legal counsel selected by the Board.

6.2 EXPENSES: Advance funds to cover expenses, including attorney's fees, of any pending or threatened action, suit, or proceeding, may be advanced by the Association prior to the final disposition thereof upon receipt of an undertaking by or on behalf of the recipient to repay such amounts unless it shall ultimately be determined that he is entitled to indemnification.

6.3 INDEMNIFICATION NOT EXCLUSIVE: The indemnification provided herein shall not be exclusive, but shall be in addition to:

(a) any other rights to which any person may be entitled under the Articles of Incorporation, the Declaration, any agreement, the laws of the state of North Carolina, any insurance provided by the Association, or otherwise;

(b) the power of the Association to indemnify any person who is or was an employee of the Association to the same extent and in the same situations and subject to the same determinations as are set forth herein with respect to a Director or Officer.

6.4 INSURANCE: The Association may purchase and maintain insurance on behalf of any person who is or was a Director, Officer or employee against any liability asserted against him or incurred by him in any such capacity or arising out of his status as such whether or not the Association would have the power to indemnify him as provided herein.

6.5 INDEMNIFICATION BY UNIT OWNERS: The Directors and Officers shall not be liable to the Unit Owners for any mistake of judgment, negligence, or otherwise, except for willful misconduct or bad faith. The Unit Owners shall indemnify and hold harmless each Director and Officer against all contractual liability to third parties arising out of the contracts made on behalf of the Association, except with respect to any such

contract made in bad faith or contrary to the provisions of the Declaration or these By-Laws. It is intended that the Directors and Officers shall have no personal liability with respect to contracts entered into on behalf of the Association. The liability of Unit Owners under the foregoing indemnity shall be proportionate to the respective appurtenant undivided interests of each Unit Owner in the Common Areas and Facilities. Each contract entered into by the Association shall provide that the Officers or Directors executing the same are acting only as agents for the Association and have no personal liability thereunder.

VII

FISCAL MANAGEMENT AND OTHER POWERS OF ASSOCIATION

7.1 ASSESSMENT AND PAYMENT OF COMMON EXPENSES:

Pursuant to paragraph 21 of the Declaration, and subject to the purposes and limitations set forth therein, the Association, by and through the Board of Directors, shall have the power and authority to:

- (a) pay the Common Expenses of the Association;
- (b) make, levy and assess each Unit Owner and his Unit for annual and special assessment, including the Maintenance and Capital Improvement Assessment;
- (c) collect assessments and installments thereof;
- (d) file and enforce a lien against each Unit and its appurtenant undivided interest in the Common Areas and Facilities to collect delinquent assessments or installments thereof.

7.2 ASSESSMENT ROLL: The assessment roll shall be maintained by the Secretary or Treasurer in a set of accounting books in which there shall be an account for each unit designating the name and address of the Unit Owner, the amount of each assessment, the dates and amounts the assessments come due, the amounts paid upon the account and the balance due.

7.3 ASSESSMENTS PRIOR TO FIRST ANNUAL MEETING:

Until the first annual meeting of the Association is held, and a new Board of Directors is elected and establishes or ratifies the assessments to be levied against the Units, assessments shall be made, levied and assessed in such amounts as determined by the initial Board of Directors, subject to the purposes and

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limitations set forth in paragraph 21 of the Declaration.

7.4 ANNUAL BUDGET AND ASSESSMENT: (a) The Association, by and through its Board of Directors, shall adopt and distribute for the fiscal year beginning 1986 and for each subsequent year thereafter, an annual budget pursuant to paragraph 21(e) of the Declaration.

(b) The Board of Directors shall determine and establish a written annual budget on or before the first day of December of each year subsequent to the first annual meeting, and such annual budget shall be delivered to each Unit Owner on or before the 15th of December of each year together with a notice of the Maintenance and Capital Improvement Assessment.

7.5 BUDGET FOR FIRST YEAR: Upon its election at the first annual meeting and within 30 days after taking office, the Directors shall review the existing budget and assessment. Upon such review, the Directors shall have the authority to adjust both the budget and assessment for the remainder of the fiscal year, subject to the purposes and limitations set forth in paragraph 21 of the Declaration.

7.6 SECURITY DEPOSITS FROM CERTAIN UNIT OWNERS: If the equity (fair market value less encumbrances) of any Unit Owner in his unit shall at any time be less than ten percent (10%) of the fair market value of the Unit, and such equity in the judgment of the Board shall be insufficient to assure realization (upon a foreclosure of any lien for unpaid assessments or otherwise) of all past due and future assessments levied by the Association against the Unit, then whether or not the Unit Owner is delinquent in the payment of assessments due the Association, the Board shall have the right to require the Unit Owner to establish and maintain a security deposit in an amount which the Board deems reasonably necessary for such purposes. In the event that any Unit Owner thereafter fails to pay any assessment or other charge which may be due to the Association, or violates any provision of North Carolina law relating to unit ownership or ownership of real property generally, or violates any covenant, condition or restriction of the Declaration or these By-Laws, then the Association shall have the right, but not the obligation, to apply such security deposit in reduction of its alleged damages resulting from such failure or violation, which right shall be in addition to all other remedies provided by law, the Declaration or these By-Laws. Upon any sale by the Unit Owner of his unit, or at such time as the Board shall deem that the Unit Owner's equity in his unit is sufficient, the security deposit remaining to the credit of the Unit Owner shall be refunded, provided that the Unit Owner shall not then be in default under any of his obligations under the

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Declaration or these By-Laws. The Association shall maintain all security deposits held by it in a segregated savings account, and the interest earned thereon shall be credited and paid to the Unit Owner annually. Any security deposits held by the Association shall at all times be subject and subordinate to any lien of the Association for unpaid assessments under the Declaration or these By-Laws, and all rights thereto shall inure to the benefit of the Association.

7.7 FUNDS: Except as provided in 7.6 herein, any funds collected and held by the Association may be commingled or divided as determined by the Board or Directors.

7.8 DEPOSITORY The depository of the Association shall be such bank or banks as shall be designated from time to time by a majority of the Board and in which the funds of the Association shall be deposited. Withdrawal of funds from such accounts shall be only by checks signed by such persons as are authorized by a majority of the Board.

7.9 PROFESSIONAL MANAGEMENT: The Association may retain professional management services to be primarily responsible for fiscal management of the Association and maintaining the Condominium. Any management agreement for the Condominium will be terminable by the Association with or without cause.

7.10 BOOKS AND RECORDS: The Association shall keep and maintain full and accurate books of accounts which shall include the Declaration, these By-Laws, Articles of Incorporation, rules and regulations adopted by the Association, assessment roll and register of Unit Owners and Mortgagees.

7.11 INSPECTION: The books and all supporting documentation shall be available for examination by all Unit Owners and their lenders or their agents during normal business hours.

7.12 ANNUAL AUDIT: An audit of the accounts of the Association shall be made annually by a Certified Public Accountant, and a copy of the report shall be furnished to each member not later than April 15 of the year following the year for which the report is made. The cost of such audit shall be a Common Expense of the Association. Included in the financial report shall be (i) a balance sheet for the previous fiscal year and (ii) a statement of income and disbursements for the previous fiscal year. The financial report shall have appended thereto a certificate signed by the President and the Treasurer of the Association or by a Certified Public Accountant verifying that the financial report presents fairly the financial position of

the Association and the results of its operations in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year except as specified therein. The holder of a first Mortgage on any Unit shall be entitled, upon written request, to a copy of this financial report.

7.13 CAPITAL ADDITIONS, ALTERATIONS AND IMPROVEMENTS: Notwithstanding anything to the contrary in these By-Laws or the Declaration which authorizes expenditures, no single expenditure shall be made by the Board for any addition, alteration or improvement (as distinguished from maintenance, repair or replacement) of the Common Areas and Facilities which shall exceed a total of One Thousand Dollars (\$1,000.00), nor shall annual expenditures aggregating in excess of Two Thousand Five Hundred Dollars (\$2,500.00) for all such additions, alterations or improvements, without having the prior approval of the membership of the Association entitled to exercise a majority of the voting power of the Association. If such approval is obtained, the Board shall proceed with such additions, alterations or improvements and shall, if required, assess all Unit Owners for the cost thereof as a Common Expense. The limitations on expenditures by the Board contained herein shall not apply to repair of the Common Areas and Facilities or Units as a result of casualty loss, or to emergency repairs immediately necessary for the preservation and safety of the Property, or for the safety of persons, or to avoid suspension of any necessary services.

7.14 NO ACTIVE BUSINESS TO BE CONDUCTED FOR PROFIT: Nothing herein contained shall be construed to give the Association authority to conduct an active business for profit on behalf of itself or of all the Unit Owners or any of them.

7.15 SPECIAL SERVICES: The Association may arrange for the special services and facilities for the benefit of the Unit Owners as it may desire to pay for including, without limitation, cleaning, repair and maintenance of Units. Fees for such special services and facilities shall be determined by the Board and may be charged directly to participating Unit Owners, or paid from the maintenance fund and levied as a special assessment against such participating Unit Owners.

7.16 ACQUISITION OR LEASE OF REAL PROPERTY: Whenever the Board determines to acquire or lease real property or any interest therein, the Board shall submit such acquisition or lease to the vote of the Unit Owners. Upon the affirmative vote of the Unit Owners entitled to exercise not less than seventy-five (75%) of the voting power of the Association, the Board may proceed with such acquisition or lease, in the name of

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the Association on behalf of all Unit Owners, and the costs and expenses incident thereto shall constitute part of the Common Expense.

7.17 OTHER POWERS: The Association has been granted certain rights, duties and powers in the Declaration, and all such rights, duties and powers shall be delegated to and be performed by the Board of Directors on behalf of the Association unless the context specifically provides and intends to be otherwise. All rights, powers and duties granted to the Association by the Declaration are specifically incorporated herein be reference.

VIII

RULES AND REGULATIONS

8.1 The Association, by the affirmative vote of a majority of the Board of Directors may opt and amend rules and regulations supplementing the rules and regulations set forth in the Declaration, as it may deem advisable, governing the operation and use of the Common Areas and Facilities or Units. Written notice setting forth any such rules and regulations shall be given to all Unit Owners prior to the effective date. In the event such rules and regulations shall conflict with any provision of the Declaration or these By-Laws, the provisions of the Declaration or these By-Laws shall govern. No rule or regulation of the Association adopted as provided in this paragraph shall in any way interfere with, attempt to interfere with, or be interpreted to interfere with, the normal incidents of privacy and quiet enjoyment associated with the ownership of business and office property.

IX

PARLIAMENTARY RULES

9.1 Roberts Rules of Order (latest edition) shall govern the conduct of the Association proceedings when not in conflict with these By-Laws or with the Statutes of the State of North Carolina.

X

AMENDMENTS TO BY-LAWS

10.1 PROPOSAL: Proposed amendments to these By-Laws shall be prepared by the Board of Directors acting upon the request of a majority of the Board of Directors or a majority of the Unit Owners.

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10.2 NOTICE: Any proposed amendment shall be transmitted to the President of the Association (or other Officer of the Association in the absence of the President) who shall thereupon call a special meeting of the membership of the Association for a date not sooner than twenty (20) days nor later than sixty (60) days from receipt of the proposed amendment, and it shall be the duty of the Secretary to give each Unit Owner written or printed notice of the special meeting, stating the time and place and reciting the proposed amendment in reasonable detail, which notice shall be mailed not less than ten (10) days nor more than thirty (30) days before the date set for the special meeting. If mailed, the notice shall be deemed to be properly given when deposited in the United States mail addressed to the Unit Owner at his post office address as it appears in the register of Unit Owners and Mortgagees, postage prepaid.

10.3 VOTE: At the special meeting, the proposed amendment must be approved by an affirmative vote of a majority of the membership owning units in order to become effective.

Notwithstanding anything herein contained to the contrary, it is declared that:

(a) No alteration in the undivided interest in the Common Areas and Facilities appurtenant to each Unit, or alteration of the basis for sharing Common Expenses and other apportionment of assessments which may be levied by the Association in accordance with the provisions hereof, or alteration of basis of ownership of the Common Profits, shall be made without the unanimous vote of all of the Unit Owners and the written consent of their respective Mortgagees.

(b) No alteration, amendment or modification of the rights and privileges granted and reserved hereunder in favor of institutional Mortgagees shall be made without written consent of all institutional Mortgagees holding Mortgages on the Units, being first obtained.

10.4 RECORDATION AND DELIVERY: Any amendment to these By-Laws shall be transcribed, certified by the Secretary of the Association and a copy thereof shall be recorded in the Office of the Register of Deeds of Forsyth County, North Carolina within ten (10) days from the date on which any amendment has been approved by the Directors and the Membership. No amendment shall become effective until it is duly recorded. Upon the approval and proper recording of any amendment, it shall become binding upon all Unit Owners. Thereafter, a copy of the amendment in the form in which it was duly recorded shall be delivered to all Unit Owners, but delivery of a copy shall not be a condition precedent to the effectiveness of the Amendment.

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10.5 RIGHTS OF DECLARANT: Notwithstanding anything contained herein to the contrary, no amendment to these By-Laws shall abridge, amend or alter the rights of the Declarant provided in the Declaration and in these By-Laws.

XI

COMPLAINCE

These By-Laws are set forth to comply with the requirements of the Unit Ownership Act, Chapter 47A of the General Statutes of the State of North Carolina. In the event that any of these By-Laws conflict with the provisions of the Unit Ownership Act, the provisions of the Unit Ownership Act will control.

XII

MISCELLANEOUS

12.1 NOTICE TO MORTGAGEES: Upon written request to the Board, the holder of any duly recorded Mortgage with respect to any Unit shall be given a copy of any and all notices permitted or required by the Declaration or these By-Laws to be given to the Unit Owner whose unit is subject to such Mortgage. Any notice shall be sent to the address and person as designated by the Mortgagee.

12.2 NOTICES TO BOARD OF DIRECTORS OR ASSOCIATION: Notices required to be given to the Board of Directors or to the Association shall be delivered to any Director or Officer of the Association either personally or by mail, addressed to such Director or Officer.

12.3 NOTICES ON DEVISEES AND PERSONAL REPRESENTATIVES: Notices required to be given any devisee or personal representative of a deceased Unit Owner may be delivered either personally or by mail to such party at his address appearing on the records of the Court wherein the estate of the deceased Unit Owner is being administered.

12.4 NON-WAIVER: No covenant, restriction, condition, obligation or provision contained in the Declaration or these By-Laws 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.

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12.5 AGREEMENTS FOR PROFESSIONAL MANAGEMENT AND OTHER CONTRACTS: Notwithstanding the power conferred upon the Board of Directors contained herein to employ a managing agent or to enter into any other type of binding contract, no such employment agreement or other binding contract, entered into prior to the first annual meeting shall extend more than ninety days thereafter unless such agreement is reviewed and approved by a majority vote of the Unit Owners.

12.6 AGREEMENTS BINDING: All agreements and determinations lawfully made by the Association or the Board of Directors in accordance with authority, properly exercised, established in the Declaration and these By-Laws shall be deemed to be binding on all Units, Unit Owners, their successors, heirs and assigns.

12.7 NOTICE OF MORTGAGE: Any Unit Owner who mortgages his Unit shall notify the Association, in such manner as the Association may direct, of the name and address of the Mortgagee, and thereafter shall notify the Association of the full payment, cancellation or other alteration in the status of such Mortgage. The Association shall maintain such information in the register of the Unit Owners and Mortgagees.

12.8 RIGHTS OF MORTGAGEE: A Mortgagee of a Unit shall be entitled to written notice from the Association of any default by the Unit Owner which is not cured in thirty (30) days. Any Mortgagee may from time to time request a written statement from the Board setting forth any and all unpaid assessments due and owing from a Unit Owner with respect to the Unit subject to the lien of its Mortgage and the Board shall comply within twenty (20) days from receipt thereof. Any Mortgagee holding a Mortgage on a unit may pay any overdue unpaid assessment with respect to such Unit and upon such payment such Mortgagee shall have a lien on such Unit for the amounts so paid in the same priority as the lien of its Mortgage.

12.9 AGREEMENT OF UNIT OWNERS: Each Unit Owner, for himself, his heirs, successors and assigns, agrees to the provisions contained in the Declaration relating to default irregardless of the harshness of the remedy available to the Association and irregardless of the availability of other equally adequate legal remedies. It is the intent of all unit Owners to give to the Association all rights and procedures which will enable it at all times to operate on a business-like basis, to collect those monies due and owing from the Unit Owners, and to preserve each Unit Owner's right to enjoy his or her Unit, free from unreasonable restraint and nuisance.

12.10 SEVERABILITY: The invalidity of any covenant, restriction, condition, limitation, or any other provision of

these By-Laws, or of any part of the same, shall not impair or affect in any manner the validity, enforceability or effect the balance of the By-Laws.

12.11 PERPETUITIES AND RESTRAINTS ON ALIENATION: If any of the options, privileges, covenants or rights created by these By-Laws shall be unlawful or void for violation of (i) the rule against perpetuities or some analogous statutory provision, (ii) the rule restricting restraints on alienation, or (iii) any other statutory or common law rules imposing time limits, then such provision shall continue only until twenty-one (21) years after the death of the survivor of the President of the United States who shall be serving at the time these By-Laws are first recorded in the Office of the Register of Deeds of Forsyth County, North Carolina and his then living lawful descendants.

12.12 WORD USE: Wherever the context requires, the use of words herein in the singular shall be construed to include the plural, and words in the plural, the singular, and words whether in the masculine, feminine or neuter gender shall be construed to include all genders.

12.13 CAPTIONS: The captions used in these By-Laws are inserted solely as a matter of convenience and shall not be relied upon and/or used in construing the effect or meaning of any of the text.

The foregoing were adopted as the By-Laws of Shepherd Street Office Condominiums Association, Inc. at the first meeting of the initial Board of Directors on October 30, 1985.

Edwin Hancock
Secretary

Approved:

[Signature]
President

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