

STATE OF NORTH CAROLINA



BK 8174PG0622

Department of The
Secretary of State

To all whom these presents shall come, Greetings:

I, ELAINE F. MARSHALL, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

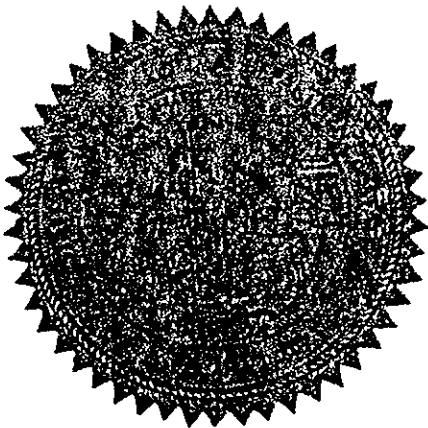
ARTICLES OF INCORPORATION

OF

CHANDLER PLACE CONDOMINIUMS HOMEOWNERS ASSOCIATION, INC.

the original of which was filed in this office on the 28th day of August, 1998.

IN WITNESS WHEREOF, I have hereunto
set my hand and affixed my official seal at the
City of Raleigh, this 28th day of August, 1998.



Elaine F. Marshall

Secretary of State

FILED

8:15am

AUG 28 1995

982389027

State of North Carolina
Department of the Secretary of State

EFFECTIVE _____
ELAINE F. MARSHALL
SECRETARY OF STATE
NORTH CAROLINA

ARTICLES OF INCORPORATION
NONPROFIT CORPORATION

Pursuant to Section 55A-2-02 of the General Statutes of North Carolina, the undersigned corporation does hereby submit these Articles of Incorporation for the purpose of forming a nonprofit corporation.

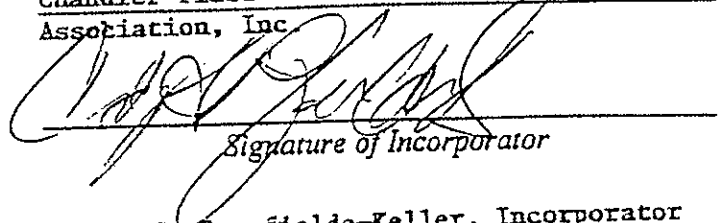
1. The name of the corporation is: Chandler Place Condominiums Homeowners Association, Inc
2. _____ (Check only if applicable.) The corporation is a charitable or religious corporation as defined in N.C.G.S. Section 55A-1-40(4).
3. The street address and county of the initial registered office of the corporation is:
 Number and Street 7200 Stonehenge Drive, Suite 201
 City, State, Zip Code Raleigh, North Carolina 27613 County Wake
4. The mailing address *if different from the street address* of the initial registered office is:
Post Office Box 19808, Raleigh, North Carolina 27619
5. The name of the initial registered agent is:
Michael G. Sandman
6. The name and address of each incorporator is as follows:

Cindy S. Rosefielde-Keller
Michael G. Sandman, Attorney
P.O. Box 19808
Raleigh, NC 27619
7. (Check either a or b below.)
 a. The corporation will have members.
 b. The corporation will not have members.
8. Attached are provisions regarding the distribution of the corporation's assets upon its dissolution.
9. Any other provisions which the corporation elects to include are attached.
10. The street address and county of the principal office of the corporation is:
7200 Stonehenge Drive, Suite 201, Raleigh, NC 27613 County Wake
11. The mailing address *if different from the street address* of the principal office is:

12. These articles will be effective upon filing, unless a later time and/or date is specified: _____

This is the 25 day of August, 1998.

Chandler Place Condominiums Homeowners
Association, Inc



Signature of Incorporator

Cindy S. Rosefielde-Keller, Incorporator

Type or print Incorporator's name and title, if any

NOTES:

1. Filing fee is \$50. This document and one exact or conformed copy of these articles must be filed with the Secretary of State. (Revised July 1994)

DISSOLUTION

The Association may be dissolved only upon the signed written assent of the members entitled to not less than 2/3 of the votes appurtenant to each lot. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust, or other organization to be devoted to such similar purposes.

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EXHIBIT C-2

BYLAWS

{ATTACHED}

**BY-LAWS OF
CHANDLER PLACE CONDOMINIUMS**

**ARTICLE I
Name, Location, and Applicability**

The By-Laws of Chandler Place Condominium located at 100 Northbrook Drive, Raleigh, Wake County, North Carolina, are applicable to all present and future owners, mortgagees, lessees, occupants, employees, guests, or any other persons who may use the Condominium facilities in any manner. Unless otherwise defined herein, the capitalized terms used herein shall have the meaning ascribed to them in that certain Declaration of Condominium made by Oak Leaf Development Company I, LLC, dated October 27, 1998.

**ARTICLE II
General**

Section 2.1. Purpose. These By-Laws provide for the organization of the Condominium and provide the means through which Unit Owners may express their opinions, wishes, and take action with regard to electing a Condominium Board to administer, manage, and operate the Condominium. The Property has been submitted to the provisions of the Condominium Act by the recording of the Declaration in the Office of the Register of Deeds of Wake County, of which Declaration these By-Laws form a part.

Section 2.2. Applicability. These By-Laws are applicable to the Property and to the use and occupancy thereof. All present and future Unit Owners, Occupants, mortgagees of Units, and guests and invitees of Unit Owners and Occupants, as well as all other Persons who may use the Property, are and shall be subject to the Declaration, these By-Laws, and the Rules and Regulations, as each of the same may be amended from time to time. The acceptance of a deed or other instrument of conveyance, or the succeeding to title to, or the execution of a lease or sublease for, or the act of occupancy of, a Unit shall constitute an agreement that the provisions of the Declaration, these By-Laws, and the Rules and Regulations, as each of the same may be amended from time to time, are accepted and ratified, and will be complied with.

**ARTICLE III
Condominium Board**

Section 3.1. General. The affairs of the Condominium shall be governed by the Condominium Board. In exercising its powers and performing its duties under the Declaration and these By-Laws, the Condominium Board shall act as, and shall be, the agent of the Unit Owners, subject to, and in accordance with, the terms of the Declaration and these By-Laws. The

Condominium Board shall also have the status conferred upon it under, or pursuant to, the terms of the Condominium Act.

Section 3.2. Number. The first Condominium Board to be designated by Declarant prior to the first annual meeting of the Unit Owners shall consist of three (3) persons to serve at the first annual meeting of the Unit Owners. From and after said first annual meeting, the Condominium Board shall consist of seven (7) individuals to be elected by the Unit Owners. Except for members designated or elected by Declarant pursuant to the terms hereof, all members of the Condominium Board shall be either: (i) individual Unit Owners; (ii) individual permitted mortgagees; (iii) officers, directors, shareholders, partners, fiduciaries of any entities that are Unit Owners or permitted mortgagees; or (iv) adult Family Members who are Occupants of a Unit.

Section 3.3. Terms of Office. The term of office of the three (3) members of the Condominium Board designated by Declarant prior to the first annual meeting of the Unit Owners shall expire when the seven (7) individuals to be elected at such meeting are so elected and qualified. The term of office of each of the seven (7) individuals elected and qualified at the first annual meeting of the Unit Owners shall be fixed at a term of office of one year. At each annual meeting of the Unit Owners subsequent to the first such meeting, seven (7) members of the Condominium Board shall be elected to serve a term of office fixed at one year.

Section 3.4. Nomination and Election.

A. Prior to any meeting of the Unit Owners which has as one of its purposes the election of members of the Condominium Board, the President shall appoint a nominating committee of not less than three (3) members. The nominating committee shall meet and select the persons to be nominated for election to the Condominium Board at the forthcoming meeting. The Committee shall report its nominees to the Condominium Board who shall promptly notify the Unit Owners at least twenty (20) days prior to the date of the meeting.

B. Any Unit Owner in good standing may nominate one or more candidates to the Condominium Board by a petition in writing signed by said owner presented to the Chairman of the nominating committee or to the Secretary of the Association, and thereupon the names of such candidates shall be added to the official ballot with a note distinguishing same from the nominations presented by the nominating committee.

C. Before balloting for a member of the Condominium Board, the President of the Association shall appoint two inspectors of election who shall collect, receive, canvass, and report the votes cast at such election. The inspectors shall not be candidates.

D. A typed or printed ballot shall be prepared by the Condominium Board and delivered to each Unit Owner. The ballot shall list the nominees designated by the nominating committee in alphabetical order. The names of additional nominees (if any) shall be listed separately on the same ballot, likewise in alphabetical order.

E. On any matter of voting not covered herein, the retiring Condominium Board may prescribe additional rules and regulations. Likewise, the retiring Condominium Board shall determine any dispute.

F. No Unit Owner who has failed to pay its Common Charges shall be eligible for election as a member of the Condominium Board.

G. Members of the Condominium Board shall be deemed installed at the meeting of the Condominium Board held, in accordance with these By-Laws, subsequent to their election.

H. Members of the Condominium Board elected or appointed to fill any vacancies due to death, resignation, disqualification, or removal shall serve for the remaining unexpired term of the member replaced.

I. If the number of members of the Condominium Board shall have been increased, they shall be elected in the manner prescribed at the meeting where such increase has been adopted.

Section 3.5. Removal and Restrictions.

A. During the Declarant Control Period, Declarant may remove (i) a member or members of the Condominium Board and (ii) any officer appointed by the Condominium Board. Declarant shall be entitled to appoint new members in their place and stead.

B. A member of the Condominium Board duly elected by the Unit Owners may be removed upon five (5) days' written notice by a sixty-seven percent (67%) vote of the Unit Owners at any meeting of the Unit Owners at which a quorum is present.

C. A member of the Condominium Board may resign at any time by giving written notice to the Condominium Board, the President, or the Secretary. Unless otherwise specified in the letter of resignation, the resignation shall take effect immediately upon receipt thereof by the Condominium Board or by the officers designated to receive the same and acceptance of the resignation shall not be necessary to make it effective. A resignation will not relieve the member resigning from its liability by reason of malfeasance or negligence while in office.

Section 3.6. Quorum. A majority of the Condominium Board shall constitute a quorum for the transaction of business or for any specific item of business. If at any meeting there is less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At an adjourned meeting any business which would have been transacted at the meeting originally called may be transacted without further notice.

Section 3.7. Action of the Board. A quorum being present, a vote of the majority of those present shall constitute the action of the Condominium Board except as to those matters where the Condominium Act and/or the Condominium Documents require a different vote.

Section 3.8. Vacancies on the Condominium Board. Vacancies on the Condominium Board may be filled, until the date of the next annual meeting of the Unit Owners, by a majority of the remaining members of the Condominium Board at a meeting called for that purpose though less than a quorum be present at said meeting.

Section 3.9. Time and Place of Board Meetings. A meeting of the Condominium Board shall be held immediately following the annual meeting of the Unit Owners. Thereafter, the Condominium Board shall meet at least once every three (3) months at the office of the Association or at such other place or places as it may determine. A special meeting of the Condominium Board may be called by the President or Vice President on two (2) day's notice given either in writing, in person, by telephone, by wire, or by telefax to each member. Such special meeting must be called on the demand or request of two members of the Condominium Board.

Section 3.10. Notice of Meetings and Waivers. Regular meetings once established may thereafter be held without notice at the time and at the place agreed upon by the Condominium Board. If the time or the place of the regular meeting be changed by circumstances beyond the control of the Condominium Board, notice of the change shall be given in the same manner as for a special meeting. Notice of a meeting need not be given to any member who submits a waiver of notice, whether such waiver be before or after the meeting.

Section 3.11. Presiding Officer. The President or, in his absence, the Vice President, or if both be absent, then a Chairman selected and chosen by the Condominium Board, shall preside at all meetings of the Condominium Board and of the Unit Owners.

Section 3.12. Powers and Duties of the Board. The Condominium Board shall have the powers and duties necessary for the administration of the affairs of the Association, including those existing under the Declaration, the Articles, these By-Laws and the Condominium Act, as the same may be amended from time to time. The Condominium Board may engage the services of a Manager or Managing Agent or both to assist it in promoting the interests of the Association. Such powers and duties of the Condominium Board shall include, but not be limited to, the following:

A. Preparation, adoption and amendment of an annual budget for revenues, expenditures, and reserves.

B. Maintenance of accurate records and books of account showing receipts and expenditures in connection with the operation of the Property which shall be available for examination by Unit Owners at reasonable times.

C. Establishment and collection of the Common Charges from Unit Owners. In the event that payment is not made within fifteen (15) days after the due date, the Condominium Board may make a reasonable additional administrative charge for late payment.

D. Operation, care, upkeep, and maintenance of the Common Elements.

E. Employment and dismissal of the personnel necessary for the maintenance and operation of the Common Elements, including the services of a Manager or Managing Agent or both, and establishment of compensation for said employees.

F. Opening of bank accounts on behalf of the Association and designating the signatories required therefor.

G. Making and terminating all leases, licenses, and concession agreements, and establishing charges, fees, and rents.

H. Organization of corporations to act as designees of the Condominium Board in acquiring title to or lease of Units or other interests in property on behalf of all Unit Owners.

I. Purchase of insurance for the Property as hereinafter set forth and to adjust and settle claims arising thereunder.

J. Taking possession of any abandoned Unit to prevent damage to the other Units or to the Common Elements.

K. Subsections B, D, E, F, and J of this Section may be delegated to a Manager or Managing Agent or both.

L. Borrow money on behalf of the Association when required in connection with the operation, maintenance, repair, restoration, improvement, alteration and replacement of the Common Elements; provided, however, that: (a) the affirmative consent of at least seventy five percent (75%) of the members of the Condominium Board shall be required for the borrowing of any sum in excess of \$5,000 in any one fiscal year (regardless of the balance of any loans outstanding from previous fiscal years); (b) no lien to secure repayment of any sum borrowed may be created on any Unit without the consent of the owner of such Unit; and (c) the documentation executed in connection with any such borrowing shall provide that, if any sum borrowed by the Condominium Board pursuant to this subparagraph 12.12 shall not be repaid by the Condominium Board, any Unit Owner who pays to the creditor thereunder such proportion of the then outstanding indebtedness represented or secured thereby as such Unit Owner's Common Interest, as applicable, bears to the aggregate Common Interest of all Unit Owners, as applicable, shall be entitled to obtain from the creditor a release of any judgment or other lien that the said creditor shall have filed, or shall have the right to file, against such Unit Owner's Unit.

M. To use the Common Charges collected from Unit Owners, as well as all other funds held by the Condominium Board or received in connection with the operation of the Property, for the administration of the Association, including, without limitation: (a) the payment of Common Expenses and (b) the making of restorations, additions, alterations, and improvements to the Common Elements.

N. To make, or to contract with others for the making of, repairs, maintenance, additions, and improvements to, and alterations, restoration, and replacements of, the Property after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings, all in accordance with the terms of these By-Laws.

O. To adopt and amend the Rules and Regulations and to levy and authorize collection of fines against Unit Owners for violations of said Rules and Regulations, these By-Laws and the Declaration.

P. To enforce by legal means the terms, covenants, and conditions contained in the Condominium Documents and to bring, or defend against, any legal proceedings that may be instituted on behalf of, or against, the Unit Owners.

Q. To carry out any other duties imposed upon the Condominium Board pursuant to the Declaration and these By-Laws.

R. Doing any and all things which prudent operation of the Association would require, including the exercise of all other powers contained in Section 47C-3-102 of the Condominium Act.

Section 3.13. Liability of the Condominium Board. The members of the Condominium Board shall not be liable to the Unit Owners for any mistake of judgment, negligence, or otherwise with respect to a contract made by them on behalf of the Association, except for their own individual willful misconduct or bad faith. The Unit Owners shall indemnify and hold harmless each of the members of the Condominium Board on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration or these By-Laws. It is intended that the members of the Condominium Board shall have no personal liability with respect to any contract made by them in good faith on behalf of the Association. It is understood and permissible for the Condominium Board to contract with the Declarant, its principals, employees, affiliates, or successors, and/or members of the Condominium Board, and they shall not be charged with self-dealing by virtue thereof. It is also intended that the liability, if any, of a Unit Owner arising out of any contract made in good faith by the Condominium Board or out of the aforesaid indemnity in favor of the members of the Condominium Board shall be limited to such proportion of the total liability thereunder as his interest in the Common Elements bears to the interests of all Unit Owners in the Common Elements.

ARTICLE IV Meetings of Unit Owners

Section 4.1. Place. The Unit Owners shall hold meetings at the principal office of the Association, as the same may be determined by the Condominium Board, or at such place within the City of Raleigh, County of Wake, State of North Carolina, as the Condominium Board shall authorize.

Section 4.2. First Meeting. The first meeting of the Unit Owners shall be held within sixty ~~((60) days~~ after notice from Declarant that it intends to relinquish control of the Condominium Board, but in no event later than two (2) years from the date of the Declaration. At such time, the ~~Condominium~~ Board shall resign and the Unit Owners, including Declarant, shall elect a new ~~Condominium~~ Board.

Section 4.3. Annual Meetings. Subject to Section 2 above, the annual meetings of the Unit Owners shall be held at a date and time selected by the Condominium Board. At such annual meetings a Condominium Board of not less than three (3) members shall be elected by the Unit Owners and such other business as may properly come before the meeting may be transacted.

Section 4.4. Special Meetings. Special meetings of the Unit Owners may be called by the President, Vice President or Secretary of the Association, or by a majority of the Condominium Board, and must be called by such officers upon receipt of a written request from Unit Owners having twenty percent (20%) of the votes in the Association. Such written request shall state the purpose(s) of the proposed meeting. Business transacted at a special meeting shall be confined to the purpose(s) stated in the notice.

Section 4.5. Fixing Record Date. For the purpose of determining the Unit Owners entitled to notice of any meeting of the Association, or any adjournment thereof, or for the purpose of any other action, the Condominium Board shall fix in advance a date as the record date for such determination. Such date shall not be more than thirty (30) nor less than three (3) days before the date of the meeting.

Section 4.6. Notice. Written notice stating the date, time and place the meeting shall be given not less than ten (10) nor more than fifty (50) days prior to the date of the meeting. In the case of a special meeting, the notice of meeting shall state the purpose(s) for which the meeting is called and that it is being issued by or at the direction of the person(s) calling the meeting. Notice of all meetings at which disposition is to be made of assets or granting of rights or easements in the Property must also be given to the holders of the first mortgages on the Units.

Section 4.7. Waiver of Notice. Notice of meetings need not be given to any Unit Owner who signs a waiver of notice either in person or by proxy whether before or after the meeting. The attendance of any Unit Owner at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of proper notice of such meeting, shall constitute a waiver of notice of the meeting by said Unit Owner.

Section 4.8. Quorum of Unit Owners. A quorum at a meeting of the Unit Owners shall be deemed present if Unit Owners entitled to cast twenty percent (20%) of the votes which may be cast for election of the Condominium Board are present, either in person or by proxy, at the beginning of the meeting. The subsequent joinder of a Unit Owner in the action taken at a meeting by signing and concurring in the minutes thereof shall constitute the presence of such persons for the purpose of determining a quorum. When a quorum is once present to organize the meeting, it cannot

be broken by the subsequent withdrawal of a Unit Owner. The Unit Owners present may adjourn the meeting despite the absence of a quorum.

Section 4.9. Voting. Each Unit Owner is entitled to one vote for each Unit owned, provided he is not in arrears in the payment of the Common Charges applicable to the Unit for which the vote is being exercised. A Unit which has been acquired by the Condominium Board in its own name or in the name of its agent, designee, or nominee on behalf of all of the Unit Owners shall not be entitled to vote so long as it continues to be so held.

Section 4.10. Proxies. A vote may be cast in person or by proxy. To be valid, proxies must be fully signed and acknowledged by the Unit Owner and must, together with the Unit Owner's certificate showing he is entitled to vote, be filed with the Secretary at least twenty-four hours before the appointed time of the meeting. A proxy may be revoked by the Unit Owner by appearance in person at the meeting and there and then filing with the Secretary at that time notice of the revocation.

Section 4.11. Order of Business; Annual Meeting. The usual order of business at the annual meeting of the Unit Owners shall be:

- A. Calling the roll and certifying of proxies.
- B. Proof of notice of the meeting or certification as to waivers.
- C. Reading and disposal of unapproved minutes.
- D. Reports of the officers of the Association.
- E. Reports of the Condominium Board.
- F. Reports of Committees.
- G. Appointment of inspectors of election.
- H. Election of the Condominium Board.
- I. Unfinished business.
- J. New business.
- K. Adjournment.

Section 4.12. Order of Business; Other Meetings. The order of business at all other meetings of the Unit Owners shall as far as practical conform to the order of business at the annual meeting insofar as the special purpose of the meeting will permit.

ARTICLE V Officers

Section 5.1. Election of Officers. At the first meeting of the Condominium Board following the annual meeting of the Unit Owners, the Condominium Board shall, by a majority vote, elect a President, Secretary, Treasurer, and such Vice Presidents and assistants to the Secretary and Treasurer as they deem necessary. The President shall be selected from the members of the

Condominium Board. All officers shall serve for a term of one year or until successors shall have been appointed.

Section 5.2. President. The President shall be the Chief Executive Officer of the Association and Chairman of the Condominium Board. He shall have all of the powers and duties usually vested in a President of a condominium, including the power to appoint committees as he may, with the consent of the Condominium Board, deem appropriate, and all the powers and duties incident to the president of a business corporation organized under the laws of the State of North Carolina. He shall exercise such other powers and duties as shall be prescribed by the Condominium Board. He shall see that all orders and resolutions of the Condominium Board shall be carried into effect. He may delegate some of his duties to Vice Presidents elected.

Section 5.3. Vice President. The Vice President shall perform all duties delegated to him by the President. He shall serve as chairman of such committees as the Condominium Board shall deem appropriate. If there is more than one Vice President, they shall exercise the powers and perform the duties of the President in his absence or disability in the order of their appointment. The Vice President may hold office as Secretary or Treasurer.

Section 5.4. Secretary. The Secretary shall keep a record of all actions of the Condominium Board and all meetings of the Unit Owners. (S)he shall attend to the giving of all notices. (S)he shall prepare and have available at each meeting of the Unit Owners a list in alphabetical order of the names of the Unit Owners entitled to vote as set forth in Article IV, Section 9, and their percentage of Common Interest. He shall perform all other duties incident to the office of Secretary of the Association as may be required by the President of the Condominium Board.

Section 5.5. Treasurer. The Treasurer shall keep the financial records of the Association and shall keep books of account and shall have custody of funds, securities, and evidences of indebtedness. He shall perform all other duties incident to a Treasurer of a condominium as prescribed by the Condominium Board. He shall deposit all moneys and other valuables in the name of and to the credit of the Association in such depositories as may be designated by the Condominium Board. He shall disburse the funds of the Condominium as may be ordered and authorized by the Condominium Board and shall preserve proper vouchers for such disbursements. He shall render an annual report at the annual meeting of the Unit Owners. The Treasurer and the President shall, as prescribed by the Condominium Board, report on the operation of the Condominium and the payment of the Common Expenses and the determination and collection of the Common Charges.

Section 5.6. Assistant Secretary and/or Assistant Treasurer. The Assistant Secretary and the Assistant Treasurer shall perform the duties respectively of the Secretary or Treasurer in the absence or incapacity of either or both of such officers.

Section 5.7. Compensation. No fees shall be paid to any officers of the Association during the period when it is controlled by Declarant. Thereafter their compensation, if any, shall be fixed

by the Condominium Board. This provision shall not preclude the Condominium Board from employing or contracting with a Manager or Managing Agent.

Section 5.8. Removal. All officers and employees of the Association may be removed with or without cause by a majority vote of the Condominium Board.

Section 5.9. Vacancies. Any vacancy in an office shall be filled by a majority vote of the Condominium Board at any regular meeting of the Condominium Board or at a special meeting thereof called for such purpose.

Section 5.10. Qualification. The President, Vice President, and the Treasurer shall be elected from among the members of the Condominium Board.

ARTICLE VI Operation of the Property

Section 6.1. Fiscal Management.

A. A record of receipts and expenditures shall be maintained in a set of accounting books in which there shall be an account for each Unit. Such account shall designate the name and address of the Unit Owner, the amount of Common Charges against the Unit Owner, the dates they become due, the amounts paid upon the account, and the balance due thereon. In making up the Common Charges due, the Unit is treated as such and no division shall be made because the Unit is held by more than one person.

B. The Condominium Board shall adopt a budget for each year which shall contain estimates of the cost of performing the various functions of the Association and shall include among its items:

- (i) Common Expenses budget:
 - (a) Maintenance and operation of Common Elements.
 - (b) Utility services.
 - (c) Casualty insurance.
 - (d) Liability insurance.
 - (e) Administration.
 - (f) Reserves, including, without limitation, funds for future repairs and replacements to property and equipment, and for the repurchase of Units and/or mortgages as authorized by the Declaration (the "Reserve Fund").
 - (g) Any other item which the Condominium Board finds necessary to include therein.
- (ii) Proposed Common Charges.

C. Copies of the proposed budget shall be transmitted to each Unit Owner promptly after adoption. If the budget is substantially amended, a copy thereof shall be furnished to each Unit Owner.

D. The Declarant shall establish the initial Reserve Fund in an amount that is at least equal two (2) months of estimated Common Charges for each Unit. Each Unit's share of the initial Reserve Fund shall be collected either at the time the sale of the Unit is closed or when control of the Condominium is transferred to the Association, whichever is earlier. Amounts paid into the Reserve Fund shall not constitute advance payments of Common Charges. The Declarant shall transfer the Reserve Fund to the Association when Declarant transfers control of the Condominium to the Association. Declarant may not use the Reserve Fund to defray any of its expenses or construction costs, or to make up any budget deficits while it is in control of the Condominium. Notwithstanding the foregoing, when an Unsold Unit is sold, Declarant may reimburse itself from funds collected at closing for sums it paid for such Unit's share of the Reserve Fund.

E. The depository of the Association shall be such bank(s) as shall be designated from time to time by the Condominium Board. The moneys of the Association shall be deposited therein.

F. Upon written request, the Association shall make available to Permitted Mortgagees an audited financial statement for the preceding fiscal year. In addition, the Association shall make available to Unit Owners an audited financial statement within one hundred twenty (120) days after the Association's fiscal year-end.

Section 6.2. Availability of Condominium Documents. The Association will have current copies of the Declaration, Articles, By-Laws, and Rules and Regulations as well as the Association's own books, records and financial statements available for inspection during normal business hours by Unit Owners and by Permitted Mortgagees.

Section 6.3. Maintenance, Repairs, Replacements, Improvements.

A. By the Condominium Board. It shall be the sole responsibility of the Condominium Board to maintain, repair, or replace Common Elements and, except as otherwise provided herein, Limited Common Elements, located either inside or outside of the Units. The cost thereof shall be a Common Expense unless the work shall have been necessitated by the negligence, misuse, or neglect of a Unit Owner responsible therefor. Any such work shall be substantially in accordance with the Floor Plans under which the Buildings were constructed. If the cost of such work may exceed \$10,000.00, it shall be done under the supervision of a qualified architect or engineer.

B. By the Unit Owner.

(i) All other maintenance, repairs, and replacements to Units shall be made by the respective Unit Owners, at their own expense and in accordance with the provisions of the

Condominium Documents, including, without limitation, painting, wall papering, decorating, or work of any kind on the interior surfaces of the walls, ceilings, or floors of the Units.

(ii) The fixtures and equipment installed in each Unit, including but not limited to the following: air conditioning units; plumbing fixtures, including wash basins, sinks, showers, bathtubs, and toilets; electric fixtures, appliances, and outlets; bathroom and kitchen cabinets and equipment; and fireplaces in those Units where installed, are the property of each Unit Owner to be maintained, repaired, or replaced by the Unit Owner at its own expense.

(iii) It shall be the responsibility of the Unit Owner, at its own cost and expense, to maintain, repair, or replace Limited Common Elements of which it has exclusive use, including, but not limited to, any patio or deck, doors leading to and from its Unit, window panes, and screens. Nevertheless, the Unit Owner shall not make any changes in structure, design, or color of any Limited Common Element without the written consent of the Association.

C. Access. The Condominium Board or its designee shall have the right of access to any Unit during reasonable hours of the day, and in the event of emergencies at any time, for the purpose of making inspections, repairs, replacements, or improvements to the Common Elements within a Unit, and to remedy conditions of the Unit itself which could result in damage to other portions of the Building of which the Unit is a part, whether Units or Common Elements, or to abate any violation of law, orders, rules, or regulations of governmental authorities having jurisdiction.

D. Improvements to the Common Elements.

(i) When, in the opinion of the Condominium Board, additions, alterations, or improvements to the Common Elements in excess of \$10,000.00 are advisable, the consent of seventy five percent (75%) of the Unit Owners shall be required.

(ii) When, in the sole opinion of the Condominium Board, the aforesaid addition, alteration, or improvement is general in character, the cost therefor shall be a Common Expense.

E. Restrictive Provisions. No Unit Owner shall make any structural modifications or changes or do any work which would jeopardize the soundness or safety of the Property, reduce the value thereof, or impair any easement or hereditament, nor may any Unit Owner add any material structure or excavate any additional basement, crawl space, or cellar, nor do any work on the exterior of the Building of which the Unit Owner's Unit is a part, erect a fence, move or replace shrubs, or change the landscaping in any way, without in every such case the consent of the Condominium Board being first obtained. When, in the sole opinion of the Condominium Board, a Unit Owner is in violation of this provision, said Unit Owner shall immediately cause any such work, whether within its Unit or within the Common Elements, to be stopped, and the Unit Owner shall refrain from recommencing or continuing the same.

Section 6.4. Insurance.

A. The Condominium Board shall obtain and maintain, to the extent available, casualty insurance in an amount equal to the replacement value of the Buildings, including all of the Units, the Common Elements and the Limited Common Elements, covering the interest of the Association, the Condominium Board, and all Unit Owners and their mortgagees, as their interests may appear. Such coverage shall afford protection against: (i) loss or damage by fire or other hazards covered by the standard extended coverage endorsement; and (ii) such other risks as from time to time customarily shall be covered with respect to buildings in similar construction, location, and use, including, without limitation, vandalism and malicious mischief. The Condominium Board may also obtain and maintain such other insurance as it deems necessary.

B. The proceeds of all policies of physical damage insurance shall be payable to the Condominium Board to be applied for the purpose of repairing, restoring, or rebuilding the Buildings unless otherwise determined by the Unit Owners, as hereinafter set forth, and the Condominium Board shall arrange for such repair or work. If the insurance proceeds are insufficient to cover the cost of such work, the balance of the cost will be assessed among all Unit Owners in proportion to their respective interests in the Common Elements.

C. All policies of physical damage insurance shall contain waivers of subrogation and of any reduction of prorata liability of the insurer as a result of any insurance carried by Unit Owners or of any invalidity arising from any acts of the insured or any Unit Owners and shall provide that such policies may not be canceled or substantially modified without at least thirty (30) days' prior written notice to the named insured, including all first mortgagees of Units.

D. The Condominium Board shall also obtain and maintain to the extent obtainable: (1) fidelity insurance covering all members of the Condominium Board, officers, or employees of the Association who handle funds of the Association; (2) workmen's compensation insurance; and (3) in order to limit the liability of Unit Owners for personal injury and tort, public liability insurance covering each member of the Condominium Board and Unit Owners (as a group) in such limits as the Condominium Board may deem proper.

E. The public liability insurance policy to be maintained until otherwise determined by the Condominium Board will be in a single limit of \$1,000,000.00 covering all claims for bodily injury or property damage arising out of any one occurrence in the Common Elements. The public liability insurance shall also cover cross liability claims of one insured against another, but said policy will not cover the liability of a Unit Owner arising from an occurrence within its own Unit. Unit Owners who want such additional protection may obtain same, at their own cost and expense.

F. The Condominium Board shall review insurance limits on all types of insurance carried at least once in each year and shall obtain insurance coverage in such amounts as may be deemed necessary. The cost of all insurance shall be paid by the Association and shall constitute a Common Expense.

G. Unit Owners shall not be prohibited from carrying other insurance for their own benefit, provided such policies contain waivers of subrogation and further provided that the liability of the carriers issuing insurance procured by the Condominium Board shall not be affected or diminished by reason of any Unit Owner's other insurance.

Section 6.5. Repair or Reconstruction after Fire or Other Casualty.

A. In the event of damage to or destruction of a Building as a result of fire or other casualty, the Condominium Board shall arrange for the prompt repair, replacement, and restoration of the Building and damaged Units (including fixtures and equipment the same or equal to those installed by the Declarant, but not including any wall, ceiling, floor, or other decorations or coverings, or any furniture, furnishings, fixtures, or equipment installed by Unit Owners in the Units), and the Condominium Board or the insurance trustee, as the case may be, shall disburse the proceeds of all insurance policies to the contractors engaged in such repair and restoration in appropriate progress payments. The cost of repair, replacement, and restoration in excess of the insurance proceeds, if any, shall constitute a Common Expense and the Condominium Board may assess all the Unit Owners for such deficit as part of the Common Charges; provided, however, such repair or replacement shall not be undertaken if seventy five percent (75%) or more of a Building is destroyed or substantially damaged and eighty percent (80%) or more of the Unit Owners, with the written approval of the holders of the mortgages constituting first liens thereon, do not duly and promptly resolve to proceed with repair or restoration.

B. If seventy five percent (75%) or more of a Building is destroyed or substantially damaged and eighty percent (80%) or more of the Unit Owners, with the written approval of the holders of the mortgages constituting first liens thereon, do not promptly resolve to proceed with the repair or restoration thereof, the Property shall be subject to an action for partition at the suit of any Unit Owner or lienor, as if owned in common, in which event the net proceeds of sale, together with the net proceeds of insurance policies (or if there shall have been a repair or restoration pursuant to the first paragraph of this Section 4, and the amount of insurance proceeds shall have exceeded the cost of such repair or restoration, then the excess of such insurance proceeds) shall be divided by the Condominium Board or the insurance trustee, as the case may be, among all the Unit Owners in proportion to their respective Common Interests, after first paying out of the share of each Unit Owner the amount of any unpaid liens on its Unit, in the order of the priority of such liens.

Section 6.6. Transfer of Units.

A. No Unit Owner shall be permitted to convey or lease its Unit unless it shall have paid in full to the Condominium Board all unpaid Common Charges and Special Assessments (hereinafter defined) theretofore assessed against such Unit and shall have satisfied all unpaid liens, other than that of permitted mortgages, levied against such Unit. However, where the payment of such unpaid Common Charges and/or Special Assessments is made by the grantee or provided for out of the proceeds of the sale, a sale may take place notwithstanding the foregoing. Except as otherwise provided herein, a lien for Common Charges and Special Assessments will not be affected by the

sale or transfer of a Unit. Any lease of a Unit must be in writing and subject to the requirements of the Condominium Documents and the Association.

B. Except as provided for in subsection 5.1 above, any Unit Owner shall be free to convey or transfer its Unit without restriction.

Section 6.7. Mortgages.

A. A Unit Owner who mortgages its Unit shall notify the Condominium Board of the name and address of the holder, insurer and/or guarantor of such mortgage, and shall file a conformed copy of the note(s) and mortgage(s) with the Condominium Board.

B. Upon the written request of a holder, insurer or guarantor of a mortgage on a Unit, the Condominium Board shall promptly provide written notice of: (a) any unpaid Common Charges due from, or any other default by, the Unit Owner of the mortgaged Unit; (b) any condemnation or casualty loss that affects a material portion of the Building or the mortgaged Unit; (c) a lapse, cancellation, or material modification of any insurance policy maintained by the Association; and (d) any proposed action that requires the consent of the holders of mortgages constituting first liens on Units.

Section 6.8. Foreclosure of mortgage or other liens. Upon the happening of a default under the terms of the mortgage or other liens which would permit the holder to declare the entire principal sum due, notice of the intention of the holder to do so shall be given to the Condominium Board, but the failure to give such notice shall not prevent the holder from instituting a foreclosure action. The foreclosure of a first mortgage will extinguish the lien for any unpaid Common Charges that were payable before the foreclosure sale.

Section 6.9. Other Defaults.

A. Failure of the Condominium Board or failure of present and future Unit Owners and Occupants of Units to comply with the terms of the Declaration, these By-Laws, and Rules and Regulations as they may be amended from time to time, and the resolutions and decisions duly adopted pursuant thereto shall be grounds for an action to recover sums due, for damages or injunctive relief or both, by the Condominium Board on behalf of one or more of the Unit Owners, or by a Unit Owner in its own behalf. In any case of flagrant or repeated violation by a Unit Owner, such Unit Owner may be required by the Condominium Board to give sufficient surety or sureties for its future compliance therewith.

B. Each Unit Owner shall be liable for the expense of any maintenance, repair, or replacement rendered necessary by its act, neglect, or carelessness, to the extent that such expense is not met by the proceeds of insurance carried by the Condominium Board. Such 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 proceeding arising because of an alleged default by a Unit Owner or by the Condominium Board, the prevailing party shall be entitled to recover the costs of the proceedings, including, but not limited to, reasonable attorneys' fees.

D. The failure of the Condominium Board or of a Unit Owner to enforce any right, provision, covenant, or condition of the Condominium Documents shall not constitute a waiver of the right of the Condominium Board or Unit Owner to enforce the same in the future.

E. All rights, remedies, and privileges granted to the Condominium Board, its designated agent, or a Unit Owner pursuant to any terms, provisions, covenants, or conditions of the Declaration and these 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 granted to such party by the Declaration, these By-Laws, or at law or in equity.

Section 6.10. Condemnation. In the event of a taking in condemnation or by eminent domain of part or all of the Common Elements, the award made for such taking shall be payable to the Association. If seventy five percent (75%) or more of the Unit Owners, with the written approval of the holders of the mortgages constituting first liens thereon, duly and promptly approve the repair and restoration of such Common Elements, the Condominium Board shall arrange for the repair and restoration of such Common Elements, and the Condominium Board shall disburse the proceeds of such award to the contractors engaged in such repair and restoration in appropriate progress payments. In the event that seventy five percent (75%) or more of Unit Owners do not duly and promptly approve the repair and restoration of such Common Elements, or if the award exceeds the cost of such repair or restoration, the Condominium Board shall disburse the net proceeds among all Unit Owners in proportion to their respective Common Interests. As used in this Section, the words "promptly approve" shall mean not more than sixty (60) days from the date of such taking.

Section 6.11. Use of the Property.

A. No nuisance shall be allowed on the Property, nor shall any use or practice be allowed that either is a source of annoyance to Occupants of a Unit or interferes with the peaceful possession or proper use of the Property by the Occupants thereof. No immoral, improper, offensive, or unlawful use shall be made of the Property or any portion thereof, and all valid Laws relating to any portion of the Property shall be complied with at the sole cost and expense of the respective Unit Owners or the Association, whoever shall have the obligation to maintain or repair such part of the Property.

B. Nothing shall be done or kept in any Unit or in any of the Common Elements that would increase the rate of insurance for the Property, except upon the prior written consent of the

Condominium Board. No Unit Owner shall permit anything to be done or kept in a Unit or in the Common Elements that will result in the cancellation of insurance on the Property or the contents thereof, or that would be in violation of any Law. No waste shall be committed in the Common Elements.

C. Nothing shall be done in any Unit or in, on, or to the Common Elements that will impair the structural integrity of the Property or will structurally change the Building of which the Unit is a part, except as is otherwise provided in the Declaration or in these By-Laws. In no event shall interior partitions contributing to the support of any Unit or the Common Elements be altered or removed.

Section 6.12. Use of the Units.

A. In order to provide for congenial occupancy of the Property and for the protection of the values of the Units, the use of Units shall be restricted to, and shall be in accordance with, the terms contained herein.

B. Each Unit shall be used only as a residence, and the number of Occupants in each Unit shall not exceed (i) the Family Members of one family only; or (ii) two (2) individuals unrelated by blood or marriage per bedroom designated on the Floor Plans for the Unit. Notwithstanding the foregoing, Declarant (or, when there are no longer any Unsold Units, the Condominium Board) may, in its sole discretion, permit Persons other than those set forth above to occupy a Unit. In no event, however, shall a portion of a Unit (as opposed to the entire Unit) be sold, conveyed, leased, or subleased. No transient tenants may be accommodated in a Unit; provided, however, that the guests and invitees of Occupants and their lessees may reside in any one Unit for a maximum period of thirty (30) days per calendar year.

C. Notwithstanding anything to the contrary contained in this Section, Declarant may, without the consent of either the Condominium Board or the Unit Owners:

(i) grant permission for the use of any Unsold Unit as a professional or business office or for any other purpose, provided that the nature and manner of such use complies with Law and the user thereof complies with all applicable governmental regulations; and

(ii) use any one or more Unsold Units as models and offices for the sales, promotions, rental, management, and operation of the Unsold Units or for any other purpose, subject only to compliance with Law.

Section 6.13. Use of the Common Elements.

A. The Common Elements may be used only for the furnishing of the services and facilities, and for the other uses for which they are reasonably intended and which are incident to the use and occupancy of the Units.

B. Notwithstanding anything to the contrary contained hereinabove, Declarant shall have the right, without charge or limitation and so long as there are any Unsold Units, to: (i) erect and maintain signs of any size or content determined by Declarant on or about any portion of the Common Elements chosen by Declarant including, without limitation, on the exterior walls of a Building or adjacent to the main entrance thereof; (ii) have its employees, contractors, subcontractors, and sales agents present on the Property; and (iii) do all things necessary or appropriate, including the use of the Common Elements, to sell, lease, manage, or operate Unsold Units, to complete any work or repairs to a Building expressly undertaken by Declarant, and to comply with Declarant's obligations under the Floor Plans and the Condominium Documents. In no event, however, shall Declarant be entitled to use any Common Elements in such a manner as will unreasonably interfere with the use of any Unit for its permitted purposes.

ARTICLE VII Common Charges

Section 7.1. Determination of Common Expenses and Fixing of Common Charges.

A. From time to time, but not less frequently than once a year, the Condominium Board shall: (i) prepare and adopt a budget for the Condominium; (ii) determine the aggregate amount of Common Charges necessary to be charged to the Unit Owners in order to meet the Common Expenses; and (iii) allocate and assess such Common Charges among the Unit Owners, probata, in accordance with their respective Common Interests (except as otherwise provided in the Declaration or in these By-Laws). Within thirty (30) days after adoption of any proposed budget, the Condominium Board shall transmit to each Unit Owner a summary of said proposed budget and notice of a scheduled meeting of the Unit Owners to consider ratification of said proposed budget. The date of said meeting shall be not less than fourteen (14) nor more than thirty (30) days following transmission of the proposed budget. If the budget is substantially amended, a copy thereof shall be furnished to each Unit Owner. The budget shall be ratified unless at the aforesaid meeting a majority of the Unit Owners present reject the proposed budget. There shall be no requirement that a quorum be present at said meeting. Upon ratification of the proposed budget, the Condominium Board shall advise all Unit Owners promptly in writing of the amount of Common Charges payable by each of them not later than ten (10) days next preceding the date upon which the first installment of newly-determined Common Charges is due. The Condominium Board may, at its sole discretion, from time to time, increase or decrease the amount of Common Charges allocated to the Units and payable by the Unit Owners and may modify its prior determination of the Common Expenses for any fiscal year or portion thereof; however, no such revised determination of Common Expenses shall have a retroactive effect on the amount of Common Charges payable by Unit Owners for any period prior to the date of such new determination.

B. The failure or delay of the Condominium Board to prepare or adopt a budget or to determine the Common Expenses for any fiscal year or portion thereof shall not be deemed a waiver or modification in any respect of the covenants and provisions hereof or a release of any Unit Owner from the obligation to pay Common Charges. In such event, the Common Charges that were

computed on the basis of the Common Expenses last determined for any fiscal year or portion thereof shall continue thereafter to be the Common Charges payable by the Unit Owners until a new determination of the Common Expenses shall be made.

C. In addition to the foregoing duty to determine the amount of and assess Common Charges, the Condominium Board shall have the right to levy special assessments to meet the Common Expenses ("Special Assessments"). All Special Assessments relative to the Common Elements shall be levied against all Unit Owners in proportion to their respective Common Interests. Special Assessments may be payable either in one lump sum or in installments, as the Condominium Board shall determine; provided, however, that the Condominium Board shall give each Unit Owner not less than fifteen (15) days' written notice prior to the date upon which such Special Assessment, or the first installment thereof, shall be due and payable, which notice shall set forth, in reasonable detail, the nature and purpose thereof. The Condominium Board shall have all rights and remedies for the collection of Special Assessments as are provided herein for the collection of Common Charges.

Section 7.2. Payment of Common Charges.

A. All Unit Owners which own Units for which a certificate of occupancy has been issued shall be obligated to pay Common Charges and Special Assessments assessed by the Condominium Board pursuant to the terms of Section 1 hereof at such time or times (but not less than annually) as the Condominium Board shall determine. Notwithstanding anything contained herein to the contrary, the Condominium Board may allocate a reduced assessment for Unsold Units; provided, however, that all Units must be allocated full assessments no later than ninety (90) days after the first Unit is conveyed. Unless otherwise determined by the Condominium Board, Common Charges shall be payable in installments on the first day of every month in advance. A Unit Owner who fails to pay said Common Charges when due shall be obligated to pay interest at the legal rate or eighteen percent (18%), whichever is higher, on such Common Charges from the date when due, together with all expenses, including attorneys' fees, incurred by the Condominium Board in any proceeding to collect such unpaid Common Charges. To the extent permitted by Law, the Condominium Board shall have a lien on each Unit, on behalf of all Unit Owners, for unpaid Common Charges and Special Assessments assessed against such Unit. Such lien shall, however, be subordinate to a first mortgage on such Unit which was recorded before the delinquent assessment was due, and, to the extent required by Law, to any liens for real estate taxes assessed against such Unit.

B. No Unit Owner shall be liable for the payment of any part of the Common Charges and any Special Assessments assessed against its Unit subsequent to a sale, transfer, or other conveyance by it of such Unit.

C. No Unit Owner shall be exempted from liability for the payment of Common Charges or Special Assessments by waiving the use or enjoyment of any or all of the Common Elements or by abandoning its Unit. No Unit Owner shall be entitled to a diminution or abatement in the

Common Charges or Special Assessments payable thereby for any inconvenience or discomfort arising from: (i) the failure or interruption of any utility or other services; (ii) the making of repairs or improvements to the Common Elements or any Unit; or (iii) any action taken by the Condominium Board or the officers of the Association to comply with Law.

Section 7.3. Surplus Funds. Surplus Funds shall be either distributed to the Unit Owners, probata, in accordance with their respective Common Interests or be used as a credit against said Unit Owners' future Common Charges, as determined by the Condominium Board.

ARTICLE VIII Miscellaneous

Section 8.1. Invalidity. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability, or effect of the balance of these By-Laws.

Section 8.2. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit, or describe the scope of these By-Laws, or the intent of any provision thereof.

Section 8.3. Gender. The use of the masculine gender in these By-Laws shall be deemed to include the feminine gender and the use of the singular shall be deemed to include the plural, whenever the context so requires.

Section 8.4. Parliamentary Rules. Roberts' Rules of Order (latest edition) shall govern the conduct of proceedings except where the Declaration, these By-Laws, or the laws of the State of North Carolina require a different method of procedure.

Section 8.5. Fiscal Year. The fiscal year shall begin on such date in each year as the Condominium Board shall establish.

Section 8.6. Execution of Instruments. All instruments of the Association shall be signed, executed, and acknowledged under seal by such officer or officers as the Condominium Board shall designate.

Section 8.7. Conflicts. These By-Laws are set forth to comply with the requirements of the Condominium Act. In case any of these By-Laws conflict with the provisions of said statute or of the Declaration, the provisions of said statute or of the Declaration, as the case may be, shall control.

Section 8.8. Amendments. These By-Laws and the Articles may be modified or amended by the vote of seventy five percent (75%) of all Unit Owners at a meeting duly held for such purpose, but only with the written approval of the holders of the mortgages constituting first liens thereon. However, no amendments shall affect or impair the validity or priority of the interests of holders of

recorded mortgages encumbering the Units. For as long as Declarant remains the owner of one or more Units, neither these By-Laws nor the Articles may not be amended so as to adversely affect Declarant without its consent.