

BYLAWS
of
QUAIL HOLLOW EAST CONDOMINIUM
(Charlotte, North Carolina)

ARTICLE I
Plan of Unit Ownership

Section 1. Unit Ownership. The property located in the County of Mecklenburg, State of North Carolina (hereinafter called the "Property"), has been submitted to the provisions of the Unit Ownership Act of the State of North Carolina (Ch. 47A-SS47A-28 of the General Statute of North Carolina (1966), by the Declaration recorded in the Office of the Register of Deeds in and for Mecklenburg County, North Carolina, simultaneously herewith, and shall hereinafter be known as the "Quail Hollow East Condominium" (hereinafter called the "Condominium").

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

Section 3. Office. The office of the Condominium and of the Board of directors shall be located at the Condominium or at such other place as may be designated from time to time by the Board of Directors.

ARTICLE II
Association of Unit Owners

Section 1. Composition. All of the Owners of Units contained in the Condominium, acting as a group in accordance with the Unit Ownership Act, the Declaration and these Bylaws, shall constitute the "Association of Unit Owners," who shall have the responsibility of administering the Condominium, establishing the

means and methods of collecting the contributions to the Common Expenses, arranging for the management of the Condominium, and performing all of the other acts that may be required to be performed by the Association of Unit Owners by the Unit Ownership Act and the Declaration. Except as to those matters which the Unit Ownership Act specifically requires to be performed by the vote of the Owners of the Units, the administration as more particularly set forth in Article III.

Section 2. Annual Meetings. Promptly after Units representing 80% or more of the Percentage Interest of all Units shall have been sold by the Developer (Donald J. Scholz & Company) and paid for, the Developer shall notify the Owners of such Units, and the first annual meeting of the Association of Unit Owners shall be held within 30 days thereafter on a call issued by the President. At such meeting the persons designated by the Developer shall resign as members of the Board of Directors, and all of the Board of Directors, and all of the Owners, including the Developer if the Developer owns any Unit or Units, shall elect a new Board of Directors. Thereafter, the annual meetings of the Association of Unit Owners shall be held on the First day of June of each succeeding year, unless *such date shall occur on a Saturday or Sunday, in which event the meeting shall be held on the succeeding Monday. At such annual meetings the Board of Directors shall be elected by ballot of the Owners in accordance with the requirements of Section 4 of Article III of these Bylaws. So long as the Developer shall own at least eight (8) Units, the Developer shall be entitled to elect at least three (3) members of the Board of Directors, who shall serve for the shortest terms. So long as the Developer shall own one (1) or more, but less than eight (8) Units, the Developer shall be entitled to elect at least one (1) member of the Board of Directors who shall serve for a term of one (1) year. The Association of Unit Owners may transact such other business at such meetings as may properly come before them.

***Amended 8-1-81 to the second Monday of June each year.**

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

Section 4. Special Meetings. It shall be the duty of the President to call a special meeting of the Association of Unit Owners if so directed by resolution of the Board of Directors or upon a petition signed and presented to the Secretary by Owners owning not less than 25% of the Percentage Interests of all Owners. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice. Within 30 days after the seventy fourth (74th) Unit shall have been sold by the Developer and paid for, a special meeting of the Association of Unit Owners shall be held at which meeting all but one member of the Board of Directors elected by the Developer shall resign, and the Owners, including the Developer if the Developer owns any Unit or Units, shall

thereupon elect successor members of the Board of Directors to act in the place and stead of those resigning.

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

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

Section 7. Order of Business. The order of business at all annual meetings of the Association of Unit Owners shall be as follows:

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

Section 8. Title to Units. Title to Units may be taken in the name of an individual or in the names of two or more persons, as tenants in common or as joint tenants or as tenants by the entirety, or in the name of a corporation or partnership, or in the name of a fiduciary.

Section 9. Voting. Voting at all meetings of the Association of Unit Owners shall be on a percentage basis and the percentages of the vote to which each Owner is entitled shall be the Percentage Interest assigned to his Unit in the Declaration. Where the ownership of a Unit is in more than one person, then the person who shall be entitled to cast the vote of that Unit shall be the person named in a certificate signed by all of the owners of the Unit and filed with the Secretary. Such certificate shall be valid until revoked by a subsequent certificate. Whenever the approval or disapproval of an Owner is required by the Unit Ownership Act, the Declaration or these Bylaws, such approval or disapproval shall only be made by the person who would be entitled to cast the vote for the Owner of such Unit at any meeting of the Association of Unit Owners. Except where a

greater number is required by the Unit Ownership Act, the Declaration, or these Bylaws, a majority of the Owners is required to adopt decisions at any meeting of the Association of Unit Owners. If the Developer or the Board of Directors owns or holds title to one or more Units, the Developer or the Board of Directors, as the case may be, shall have the right at any meeting of the Association of Unit Owners to cast the votes to which such Unit is entitled.

Section 10. Proxies. A vote may be cast in person or by proxy. Proxies may be valid only for the particular meeting designated therein and must be filed with the Secretary before the appointed time of the meeting.

Section 11. Majority of Owners. As used in these Bylaws, the term "majority of the Owners" shall mean those Owners having more than fifty percent (50%) of the aggregate Percentage Interests of all Owners.

Section 12. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of a majority of the Owners shall constitute a quorum at all meetings of the Association of Unit Owners.

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

ARTICLE III

Board of Directors

Section 1. Number and Qualification. The affairs of the Condominium shall be governed by a Board of Directors. Until Units representing 80% or more of the Percentage Interests of all Units shall have been sold by the Developer and shall have been paid for, and thereafter until their successors shall have been elected by the Owners, the Board of Directors shall consist of such of the officers and members of the Board of Directors of the Developer, or such other persons, as shall have been designated by the Developer. The Board of Directors shall be composed of five (5) persons, who may be, but are not required to be, officers, directors or designees of the Developer, Owners or spouses of Owners, or mortgagees (or designees of mortgagees) of Units; provided, however, that anything in these Bylaws to the contrary notwithstanding, so long as the Developer owns at least eight (8) Units, a majority of the members of the Board of Directors shall be selected and designated by the Developer, and so long as the Developer is the owner of one (1) or more, but less than eight (8) Units, it shall have the right to select and designate one (1) of the members of the Board of

Directors. The Developer shall have the right in its sole discretion to replace such Directors as may be so selected and designated by it, and to select and designate their successors.

Section 2. Powers and Duties. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Condominium and may do all such Acts and things as are not by the Unit Ownership Act or by these Bylaws directed to be exercised and done by the Association of Unit Owners. The Board of Directors shall have the power from time to time to adopt any Rules and Regulations deemed necessary for the enjoyment of the Condominium provided such Rules and Regulations shall not be in conflict with the Unit Ownership Act or the Declaration. The Board of Directors shall delegate to one of its members the authority to act on behalf of the Board of Directors on all matters relating to the duties of the Managing Agent, if any, which might arise between meetings of the Board of Directors. In addition to the duties imposed by these Bylaws or by any resolution of the Association of Unit Owners that may hereafter be adopted, the Board of Directors shall have the power to, and be responsible for the following:

- a. Preparation of an annual budget, in which there shall be established the contribution of each Owner to the Common Expenses.
- b. Making assessments against Owners to defray the costs and expenses of the Condominium, establishing the means and methods of collecting such assessments from the Owners, and establishing the period of the installment payment of the annual assessment for Common Expenses. Unless otherwise determined by the Board of Directors, the annual assessment, against each Owner for his proportionate share of the Common Expenses shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month for said month.
- c. Providing for the operation, care, upkeep, maintenance and surveillance of all of the Property and services of the Condominium.
- d. Designating, hiring and dismissing the personnel necessary for the maintenance, repair and replacement of the Common Areas and Facilities, and providing services for the Property, and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties, which supplies and equipment shall be deemed the common property of the Owners.
- e. Collecting the assessments against the Owners, depositing the proceeds thereof in a bank depository which it shall approve, and using the proceeds to carry out the administration of the Property.
- f. Making and amending Rules and Regulations respecting the use of the Property.
- g. Approving or disapproving proposed purchasers and lessees of Units in the manner hereinafter provided by these Bylaws.
- h. Opening of bank accounts on behalf of the Condominium and designating the signatories required therefore.

- i. Purchasing or leasing or otherwise acquiring in the name of the Board of Directors, or its designee, corporate or otherwise, on behalf of all Owners, Units offered for sale or lease to the Board of Directors.
- j. Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of members of the Board of Directors), or otherwise dealing with Units acquired by, and subleasing Units leased by, the Board of Directors, or its designee, corporate or otherwise, on behalf of all Owners.
- k. Purchasing of Units at foreclosure or other judicial sales in the name of the Board of Directors, or its designee, corporate or otherwise, on behalf of all Owners.
- l. Organizing corporations to act as designees of the Board of Directors in acquiring title to, or leasing, Units on behalf of all Owners.
- m. Making, or contracting for the making of, repairs, additions, and improvements to, or alterations of, the Property and repairs to, and restoration of, the Property, in accordance with the other provisions of these Bylaws, after damage or destruction by fire or other casualty.
- n. Enforcing by legal means the provisions of the Declaration, these Bylaws and the Rules and Regulations for the use of the Property adopted by it, and bringing any proceedings which may be instituted on behalf of the Owners.
- o. Obtaining and carrying insurance against casualties and liabilities, as provided in Article VI of these Bylaws, and paying the premium cost thereof.
- p. Paying the cost of all services rendered to the Condominium and not billed to Owners of individual Units.
- q. Keeping books with detailed account in chronological order of the receipts and expenditures affecting the Property, and the administration of the Condominium, specifying the maintenance and repair expenses of the Common Areas and Facilities and any other expenses incurred. The said books and vouchers accrediting the entries thereupon shall be available for examination by the Owners, their duly authorized agents or attorneys, during general business hours on working days at the times and in the manner that shall be set and announced by the Board of Directors for the general knowledge of the Owners. All books and records shall be kept in accordance with good and accepted accounting practices, and the same shall be audited at least once a year by an outside auditor employed by the Board of Directors who shall not be a resident of the Condominium, or an owner of a Unit therein. The cost of such audit shall be a Common Expense.
- r. The Board of Directors shall notify the mortgagee of any Unit of any default by the Owner of such Unit wherever requested in writing by such mortgagee to send such notice.
- s. To do such other things and acts not inconsistent with the Unit Ownership Act and with the Declaration which it may be authorized to do by a resolution of the Association.

**AMENDMENT TO BYLAWS OF
QUAIL HOLLOW EAST CONDOMINIUM AND
QUAIL HOLLOW EAST HOMEOWNERS' ASSOCIATION**

Quail Hollow East Condominium and Quail Hollow East Homeowners' Association, an unincorporated association, in accordance and compliance with Article XII of the Bylaws, recorded in Book 3436 at Page 569, et seq., in the office of the Register of Deeds of Mecklenburg County, North Carolina, amended such Bylaws effective September 24, 1990, as follows:

ARTICLE III: Board of Directors, Section 2, Powers and Duties is amended by adding Subsection (t) to read as follows:

"Section 2. Powers and Duties. (t) The Association shall, pursuant to North Carolina General Statute 47C-3-102(9) have the power to grant easements, leases, licenses and concessions through or over the common elements and any and all such documents pertaining to such conveyances and licenses may be executed by the Board of Directors of the Association."

IN WITNESS WHEREOF, Quail Hollow East Condominium and Quail Hollow East Homeowners' Association has caused this instrument to be signed in its name by its duly authorized officers and its seal to be hereunto affixed by authority of its Board of Directors, this the 28th day of February, 1991.

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

Section 4. Election and Term of Office. At the first annual meeting of the Association of Unit Owners, the term of office of two (2) members of the Board of Directors shall be fixed at three (3) years, the term of office of two (2) members of the Board of Directors shall be fixed at two (2) years, and the term of office of one (1) member of the Board of Directors shall be fixed at one (1) year. At the expiration of the initial term of office of each respective member of the Board of Directors, his successor shall be elected to serve for a term of three (3) years. The members of the Board of Directors shall hold office until their respective successors shall have been elected by the Association of Unit Owners.

Section 5. Removal of Members of the Board of Directors. At any regular or special meeting duly called, any one or more of the members of the Board of Directors may be removed with or without cause by a majority of the Owners, and a suc-

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

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

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

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

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

Section 10. Waiver of Notice. Any director may, at any time, in writing, waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board of Directors shall constitute a waiver of notice by him of the time and place of such meeting. If all directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

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

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

Section 13. Compensation. No director shall receive any compensation from the Condominium for acting as such.

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

Section 15. Liability of the Board of Directors. The members of the Board of Directors shall not be liable to the Owners for any mistake in judgment, negligence, or otherwise except for their own individual willful misconduct or bad faith. The Owners shall indemnify and hold harmless each of the directors from and against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Owners unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration or of these Bylaws. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Owners. It is also intended that the liability of any Owner arising out of any contract made by the Board of Directors or out of the aforesaid indemnity in favor of the members of the Board of Directors shall be limited to such pro-

portion of the total liability thereunder as his Percentage Interest bears to the Percentage Interests of all of the Owners. Every agreement made by the Board of Directors or by the Managing Agent on behalf of the Owners shall, if obtainable, provide that the members of the Board of Directors, or the Managing Agent, as the case may be, are acting only as agents for the Owners and shall have no personal liability thereunder (except as owners), and that each Owner's liability thereunder shall be limited to such proportion of the total liability thereunder as his Percentage Interest bears to the Percentage Interests of all Owners.

ARTICLE IV

Officers

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

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

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

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

Section 5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President or the Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place

of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President.

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

Section 7. Agreements, Contracts, Deeds, Checks, etc. All agreements, contracts, deeds, leases, checks and other instruments of the Condominium shall be executed by any two officers of the Condominium or by such other person or persons as may be designated by the Board of Directors.

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

ARTICLE V

Operation of the Property

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

- a. Fiscal Year. The fiscal year of the Condominium shall consist of the twelve month period commencing on July 1 of each year and terminating on June 30 of the following year.
- b. Preparation and Approval of Budget. Each year on or before June 1st, the Board of Directors shall adopt a budget for the Condominium containing an estimate of the total amount which it considers necessary to pay the cost of maintenance, management, operation, repair and replacement of the Common Areas and Facilities and those parts of the Units as to which it is the responsibility of the Board of Directors to maintain, repair and replace, and the cost of wages, materials, insurance premiums, water and sewer charges, services, supplies and other expenses that may be declared to be Common Expenses by the Unit Ownership Act, these Bylaws or a resolution of the Association of Unit Owners, and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Property and the rendering to the Owners of all related services. Such

budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide working capital for the Condominium, a general operating reserve, and reserves for contingencies and replacements. In addition, the budget may include such amounts as may be required for the purchase or lease by the Board of Directors, or its designee, corporate or otherwise, on behalf of all Owners, of any Unit which may be purchased by the Board of Directors in accordance with the provisions of Article VIII of these Bylaws. The Board of Directors shall send to each Owner a copy of the budget, in a reasonably itemized form which sets forth the amount of the Common Expenses payable by each Owner, on or before June 15 preceding the fiscal year to which the budget applies. The said budget shall constitute the basis for determining each Owner's contribution for the Common Expenses of the Condominium.

- c. Assessment and Payment of Common Expenses. The total amount of the estimated funds required for the operation of the Property set forth in the budget for the fiscal year adopted by the Board of Directors shall be assessed against each Owner in proportion to his respective Percentage Interest, and shall be a lien against each Owner's Unit as provided in the Unit Ownership Act and Article X, Section 2(a) of these Bylaws. On or before the first day of each fiscal year, and the first day of each of the succeeding eleven (11) months in such fiscal year, each Owner shall be obligated to pay to the Board of Directors or the Managing Agent (as determined by the Board of Directors), one-twelfth (1/12th) of the assessment for such fiscal year made pursuant to the foregoing provisions. Within sixty (60) days after the end of each fiscal year, the Board of Directors shall supply to all Owners an itemized accounting of the Common Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Board of Directors for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall, if the Board of Directors deems it advisable, be credited according to each Owner's Percentage Interest to the next monthly installments due from Owners under the current fiscal year's budget, until exhausted, and any net shortage shall, if the Board of Directors deems it advisable, be added according to each Owner's Percentage Interest to the installments due in the succeeding six (6) months after the rendering of the accounting. Notwithstanding the foregoing, during the period prior to the substantial completion (as determined by the project architect) of all twelve (12) Buildings of the Condominium, the Common Expenses attributable to each Building which is substantially completed shall be borne solely by the Owners of Units in such Building in proportion to their respective Percentage Interests.
- d. Reserves. The Board of Directors shall build up and maintain reasonable reserves for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against

- such reserves. If the reserves are inadequate for any reason, including non-payment of any Owner's assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed against the Owners according to their respective Percentage Interests, and which may be payable in a lump sum or in installments as the Board of Directors may determine. The Board of Directors shall serve notice of any such further assessment on all Owners by a statement in writing giving the amount and reasons therefore, and such further assessment shall, unless otherwise specified in the notice, become effective with the next monthly payment which is due more than ten (10) days after the delivery or mailing of such notice of further assessment. All Owners shall be obligated to pay the adjusted monthly amount or, if the additional assessment is not payable in installments, the amount of such assessment.
- e. Initial Assessment. When the first Board of Directors elected under these Bylaws takes office, it shall determine the budget, as defined in this Section, for the period commencing thirty (30) days after their election and ending on June 30 of the fiscal year in which their election occurs. Assessments shall be levied against the Owners during said period as provided in paragraph (c) of this Section.
 - f. Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt the annual budget for any fiscal year shall not constitute a waiver or release in any manner of an Owner's obligation to pay his allocable share of the Common Expense as herein provided, whenever the same shall be determined, and in the absence of any annual budget or adjusted budget, each Owner shall continue to pay the monthly charge at the then existing monthly rate established for the previous fiscal period until the monthly payment which is due more than ten (10) days after such new annual or adjusted budget shall have been mailed or delivered.
 - g. Accounts. All sums collected by the Board of Directors with respect to assessments against the Owners may be commingled into a single fund, but shall be held for each Owner in accordance with his Percentage Interest.

Section 2. Payment of Common Expenses. All Owners shall be obligated to pay the Common Expenses assessed by the Board of Directors pursuant to the provisions of Section I of this Article V. No Owner shall be liable for the payment of any part of the Common Expenses assessed against his Unit subsequent to a sale, transfer or other conveyance by him (made in accordance with the provisions of Article VIII of these Bylaws) of such Unit. The purchaser of a unit shall be jointly and severally liable with the selling Owner for all unpaid assessments against the latter for his proportionate share of the Common Expenses up to the time of the conveyance, without prejudice to the purchaser's right to recover from the selling Owner the amounts paid by the purchaser therefore; provided, however, that any such purchaser shall be entitled to a statement from the Board of Directors or Managing Agent setting forth the amount of the unpaid assessments against the selling Owner and such purchaser shall not be

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

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

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

Section 5. Maintenance and Repair.

- a. By the Board of Directors. The Board of Directors shall be responsible for the maintenance, repair and replacement (unless necessitated by the negligence, misuse or neglect of an Owner, in which case such expense shall be charged to such Owner) of the following, the cost of which shall be charged to all Owners as a Common Expense:
1. All of the Common Areas and Facilities, whether located inside or outside of the Units.
 2. All exterior walls and exterior surfaces, the roof party walls and all other portions of the Units which contribute to the support of any Building such as the outside walls of a Building and all fixtures on the exterior thereof, the boundary wall of Units, floor slabs, floor joists and attached ceilings, corridor and Unit party walls, but excluding, however, any interior walls, interior ceilings and interior floors of Units.
 3. The sanitary and storm sewer systems and appurtenances, and, all water and plumbing facilities and systems that are deemed Common Areas and Facilities, and including all conduits, ducts, plumbing, wiring and other facilities for the furnishing of such utility services into two or more Units, but excluding therefrom all plumbing, fixtures, systems and parts thereof which are enjoyed by only a single Unit and are located solely within the boundary of an individual Unit; and including, all catch basins and television master antenna systems located outside the specific boundaries of any Unit; the roof and all roof drainage pipes, gutters and leaders.

4. All incidental damage caused to any Unit by such work as may be done or caused to be done by the Board of Directors in accordance therewith.
- b. By the Owner. Except for the portions of his Unit required to be maintained repaired and replaced by the Board of Directors, each Owner shall be responsible for the maintenance, repair and replacement, at his own expense, of the following: any interior walls, the deck which is the ceiling of the first level of a Townhouse Unit and the floor of the second level of such Townhouse Unit, kitchen and bathroom fixtures and equipment, refrigerator and range, lighting, heating and air-conditioning unit, and those parts of the plumbing system which are wholly contained within his Unit. Each Owner shall keep the interior of his Unit and its equipment and appurtenances in good order, condition and repair and in a clean and sanitary condition, and shall do all redecorating, painting and varnishing which may at any time be necessary to maintain the good appearance and condition of his Unit. In addition, each Owner shall be responsible for all damages to any and all other Units or to the Common Areas and Facilities resulting from his failure to make any of the repairs required to be made by him by this Section. Each Owner shall perform his responsibility in such manner as shall not unreasonably disturb or interfere with the other Owners. Each Owner shall promptly report to the Board of Directors or the Managing Agent any defect or need for repairs for which the Board of Directors is responsible.
- c. Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality. The method of approving payment vouchers for all repairs and replacements shall be determined by the Board of Directors.

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

Section 7. Additions, Alterations or Improvements by Board of Directors. Whenever in the judgment of the Board of Directors the Common Areas and Facilities shall require additions, alterations or improvements costing in excess of Five Thousand Dollars (\$5,000.00) during any period of twelve (12) consecutive months, and the making of such additions, alterations or improvements shall have been approved by a majority of the Owners, the Board of Directors shall proceed with such additions, alterations or improvements and shall assess all Owners for the cost thereof as a Common Expense. Any additions, alterations or improvements costing Five Thousand Dollars (\$5,000.00) or less during any period of twelve (12) consecutive months may be made by the Board of Directors without approval of the Owners and the cost thereof shall constitute part of the Common Expense. Notwithstanding the foregoing, if, in the opinion of not less than 80% of the members of the Board of Directors, such additions, alterations or improvements are exclusively or substantially exclusively for the benefit of the

Owner or Owners requesting the same, such requesting Owners shall be assessed therefore in such proportion as they jointly approve or, if they are unable to agree thereon, in such proportions as may be determined by the Board of Directors.

Section 8. Additions, Alterations or Improvements by Owners. No Owner shall make any structural addition, alteration or improvement in or to his Unit without the prior written consent thereto of the Board of Directors. The Board of Directors shall be obligated to answer any written request by any Owner for approval to a proposed structural addition, alteration or improvement in such Owner's Unit within thirty (30) days after such request, and its failure to do so within the stipulated time shall constitute a consent by the Board of Directors to the proposed addition, alteration or improvement. Any application to make an addition, alteration or improvement in or to any Unit shall be executed by the Board of Directors only, without however incurring any liability on the part of the Board of Directors or any of them to any contractor, subcontractor or materialman on account of such addition, alteration or improvement, or to any person having any claim for injury to person or damage to property arising therefrom. The provision of this Section 8 shall not apply to Units owned by the Developer until such Units shall have been initially sold any governmental authority for a permit by the Developer and paid for.

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

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

Section 11. Rules and Regulations. Rules and Regulations concerning the operation and use of the Common Areas and Facilities may be promulgated and amended by the Board of Directors, provided that such Rules and Regulations are not contrary to or inconsistent with the Unit Ownership Act, the Declaration or the

Bylaws. Copies of the Rules and Regulations shall be furnished by the Board of Directors to each Owner prior to the time when the same shall become effective.

Section 12. Water Charges and Sewer Rents. Water shall be supplied to all of the Units and the Common Areas and Facilities through one or more building meters and the Board of Directors shall pay, as a Common Expense, all charges for water consumed on the Property, together with all related sewer rents, if any, arising therefrom, promptly after the bills for the same shall have been rendered. In the event of a proposed sale of a Unit by the Owner thereof, the Board of Directors, at the request of the selling Owner, shall execute and deliver to the purchaser of such Unit, or to the purchaser's title insurance company, a letter agreeing to pay all charges for water and sewer rents affecting the Property as of the date of closing of title to such Unit, promptly after such charges shall have been billed.

Section 13. Electricity and Gas. Electricity shall be supplied by the public utility company serving the area directly to each unit through a separate meter and each Owner shall be required to pay the bills for electricity consumed or used in his Unit. The electricity serving the Common Areas and Facilities and the electricity operating the air conditioning condenser for all Units shall be separately metered, and the Board of Directors shall pay all bills for electricity consumed in such portions of the Common Areas and Facilities and in the operation of said air conditioning condenser as a Common Expense. Natural Gas to supply heat to all Units and to provide hot water for all Units shall be supplied through one or more meters, and the Board of Directors shall pay as a Common Expense, all charges for such gas consumed on the Property.

Section 14. Parking Spaces. Each of the covered parking spaces located on the ground floor of each Building which is designated IA through 82A, inclusive, on the Architectural Plans recorded simultaneously with the Declaration and these Bylaws, and all outside surface parking spaces designated I-B through 82B, inclusive, on such Architectural Plans shall be for the exclusive use of the Owner of the Unit having the number corresponding to the number of such parking space. All other parts of the Common Areas and Facilities identified as parking areas in the Architectural Plans recorded simultaneously with the Declaration and these Bylaws shall be used by the Owners for self-service parking purposes on a first-come, first-serve basis. The cost of maintenance and repair of all parking areas shall be a Common Expense.

ARTICLE VI Insurance

Section 1. Authority to Purchase. Except as otherwise provided in Section 3 of this Article VI, all insurance policies relating to the Property shall be purchased by the Board of Directors as trustee for the Owners of the Units and their respec-

tive mortgagees, as their interests may appear, which insurance shall be governed by the following provisions:

- a. The Board of Directors shall obtain a single master policy covering physical damage for the entire Property for the benefit of the Association, the Unit Owners and their mortgagees, as their interests may appear, and provision shall be made for the issue of certificates of mortgagee endorsements to the mortgagees of the Unit Owners. The policy shall name the Board of Directors and Insurance Trustee designated in Section 4 of this Article as insured parties, with appropriate language to effectuate Section (b) (3) of this Article. The original of said policy and endorsements thereto shall be deposited with the Board of Directors, and provision shall be made for duplicates thereof to be issued to each Unit Owner and his mortgagee, if any, upon request.
- b. In addition, the Board of Directors shall be required to make every effort to secure a master policy covering physical damage that will provide the following:
 1. That the insurer waives its rights of subrogation to any claims against the Board of Directors, the Managing Agent, the Owners and their respective agents, employees, guests and, in the case of the Owners, the members of their households;
 2. That the master policy may not be cancelled or substantially modified without at least thirty (30) days prior written notice to the Board of Directors and all mortgagees of Units.
 3. That the net proceeds of such policies, if less than Twenty-Five thousand Dollars (\$25,000.00), shall be payable to the Board of Directors, and if more then Twenty-Five Thousand Dollars (\$25,000.00) shall be payable to the Insurance Trustee designated in Section 4 of this Article.
 4. That the master policy shall contain a standard mortgagee clause in favor of each mortgagee of a Unit, which shall provide that the loss, if any, to a particular Unit shall be payable to such mortgagee and the Owner as their interests may appear, subject, however, to the loss payment and adjustment provisions in favor of the Board of Directors and the Insurance Trustee contained in Sections 4 and 5 of this Article.
- c. All policies of insurance shall be written with a company licensed to do business in the State of North Carolina and holding a rating of "AAA" or better by Best's Insurance Reports.
- d. In no event shall the insurance coverage obtained and maintained by the Board of Directors hereunder be brought into contribution with insurance purchased by individual Owners or their mortgagees unless otherwise required by North Carolina or other applicable law or insurance regulations.
- e. Each Owner shall be required to notify the Board of Directors of all improvements made by the Owner to his Unit, the value of which is in excess of One Thousand Dollars (\$1,000.00).
- f. Any Owner who obtains individual insurance policies covering any portion of the Property, other then personal property belonging to such Owner, shall be required to file a copy of such individual policy or policies with the

Board of Directors within thirty (30) days after the purchase of such insurance.

Section 2. Insurance Coverage

- a. The Board of Directors shall be required to obtain and maintain the following insurance: (1) fire insurance with extended coverage, vandalism, malicious mischief and windstorm endorsements, insuring the entire Property (including all of the Units and the bathroom and kitchen fixtures initially installed therein by the Developer but not including furniture, furnishings, or other personal property supplied or installed by Owners), together with all air-conditioning equipment, and other service machinery contained therein and covering the interests of the Board of Directors and all Owners and their mortgagees, as their interests may appear, in an amount equal to the maximum insurable replacement value of the Property, without deduction for depreciation; (2) workmen's compensation insurance if and to the extent necessary to meet the requirements of law; and (3) such other insurance as the Board of Directors may determine or as may be requested from time to time by a majority of the Owners.
- b. The Board of Directors shall also be required to obtain and maintain, to the extent obtainable, public liability and property damage insurance in such limits as the Board of Directors may from time to time determine, insuring each member of the Board of Directors, the Managing Agent, and each Owner against any liability to the public or to the Owners (and their invitees, agents and employees) arising out of, or incident to, the ownership and/or use of the Common Areas and Facilities. Said insurance shall be issued on a comprehensive liability basis and shall contain a cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to his action against another named insured. The Board of Directors shall review such limits once each year, but in no event shall such insurance be less than Two Hundred Thousand Dollars (\$200,000.00) with respect to any one person and Five Hundred Thousand Dollars (\$500,000.00) with respect to any one accident or occurrence and Fifty Thousand Dollars (\$50,000.00) with respect to any claim for property damage. It shall be the responsibility of each Owner to obtain, at his own expense, liability insurance with respect to his ownership and/or use of his Unit, and the Board of Directors shall not be responsible for obtaining such insurance.
- c. A duplicate original of the master policy of physical damage insurance, all renewals thereof, and all sub-policies or certificates issued there under, together with proof of payment of premiums shall be delivered to all mortgagees of Units at least ten (10) days prior to expiration of the then current policies. Prior to obtaining any policy of fire insurance or any renewal thereof, the Board of Directors shall obtain any appraisal from an insurance company, or such other source as the Board of Directors may determine, of the full replacement value of the Property, without deduction for deprecia-

tion, for the purpose of determining the amount of physical damage insurance to be effected pursuant to this Section.

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

Section 4. Insurance Trustee.

- a. So long as Home Federal Savings and Loan Association, Greensboro, North Carolina (hereinafter called "Home Federal") is the holder of any mortgage or deed of trust encumbering any Unit, Home Federal shall be designated as the Insurance Trustee. If for any reason Home Federal shall fail, refuse or cease to act as such, or at such time as Home Federal shall no longer hold any such mortgage, the Board of Directors shall have the right to designate any bank, trust company, savings and loan association, building loan association, insurance company, or any institutional lender as the Insurance Trustee, and all parties beneficially interested in such insurance coverage shall be bound thereby; provided, however, that prior to such designation of a new Insurance Trustee, the Board of Directors shall obtain the consent to such new Insurance Trustee of the mortgagee or mortgagees holding mortgages constituting first liens on at least fifty-one percent (51%) of the number of Units in the Condominium encumbered by mortgages. The Insurance Trustee at the time of the deposit of such policies and endorsements shall acknowledge that the policies and any proceeds thereof will be held in accordance with the terms of these Bylaws.
- b. The Insurance Trustee shall not be liable for payment of premiums, the renewal of the policies, the sufficiency of coverage, the form or contents of the policies, the correctness of any amounts received by it on account of the proceeds of any insurance policies, nor for the failure to collect any insurance proceeds. The sole duty of the Insurance Trustee shall be to receive such proceeds as are paid to it and to hold the same in trust for the purposes elsewhere stated in these Bylaws, for the benefit of the Owners of the Units and their respective mortgagees.

Section 5. Board of Directors as Agent. The Board of Directors is hereby irrevocably appointed the agent for each Owner of a Unit and for each mortgagee of a Unit and for each owner of any other interest in the Property to adjust all claims aris-

ing under insurance policies purchased by the Board of Directors and to execute and deliver releases upon the payment of claims.

Section 6. Premium. Premiums upon all insurance policies purchased by the Board of Directors shall be deemed to be a Common Expense.

ARTICLE VII

Repair and Reconstruction After Fire or Other Casualty

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

Section 2. Procedure for Reconstruction and Repair.

- a. Cost Estimates. Immediately after a fire or other casualty causing damage to any Building, the Board of Directors shall obtain reliable and detailed estimates of the cost of repairing and restoring the Building (including any damaged Units, and any floor coverings and kitchen and bathroom fixtures initially installed therein by the Developer, and replacements thereof installed by the Owner, but not including any other furniture, furnishings, fixtures or equipment installed by the Owner in the Unit) to a condition as good as that existing before such casualty. Such costs may also include professional fees and premiums for such bonds as the Board of Directors determines to be necessary.
- b. Assessments. If the proceeds of insurance are not sufficient to defray the said estimated costs of reconstruction and repair as determined by the Board of Directors, or if at any time during reconstruction and repair, or upon completion of reconstruction and repair, the funds for the payment of the costs thereof are insufficient, assessments shall be made against all the Owners in proportion to the Owners' respective Percentage Interests.
- c. Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the Plans and Specifications under which the Property was originally constructed.
- d. Encroachments. Encroachments upon or in favor of Units which may be created as a result of such reconstruction or repair shall not constitute a claim or basis for any proceeding or action by the Owner upon whose property

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

Section 3. Disbursements of Construction Funds.

- a. Construction Fund. The net proceeds of Insurance collected on account of a casualty and the funds collected by the Board of Directors from assessments against Owners on account of such casualty shall constitute a construction fund which shall be disbursed in payment of the cost of reconstruction and repair in the manner set forth in this Section. If the net proceeds of insurance collected on account of a casualty exceed Twenty Five Thousand Dollars (\$25,000.00), then the funds collected by the Board of Directors from assessments against the Owners shall be deposited by the Board of Directors with the Insurance Trustee, and the entire construction fund shall be disbursed by the Insurance Trustee; otherwise the construction fund shall be held and disbursed by the Board of Directors.
- b. Method of Disbursement. The construction fund shall be paid by the Board of Directors or the Insurance Trustee, as the case may be, in appropriate progress payments, to such contractors, suppliers and personnel engaged in performing the work or supplying materials or services for the repair and reconstruction of the Building as are designated by the Board of Directors.
- c. Surplus. It shall be presumed that the first monies disbursed in payment of the cost of reconstruction and repair shall be from insurance proceeds; and if there is a balance in a construction fund after the payment of all of the costs of the reconstruction and repair for which the fund is established, such balance shall be distributed jointly to the Owners and their mortgagees who are the beneficial owners of the fund, in proportion to the Owners' respective Percentage Interests.
- d. Common Elements. When the damage is to both Common Areas and Facilities and Units, the insurance proceeds shall be applied first to the cost of repairing the Common Areas and Facilities and the balance to the cost of repairing the Units in the shares set forth above.
- e. Certificate. The Insurance Trustee shall be entitled to reply upon a certificate executed by the President or Vice President, and the Secretary, of the Condominium certifying (i) whether or not the damaged property is required to be reconstructed and repaired; (ii) the name of the payee and the amount to be paid with respect to disbursements from any construction fund held by it or whether surplus funds to be distributed are less than the assessments paid by the Owners; and (iii) all other matters concerning the holding and disbursing of any construction fund held by it. Any such certificate shall be delivered to the Insurance Trustee promptly after request.

Section 4. When Reconstruction is not Required. If more than two-thirds ($\frac{2}{3}$) of the Buildings are destroyed by fire or other casualty and at least three-fourths ($\frac{3}{4}$)

of the Owners vote not to proceed with repair or restoration (i) the Property shall be deemed to be owned as tenants in common by the Unit Owners; (ii) the undivided interest in the Property owned by the Unit Owners as tenants in common which shall appertain to each Unit Owner shall be the Percentage Interest previously owned by such Owner in the Common Areas and Facilities; (iii) any liens affecting any of the Units shall be deemed to be transferred in accordance with the existing priorities to the Percentage Interest of the Unit Owner in the Property as provided herein; and (iv) the Property shall be subject to an action for partition at the suit of the Owner of any Unit, as if the Property was owned in common, in which event the net proceeds of sale, together with the net proceeds of insurance policies, if any, shall be considered as one Fund, and shall be divided by the Board of Directors or the Insurance Trustee, as the case may be, among the Owners of all of the Units in proportion to their respective Percentage Interests, after first paying out of the share of each Owner, to the extent sufficient for this purpose, the amount of any unpaid liens on his Unit, in the order of the priority of such liens.

ARTICLE VIII

Sales, Leases, Mortgages and Other Alienation of Units

Section 1. Sales and Leases. No Owner may sell or lease his Unit, or any interest therein, except by complying with the following provisions;

- a. In the event any Owner receives a bona fide offer for the purchase of his Unit together with: (i) the undivided interest in the Common Areas and Facilities appurtenant thereto; (ii) the interest of such Owner in any Units theretofore acquired by the Board of Directors, or its designee, on behalf of all Owners, or the proceeds of the sale or lease thereof, if any; and (iii) the interest of such Owner in any other assets of the Condominium (hereinafter collectively called the "Appurtenant Interests"), or a bona fide offer for a lease of his Unit (hereinafter called an "Outside Offer"), which he intends to accept, such Owner shall give notice to the Board of Directors of such offer and of such intention, the name and address of the proposed purchaser or lessee, the terms of the proposed transaction and such other information as the Board of Directors may reasonably require, and shall grant to the Board of Directors an option to purchase such Unit, together with the Appurtenant Interests, or to lease such Unit, on behalf of the Owners of all other Units, on the same terms and conditions as contained in such Outside Offer. The giving of such notice shall constitute a warranty and representation by the Owner who has received such offer, to the Board of Directors on behalf of the other Owners, that such Owner believes the Outside Offer to be bona fide in all respects. Within thirty (30) days after receipt of such notice, the Board of Directors may elect, by notice to such Owner, to purchase such Unit, together with the Appurtenant Interests, or to lease such Unit, as the case may be (or to cause the same to be purchased or leased by its designee), on behalf of all other Owners, on the same terms and conditions as

contained in the Outside Offer and as stated in the notice from the offering Owner. In the event the Board of Directors, or its designee, shall fail to accept such offer within the said thirty (30) day period, the offering Owner shall be free to contract to sell such Unit, together with the Appurtenant Interests, or to lease such Unit, as the case may be, within ninety (90) days after the expiration of the thirty (30) day period in which the Board of Directors, or its designee, might have accepted such offer, to the Outside Offeror on the terms and conditions set forth in the notice from the offering Owner to the Board of Directors of such Outside Offer. Any such deed to an Outside Offeror shall provide that the acceptance thereof by the grantee shall constitute an assumption of the provisions of the Declaration, these Bylaws and the Rules and Regulations, as the same may be amended from time to time. Any such lease shall be consistent with these Bylaws and shall provide that it may not be modified, amended, extended or assigned, without the prior written consent of the Board of Directors, that the tenant shall not assign or sublet the demised premises, or any part thereof, without the prior written consent of the Board of Directors, and that the Board of Directors shall have the power to terminate such lease and/or to bring summary proceedings to evict the tenant in the name of the landlord there under, in the event of default by the tenant in the performance of such lease. In the event the offering Owner shall not, within such ninety (90) day period, contract to sell such Unit, together with the Appurtenant Interests, or to lease such Unit, as the case may be, to the Outside Offeror on the terms and conditions contained in the Outside Offer or if the Owner shall so contract to sell or lease his Unit within such ninety (90) day period, but such sale or lease shall not be consummated pursuant to the terms of such contract, then should such offering Owner thereafter elect to sell his unit, together with the Appurtenant Interests, or to lease his Unit, as the case may be, to the same or another Outside Offeror on the same or other terms and conditions, the Offering Owner shall be required to comply again with all of the terms and provisions of this Section 1 of this Article VIII.

- b. Any purported sale or lease of a Unit in violation of this Section shall be voidable at the election of the Board of Directors.

Section 2. Involuntary Sale.

- a. In the event any Unit, or interest therein, together with the Appurtenant Interests, is sold at a judicial or execution sale (other than a mortgage foreclosure sale), the person acquiring title through such sale shall, before taking possession of the Unit so sold, give thirty (30) days' written notice to the Board of Directors of his intention so to do, whereupon the Board of Directors shall have an irrevocable option to purchase such Unit, or interest therein, together with the Appurtenant Interests, at the same price for which it was sold at said sale. If said option is not exercised by the Board of Directors by written notice to the purchaser within said thirty (30) days after receipt of such notice, it shall thereupon expire and said purchaser may take possession of said Unit.

- b. In the event any Owner shall default in the payment of any monies required to be paid under the provisions of any mortgage encumbering his Unit, the Board of Directors shall have the right to cure such default by paying the amount so owing to the party entitled thereto and shall thereupon have a lien therefore against such Unit, which lien shall have the same force and effect and may be enforced in the same manner as provided in Article X.

Section 3. Purchase by Designee. Whenever it is provided in Sections 1 or 2 of this Article VIII that the Board of Directors has an Option to purchase or lease a Unit, such option may be exercised and the Unit may be purchased or leased by the Board of Directors, or its designee, on behalf of all of the Owners, or the Board of Directors may cause the Unit to be purchased or leased by a substitute purchaser or lessee furnished by it who shall purchase or lease the Unit upon the same terms and conditions applicable to the purchase or lease of such Unit by the Board of Directors. The notice exercising the Board of Directors' option to purchase or lease a Unit shall specify whether the Board of Directors will purchase or lease such Unit, and, if not, the identity of its designee or substitute purchaser or lessee.

Section 4. Closing. If, pursuant to Sections 1 or 2 of this Article VIII, the Board of Directors exercises its option to purchase a Unit, together with the Appurtenant Interests, or to lease a Unit, or to cause the same to be purchased or leased by its designee, the closing shall be held at the office of the attorney for the purchaser within forty-five (45) days after the giving of notice by the Board of Directors of its exercise of its option. At the closing, the Owner, if such Unit, together with the Appurtenant Interests, is to be sold, shall convey the same to the Board of Directors on behalf of all other Owners, or to the designee of the Board of Directors, by special warranty deed. Expenses of recordation of the deed of conveyance shall be borne in accordance with the terms of the Outside Offer, in the case of a purchase pursuant to Section 1 of this Article VIII, or by the Board of Directors, in the case of a purchase pursuant to Section 2 of this Article VIII. If, pursuant to Section 1, a Unit is to be leased, the offering Owner shall execute and deliver to the Board of Directors, or to its designee, a lease between the offering Owner, as landlord, and the Board of Directors, or its designee, as tenant, covering such Unit, on the terms and conditions contained in such Outside Offer.

Section 5. Consent of Owners to Purchase or Lease of Units by Board of Directors. The Board of Directors shall not exercise any option hereinabove set forth to purchase or lease any Unit without the prior approval of a majority of all the Owners other than the Owner whose Unit is subject to the said option.

Section 6. No Severance of Ownership. No Owner shall execute any deed, mortgage, or other instrument conveying or mortgaging the title to his Unit without including therein the Appurtenant Interests, it being the intention hereof to prevent any severance of such combined ownership. Any such deed, mortgage, or

other instrument purporting to affect one or more of such interests, without including all such interests, shall be deemed and taken to include the interest or interests so omitted, even though the latter shall not be expressly mentioned or described therein. No part of the Appurtenant Interests of any Unit may be sold, transferred, given, devised, or otherwise disposed of, except as part of a sale, transfer, gift, devise, or other disposition of the Unit to which such interests are appurtenant, or as part of a sale, transfer, gift, devise or other disposition of such part of the Appurtenant Interests of all Units.

Section 7. Release by Board of Directors of Options to Purchase or Lease.

The options to purchase or lease contained in Sections 1 and 2 of this Article VIII may be released or waived by written consent of a majority of the members of the Board of Directors, in which event the Unit, together with the Appurtenant Interests, may be sold, conveyed or leased free and clear of the provisions of such Sections.

Section 8. Certificate of Termination of Options. A certificate, executed and acknowledged by the President and Secretary of the Condominium in recordable form, stating that the provisions of Sections 1 and 2 of this Article VIII, as the case may be, have been met by an Owner, or have been duly waived by the Board of Directors, and that the rights of the Board of Directors there under have terminated, shall be conclusive upon the Board of Directors and all of the other Owners in favor of all persons who rely thereon in good faith. Such certificate shall be furnished to any Owner who has in fact complied with the provisions of Sections 1 and 2 of this Article VIII, as the case may be, or in respect to whom the provisions of such Section have been waived, upon request, at a reasonable fee not to exceed Ten Dollars (\$10).

Section 9. Financing of Purchase of Condominium Units by Board of Directors. The acquisition of a Unit by the Board of Directors, on behalf of all Owners, may be made from the working capital, reserve and operating funds, in the hands of the Board of Directors, or if such funds are insufficient, the Board of Directors may levy an assessment against each Owner in proportion to his Percentage Interest, as a Common Expense, which assessment shall become a lien and be enforceable in the same manner as provided in Article X, or the Board of Directors, in its discretion, may borrow money to finance the acquisition of such Unit, provided, however, that no such financing may be secured by an encumbrance or hypothecation of any property other than the Unit, together with the Appurtenant Interests, so to be acquired by the Board of Directors.

Section 10. Exceptions. The provisions of Sections 1 and 2 of this Article VII shall not apply with respect to any sale or conveyance by an Owner of his Unit, together with the Appurtenant Interests, to his spouse or to any of his issue or to his parent or parents or to his brothers or sisters, or any one or more of them, or to a Unit owned by the Developer, or to the acquisition or sale of a Unit, together with the Appurtenant Interests, by a mortgagee herein authorized who shall

acquire title to such Unit by foreclosure or by deed in lieu of foreclosure. However, the provisions of this Section shall apply with respect to any purchaser of such Unit from such mortgagee.

Section 11. Waiver of Right of Partition with Respect to Such Units as are Acquired by the Board of Directors, on Behalf of all Owners as Tenants in Common. In the event that a Unit is acquired by the Board of Directors on behalf of all Owners as tenants in common, all such Owners shall be deemed to have waived all rights of partition with respect to such Unit.

Section 12. Payment of Assessments. No Owner shall be permitted to convey, mortgage, hypothecate, sell, lease, give, or devise his Unit unless and until he (or his personal representative shall have paid in full to the Board of Directors all unpaid Common Expenses theretofore assessed by the Board of Directors against his Unit.

Section 13. Options Limited to Period of Rule Against Perpetuities. Anything in this Article VIII to the contrary notwithstanding, no option granted by these Bylaws shall be exercisable by the Board of Directors, its designee, or any other person, after the expiration of twenty-one (21) years after the death of the last survivor of the following group of persons living at the date of recording of these Bylaws and the Declaration the issue of Richard M. Nixon, President of the United States; the issue of Joseph P. Kennedy, the father of John F. Kennedy, deceased former President of the United States; the issue of Franklin D. Roosevelt, deceased former President of the United States; and the issue of Harry S. Truman, former President of the United States.

ARTICLE IX

Mortgages

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

Section 2. Notice of Unpaid Assessments for Common Expenses. The Board of Directors, whenever so requested in writing by a mortgagee of a Unit, shall promptly report any then unpaid assessments for Common Expenses due from, or any other default by the Owner of the mortgaged Unit.

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

ARTICLE X
Compliance and Default

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

- a. Legal Proceedings. Failure to comply with any of the terms of the Declaration, these Bylaws, and the Rules and Regulations shall be grounds for relief which may include, without limiting the same, an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in these Bylaws, or any combination thereof, and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association of Unit Owners, the Board of Directors, the Managing Agent, or, if appropriate, by any aggrieved Owner.
- b. Additional Liability. Each Owner shall be liable for the expense of all maintenance, repair or replacement rendered by his act, neglect or carelessness or the act, neglect or carelessness of any member of his family or his employees, agents or licensees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation.
- c. Costs and Attorneys' Fees. In any proceeding arising out of any alleged default by an Owner, the prevailing party shall be entitled to recover the costs of the proceeding, and such reasonable attorneys' fees as may be determined by the court.
- d. No Waiver of Rights. The failure of the Association of Unit Owners, the Board of Directors, or of an Owner to enforce any right, provision, covenants, or condition which may be granted by the Declaration, these Bylaws or the Rules and Regulations shall not constitute a waiver of the right of the Association of Unit Owners, the Board of Directors or the Owner to enforce such right, provision, covenant, or condition in the future. All rights, remedies and privileges granted to the Association of Unit Owners, the Board of Directors, or any Owner pursuant to any term, provision, covenant or condition of the Declaration, these Bylaws, or the Rules and Regulations shall be deemed to be cumulative, and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such privileges as may be granted to such party by the Declaration, these Bylaws or the Rules and Regulations, or at law or in equity.

- e. Interest. In the event of a default by any Owner in paying any Common Expenses or other sum assessed against him which continues for a period in excess of fifteen (15) days, such Owner shall be obligated to pay interest on the amounts due at the rate of *fifteen per cent (15%) per annum from the due date thereof.
***Amended 8-1-81 from 8% to 15% per annum.**
- f. Abatement and Enjoinment of Violations by Owners. The violation of any rule or regulation adopted by the Board of Directors, or the breach of any Bylaw contained herein, or the breach of any provision of the Declaration, shall give the Board of Directors the right, in addition to any other rights set forth in these Bylaws: (a) to enter the Unit in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

Section 2. Lien for Contributions.

- a. In accordance with the Unit Ownership Act, any sum assessed by the Association of Unit Owners for the share of the Common Expenses chargeable to any Unit, and remaining unpaid for a period of thirty (30) days or longer, shall constitute a lien on such Unit when filed of record in the Office of the Clerk of Superior Court of Mecklenburg County, North Carolina in the manner provided therefore by the laws of the State of North Carolina. The Board of Directors, or the Managing Agent, may file or record such other or further notice of lien, or such other or further document as may be required by the laws of the State of North Carolina to confirm the establishment of such lien.
- b. In any case where an assessment against an Owner is payable in installments, upon a default by such Owner in the payment of any single installment, which continues for ten (10) days after written notice of such default has been sent to the Unit Owner, the maturity of the remaining total of unpaid installments of such assessments may be accelerated, at the option of the Board of Directors, and the then balance owing may be declared due and payable in full by the service of notice to such effect upon the defaulting Owner by the Board of Directors or the Managing Agent.
- c. The lien for contribution may be foreclosed in the manner provided by the laws of the State of North Carolina by suit brought in the name of the Board of Directors, or the Managing Agent, acting on behalf of the Association of Unit Owners. During the pendency of such suit the Owner shall be required to pay a reasonable rental for the Unit for any period prior to sale pursuant to any judgment or order of any court having jurisdiction over such sale. The plaintiff in such proceeding shall have the right to the appointment of a receiver, if available under the then laws of the State of North Carolina.

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

ARTICLE XI

Miscellaneous

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

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

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

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

ARTICLE XII

Amendments to Bylaws

Section 1. Amendments. Except as otherwise provided in this Section, these Bylaws may be modified or amended by a vote of 66 $\frac{2}{3}$ % of the Owners at any regular or special meeting, provided that notice of the proposed amendment shall have been given to each Owner at least fourteen (14) days in advance of such meeting; provided, however, that Section 2 of Article II, insofar as it provides that the Developer, so long as it is the Owner of one or more Units, shall be entitled to elect a specified number of the members of the Board of Directors, Section 9 of Article II, insofar as it provides that the Developer, so long as it is the Owner of one or more Units, may vote the votes appurtenant thereto, Section 10 of Article VIII, insofar as it provides that the Developer shall be exempt from the provi-

sions of Sections 1 and 2 of Article VIII insofar as they provide for a right of first refusal to the Board of Directors, and this Section I of Article XII, however, may not be amended without the consent in writing of the Developer, so long as the Developer shall be the Owner of one or more Units.

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

Section 3. Conflicts. No modification or amendment of these Bylaws may be adopted which shall be inconsistent with the provisions of the Unit Ownership Act. A modification or amendment once adopted and recorded as provided for herein shall then constitute part of the official Bylaws of the Condominium, and all Owners shall be bound to abide by such modification or amendment.

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