



MILL RIDGE

**COVENANTS
BY - LAWS
AND
ARTICLES OF
INCORPORATION**

DECLARATION
OF
MILL RIDGE CONDOMINIUM
A DECLARATION OF INTENTION TO SUBMIT PROPERTY TO THE PROVISIONS
OF CHAPTER 47A OF THE NORTH CAROLINA GENERAL STATUTES
CONDOMINIUM FILE NO. 53

THIS DECLARATION, made on this the 15th day of July, 1983, by OLDE RALEIGH DEVELOPMENT CO., hereinafter referred to as the "Declarant", does hereby declare:

1. LANDS INVOLVED.

(a) Declarant is the owner in fee simple of some lands in the City of Raleigh, Wake County, North Carolina containing approximately 19 acres and described by metes and bounds on Exhibit A attached hereto and made a part of this Declaration.

(b) It is the intent of the Declarant to submit some or all of said lands, including the buildings, structures and improvements located thereon to unit ownership through the recordation of the declaration provided for in Chapter 47A of the North Carolina General Statutes. An existing residence and outbuildings located on the Property will be removed by the Declarant and are not included in buildings, structures and improvements which are submitted to unit ownership. The submission to unit ownership of all lands and improvements to be included in Mill Ridge Condominium shall be accomplished on or before December 31, 1988. If any of said land shall not be submitted by said date, it shall no longer be eligible for submission pursuant to this Declaration.

(c) The lands, buildings, structures and improvements described in this Declaration shall be the Property, as the term is defined herein and in G.S. 47A-3 and when annexed into the Association, shall be administered by the association of unit owners provided for in this Declaration and in the bylaws attached hereto, subject always to the provisions of Chapter 47A of the North Carolina General Statutes. Additional Property shall be subjected to unit ownership by the Declaration of Annexation of such Additional Property. Additional Property may only be annexed as follows: It must be contiguous to property originally submitted to unit ownership upon the recordation of this Declaration or contiguous to previously annexed Additional Property and all portions of the property described in Exhibit A which have not been annexed into the Association shall be one contiguous tract of land which meets all of the requirements of the City of Raleigh to qualify it as a "Lot" under the City Code of Raleigh.

(d) Each unit owner shall be vested with an undivided interest in the common areas and facilities of the Property in fee simple determinable. Each Declaration of Annexation of Additional Property shall set forth the percentage that the value of each unit within the Property, including those within said Additional Property represents of the aggregate value of all units then within the Property. Such percentage of value shall be in accord with paragraph 6 of this Declaration. Upon the filing of the Declaration of Annexation of the Additional Property in the Registry of Wake County, the interest in the common areas and facilities of the Property theretofore vested in the unit owners in the percentages set forth in the respective deeds of conveyance and appearing in the Declaration or any amendment to the Declaration previously recorded, shall cease and determine, and such owners thereupon shall be vested instantaneously with a fee simple determinable interest in all of the common areas and facilities within the Property, including the newly merged common areas and facilities in the percentages

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heretofore and hereafter stated. The respective interest of all owners in the common areas and facilities of the Property shall become vested in fee simple absolute upon submission of all of the land described in Exhibit A attached hereto to unit ownership, provided that such submission has been done on or before December 31, 1988.

(e) The interest and estate of any unit owner in the common areas and facilities of the Property may constitute a part of the security for any obligation against the unit, but the consent of trustees, mortgagees, or beneficiaries under any instrument securing such obligation shall not be required to terminate and revest in the unit owner his respective interest and estate in the common areas and facilities as provided in subparagraph (d) of this paragraph 1, except as provided in paragraph 36 of this Declaration. The said trustees, mortgagees, or beneficiaries shall continue to have a security interest of the same nature provided in the security instrument in such estate as the unit owner shall have in the common areas and facilities of the Property from time to time, as annexation of Additional Property progresses. Every deed of trust, mortgage, or other security instrument upon any unit or other property within the Property shall be subject to the provisions of this Declaration, and every trustee, mortgagee, or beneficiary, by entering in to such security instrument upon any unit or units or other property within the Property, agrees and covenants for himself, his heirs, personal representatives, successors and assigns that said security instrument shall be subject to the provisions of this Declaration.

(f) The voting rights appurtenant to each annexed unit shall become effective beginning on the first day of the first month following annexation. Assessments shall be levied against each annexed unit beginning on the first day of the first month following annexation; provided, however, that if annexation occurs more than five days before the first day of the first month following annexation, assessments shall be levied against each annexed unit from the date of annexation.

(g) Upon the annexation of any Additional Property, the Declarant shall pay to the Association for each annexed unit, a sum equal to the amount which would have been paid for that unit for current year taxes for the period of January 1 of the current year to the date of closing.

2. SUBMISSION OF PROPERTY. The Declarant hereby submits the lands described in Exhibit A-1 attached hereto, together with the buildings, structures, and improvements located thereon, and all easements, rights, and appurtenances belonging thereto, and all articles of personal property intended for use in connection therewith, to the provisions of the North Carolina Unit Ownership Act, as set forth in Chapter 47A of the General Statutes of North Carolina.

The right to annex Additional Property and submit to the Unit Ownership Act belongs exclusively to the Declarant.

3. DEFINITIONS. As used in this Declaration and in the Bylaws hereto attached, unless the context otherwise requires:

(a) "Architectural Plans" means the plans of the buildings filed with this Declaration, showing thereon graphically all particulars of the buildings and the units, which are filed in the Mill Ridge Condominium File in the Wake County Registry simultaneously with this Declaration, which plans are made a part of this document and incorporated herein by reference. These plans consist of two sets of drawings by William Robert Wakeham, Architect. One set of drawings consists of four pages and is entitled "Studio Homes at Mill Ridge" dated April 20, 1983, revised May 23, 1983, herein "Studio Homes Plans". The other set of drawings consist of five pages and is entitled

"8-Plex Condo Flats" dated December 20, 1982, revised May 23, 1983, herein "8-Plex Plans". The location of the units will be as shown on a map entitled "Property of Mill Ridge Condominiums" by John A. Edwards and Company dated May 27, 1983, and revised June, 1983, herein "Phase Map".

(b) "Association of Unit Owners" or "Association" means and refers to the association of unit owners of Mill Ridge Condominium, to be known as the Mill Ridge Condominium Owners Association, Inc.

(c) "Board of Directors" or "Board" means those persons elected or appointed and acting collectively as the directors of the Association.

(d) "Buildings" means detached single units and multi-unit structures constructed or erected on the Property which contain the condominium units.

(e) "Bylaws" means the bylaws of the Association as they now or hereafter exist. A copy of the Bylaws as they now exist is attached hereto as Exhibit "C".

(f) "Common areas and facilities" means all portions of the Property except the condominium units.

(g) "Common expenses" means and includes:

1. All sums lawfully assessed against the unit owners by the Association;
2. Expenses of administration, maintenance, repair, or replacement of the common areas and facilities;
3. All ad valorem taxes and public assessments levied against the common areas;
4. Expenses agreed upon as common expenses by the Board of Directors of the Association;
5. Expenses declared to be common expenses by the provisions of the Unit Ownership Act, by the Declaration or by the Bylaws; and
6. Hazard, and such other insurance premiums as the Declaration and/or Bylaws may require the Association to purchase.

(h) "Common profits" means the balance of all income, rents, profits, and revenues from the common areas and facilities remaining after the deduction of the common expenses therefor.

(i) "Declarant" means OLDE RALEIGH DEVELOPMENT COMPANY and its successors and assigns to whom its rights hereunder as Declarant are expressly transferred, in whole or in part.

(j) "Declaration" means this instrument, duly recorded, by which the Property is submitted to the provisions of the Unit Ownership Act as it is now written, and as it, from time to time, may be lawfully amended.

(k) "Limited common areas and facilities" means and includes those common areas and facilities which are reserved for the use of designated units to the exclusion of the other units, such as decks, patios and the like.

(l) "Majority" or "majority of unit owners" means the owners of more than fifty percent (50%) of the aggregate interest in the common areas and facilities, as established by this Declaration, assembled at a duly called meeting of the unit owners.

(m) "Person" means any individual, corporation, partnership, association, trustee, or other legal entity.

(n) "Property" means and includes the lands, buildings, structures and improvements thereon, and all easements, rights and appurtenances belonging thereto, and all articles of personal property intended for use in connection therewith, which are herein submitted to the provisions of the Unit Ownership Act. As Additional Property is submitted to the provisions of the Unit Ownership Act, this term shall also include such Additional Property and all buildings, structures and improvements thereon, and all easements, rights and appurtenances belonging thereto, and all articles of personal property intended for use in connection therewith.

(o) "Unit" or "condominium unit" means a dwelling or place of residence, including accessory spaces and areas appurtenant thereto, within a building on the Property, and specifically designated and described in this Declaration.

(p) "Unit designation" means the number, letter or combination thereof designating the unit and set forth in this Declaration.

(q) "Unit owner" means any person, corporation, partnership, association, trust or other legal entity, or any combination thereof, who owns a unit within a building on the Property.

(r) "Unit Ownership Act" means the provisions of Chapter 47A of the North Carolina General Statutes as the same now exists or may hereafter be amended.

(s) "Additional Property" means portions of that tract of land described on Exhibit A attached hereto which are from time to time annexed to the Property and submitted to the Unit Ownership Act.

4. DESCRIPTION OF BUILDINGS. The Studio Homes consist of buildings shown on the Phase Map and designated as Numbers 17 to 73, inclusive, 98 to 107, inclusive, 124 to 151, inclusive and 176 to 190, inclusive. Some are detached and some are attached as shown on the Phase Map.

The buildings for 8-Plex units are unnumbered but the 8-Plex units in each building are numbered, the four lowest numbered 8-Plex units being on the ground floor and the four highest numbered units being on the second floor. These buildings are located as shown on the Phase Map. The 8-Plex units are numbered as follows:

Units 1 to 8, inclusive, in a building in Phase I.
 Units 9 to 16, inclusive, in a building in Phase I.
 Units 74 to 81, inclusive, in a building in Phase IV.
 Units 82 to 89, inclusive, in a building in Phase V.
 Units 90 to 97, inclusive, in a building in Phase V.
 Units 108 to 115, inclusive, in a building in Phase VI.
 Units 116, to 123, inclusive, in a building in Phase VI.
 Units 152 to 159, inclusive, in a building in Phase IX.
 Units 160 to 167, inclusive, in a building in Phase IX.
 Units 168 to 175, inclusive, in a building in Phase IX.

A. Studio Homes. The Studio Homes shall be 24-1/2 feet by 24-1/2 feet in exterior dimensions, consisting of a living room, dining room, kitchen, bedroom and bath and having approximately 600 square feet, in addition to the area between the foundation walls described in paragraph 5 of this Declaration.

(1) Foundation - The Foundation shall consist of 8-inch concrete masonry units with stucco type finish. It shall

contain a crawl space in which shall be located a 100 amp electric power panel and an electric water heater. The dimensions of the foundation are 16 feet by 16 feet.

(2) Floor - The floor shall consist of cantilevered steel beams running through wooden floor joists with insulation between the joists. The floor joists will be covered on the top with 5/8-inch plywood and on the bottom with wood or hardboard. The interior portion of the floors shall be covered by ceramic or vinyl tile in the bathroom, vinyl in the kitchen and carpet in the remainder of the dwelling.

(3) Exterior Walls - The exterior walls shall consist of wood type siding--either vertical or horizontal boards, plywood or hardboard. Inside the siding shall be gypsum sheathing nailed to wood studs. Insulation shall be installed between the studs. The interior portion of the walls shall consist of sheetrock.

(4) Interior Walls - The interior walls shall consist of wood studs with sheetrock on each side, except for bi-fold doors as shown on the plans.

(5) Windows - The windows shall consist of double hung wooden windows.

(6) Bathroom - Bathtubs are of steel with ceramic tile surrounding or of fiberglass with fiberglass surrounding. All commodes and lavatories are standard ceramic.

(7) Kitchen - Appliances will consist of a sink having two-tub steel enamel, dishwasher, and range with oven.

(8) Exterior Doors - The exterior doors will consist of one glazed sliding glass door and one insulated metal door.

(9) Deck - A wooden deck will be attached to each Studio Home. These shall be of varying sizes and locations with reference to the dwellings to which they are attached. (It is noted that the Phase Map shows decks attached to each Studio Unit. However, this is illustrative only and is not intended to fix the size or location of such decks.)

(10) Heating and Air Conditioning - The heating and air conditioning shall be provided either by a heat pump--either a through the wall unit or a unit which is placed on a pad outside the Studio Home with duct work running into the home--or the heating may be a gas furnace and air conditioning by an air conditioning unit.

B. 8-Plex Condo Flats - 8-Plex Condo Flats (herein "8-Plex Units") shall be substantially identical to each other, except that those located on the first floor shall have concrete floors and concrete patios, whereas those on the second floor shall have wooden floors and wooden balconies. All 8-Plex Units are the same size, having widths of 28 feet at the widest points and depths of 32 feet, five inches at the greatest depths and consisting of a living room, dining room, foyer, kitchen, den, one bedroom and two baths and having approximately 850 square feet. The patios and balconies have widths of 12 feet 4 inches and depths of 8 feet. All have storage rooms adjacent to the patio or balcony which are 8 feet by 5 feet 4 inches. Each 8-Plex Unit has a prefabricated metal fireplace with hearth.

(1) Floor - The first floor units have concrete floors covered with vinyl in the bathrooms and kitchen, parquet in the foyer and carpet in the other rooms. The upper level floors consist of floor trusses covered on the bottom by sheetrock and on top by plywood. The plywood is covered by vinyl in the baths and kitchen, parquet in the foyer and carpet in the remaining rooms.

(2) Exterior Walls - The exterior walls of each unit consist of walls exposed to the elements and party walls between each unit and the adjacent units. Those which are exposed to the elements shall consist of wood type siding (either horizontal or vertical boards, plywood or hardboard) or brick veneer or a combination of these. Inside this exterior shall be gypsum sheathing and inside the gypsum sheathing shall be wood studs with insulation. The interior of this wall surface shall be sheetrock. The exterior wall between 8-Plex Units shall consist of two stud walls, each of which shall have wooden studs with sheetrock on one side and insulation between the studs. The area between these walls shall consist of 1-3/4 inch of air space. These two stud walls shall be placed against each other to form one party wall between units.

(3) Interior Walls - The interior walls shall consist of wood studs with sheetrock on each side.

(4) Roof and Ceiling - The ceiling for the first floor units shall be sheetrock which will be attached to the bottom of the floor joists for the second floor. The ceiling for the second floor units shall be sheetrock attached to the roof trusses. The roof trusses shall have insulation between the trusses, plywood immediately above the trusses, felt on the plywood and either cedar or fiberglass shingles on top of the felt. All windows shall be double-hung wooden windows.

(5) Bathrooms - Bathtubs are steel with ceramic tile surrounding or of fiberglass with fiberglass surrounding. All commodes and lavatories are standard ceramic.

(6) Kitchen - Appliances will consist of a sink having two-tub steel enamel, dishwasher and range with oven.

(7) Exterior Doors - The entry door will consist of one insulated metal door. The door to the patio or balcony shall have one double glazed sliding glass door with wood or metal frame or one swinging glass door with a matching glass panel. If this alternative is installed, it shall be double glazed and the frame shall be metal or wood.

(8) Heating and Air Conditioning - The heating and air conditioning shall be provided either by a heat pump--either a through the wall unit or a unit which is placed on a pad outside the 8-Plex with duct work running into the home--or the heating may be a gas furnace and air conditioning by an air conditioning unit.

C. If the building code requires any construction which is different from that stated herein, either now or before the final unit is constructed, the building plans may be altered to conform to such requirements.

5. UNIT DESCRIPTION. The designation of each unit, its location, its dimensions, approximate area, number of rooms, limited common areas appurtenant to each unit and common areas and facilities to which it has immediate access and other data concerning its proper identification are further shown in the Architectural Plans and made a part of this document.

Each unit owner is the sole owner of the following portions and areas of his respective unit:

All of that area between the top of the sub-floor and the bottom of the ceiling joists and between the inside faces of the studs of the exterior walls except interior load-bearing walls (exclusive of wall coverings such as sheetrock, tile, etc.), and including, without limitation, all items such as sheetrock, floor carpet, vinyl floor coverings, ceiling tile, bath tile, non-load bearing and non-stress bearing partition walls, doors, electric

and plumbing fixtures, electrical sockets, electric switches, heating and air conditioning units serving only one unit, water heaters, ovens, dishwashers, disposals and other built-in appliances of whatever nature, cabinets, grills, sinks, lavatories and such pipes and wiring which serve a single unit. It is expressly provided, however, that ownership of pipes and wires terminates wherever such pipes or wires are attached to pipes or wires serving other units or other property. All such appliances and equipment which serve more than one unit shall be a part of the common areas and facilities. If any mechanical system serving only one unit is located outside of the unit it shall nevertheless be the sole property of the unit owner. Each unit's exterior doors and windows shall be considered a part of the unit and shall be the sole property of the responsibility of the unit owner.

The owner of Studio Units shall own all space between the foundation walls and all space between the ground and the bottom of the floor above the foundation walls. This area consists of approximately 250 square feet.

6. PERCENTAGE OF INTEREST. For the purpose of this Declaration the value of each Studio Home is identical to the value of each of the other Studio Homes. Therefore, the percentage of interest belonging to the owner of each Studio Home shall be the same as the percentage of interest belonging to the owner of each of the other Studio Homes. The value of each 8-Plex Unit is identical to the value of each of the other 8-Plex Units. Therefore, the percentage of interest belonging to the owner of each 8-Plex Unit shall be the same as the percentage of interest belonging to the owner of each of the other 8-Plex Units. As between a Studio Home and an 8-Plex Unit, the relative value is 34 for the Studio Home and 39 for the 8-Plex Unit. As an example of the amount of assessments to be borne by the owner of a Studio Home and by the owner of an 8-Plex Unit--suppose that the monthly portion of the annual assessment applicable to a Studio Home were \$34.00. In such event, the monthly portion of the annual assessment for each of the other Studio Homes would be \$34.00 and in such event the monthly assessment for each 8-Plex Unit would be \$39.00. If the monthly assessment applicable to the Studio Home were \$51.00, the monthly assessment applicable to the 8-Plex Unit would be \$70.50.

The percentage of interest in the common area of each unit is the same as the percentage of assessment for the maintenance of the common area and both are set forth on Exhibit "D" attached hereto and made a part of this instrument.

7. COMMON AREAS AND FACILITIES. The common areas and facilities consist of all parts of the Property other than the individual units as described in Paragraph 5 above, including without limitation, the following:

(a) The land described in Exhibit A-1 attached hereto and Additional Properties hereafter annexed;

(b) All foundations, columns, girders, beams, supports and other structural members, crawl spaces, corridors, stairways, entrances and exits;

(c) The roofs, all exterior walls, and all interior walls, except non-load bearing and non-stress bearing partition walls which are wholly within a unit;

(d) All central and appurtenant installations for services such as power, light, pipes, ducts, wires, cables and conduits located in the common areas;

(e) All sewer pipes and sewer systems which are not inside a unit and all water pipes and water systems which are not inside a unit, except such as are described as part of a Unit in paragraph 5 of this Declaration;

(f) All yards, walkways, driveways, private streets and parking lots;

(g) All recreational facilities; and

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

8. LIMITED COMMON AREAS AND FACILITIES. Certain parts of the common areas and facilities herein called and designated as "limited common areas and facilities" are hereby set aside and reserved for the exclusive use of certain units and such units shall have appurtenant thereto an exclusive easement for the use of such limited common areas and facilities, except as otherwise herein expressly provided.

All areas lying immediately below the Studio Homes and the decks attached to the Studio Homes shall be limited common areas and shall be subject to use only by the owners of the respective units to which these limited common areas are adjacent.

The limited common area for each 8-Plex unit shall consist of the patio or balcony onto which a door of each unit opens and the storage facility adjacent to the unit and its patio or balcony.

The Declarant or Board of Directors may designate a reasonable yard space adjacent to each unit as limited common area for the sole use and benefit of the adjacent unit owner. Such yard spaces shall be substantially equal among the Studio Homes. Such yard spaces shall also be substantially equal among the 8-Plex Units. No such yard space shall extend more than 15 feet from the exterior wall of any unit, except that walkways may be designated as limited common area beyond such 15 foot area in order to connect a unit with a parking area or a private street.

9. MAINTENANCE. The Association shall have no duty to maintain any common area facilities which are maintained by the City of Raleigh or any other governmental body or by any public utility company.

The Association shall maintain the common areas and repair any damages to any unit caused by defects in the common area, provided such defects are not caused by the Owner of such unit. By way of illustration, the Association shall repair damages to sheetrock in a unit caused by a leaking roof, provided the Owner of such unit has not caused the roof to leak.

Any damages which a unit owner, or his tenants, invitees, employees and immediate family members of a unit owner, cause to a unit other than his own or to the common areas and facilities shall be repaired by the Association, and the cost of such repairs shall be assessed against the unit owner who (or whose tenants, etc.) causes such damage.

10. PERPETUAL NON-EXCLUSIVE EASEMENT IN COMMON AREAS AND FACILITIES. The common areas and facilities shall be, and are hereby declared to be, subject to a perpetual non-exclusive easement in favor of all of the unit owners for their use and the use of their immediate families, guests, invitees, and employees, for all proper and normal purposes, for the furnishing of services and facilities for which the common areas and facilities are reasonably intended, and for the enjoyment of the unit owners. The Association shall have the exclusive right to establish the rules and regulations pursuant to which the owner of any unit may be entitled to use the common areas and facilities and to establish regulations concerning their use.

11. PARKING. The Association shall, at all times, maintain sufficient parking areas whereby there shall be at least one parking space per unit. The Association may, in its discretion, assign one parking space for the exclusive use of each unit. The Association may, in its discretion, prohibit and/or regulate the parking of boats, trailers, campers (whether motorized or not) and such classes of trucks and vans as the Association may designate. No rules as to parking shall be made in violation of the City Code of Raleigh.

12. RIGHT OF DECLARANT TO MAINTAIN OFFICE OR MODEL. The Declarant reserves the right to use any unsold unit as an office and/or as a model unit which may be shown to prospective purchasers of units. Declarant also reserves the right to set aside convenient parking spaces for the accommodation of visitors to the office and prospective purchasers, provided that such reservation of parking spaces does not interfere with the provision of adequate parking space to the unit owners.

13. RESTRICTION AS TO USE. Except as otherwise provided herein, each building and each of the units shall be used for residential purposes only. Use of the buildings and units is further restricted by the Bylaws of the Association.

14. PERSON TO RECEIVE SERVICE OF PROCESS. The name and address of the person to receive service of process in any action as set forth and permitted or required by Chapter 47A of the General Statutes of North Carolina is as follows:

Mr. William R. Henderson
1334 Kildaire Farm Road
Cary, North Carolina 27511

15. ADMINISTRATION OF THE CONDOMINIUM BY MILL RIDGE CONDOMINIUM OWNERS ASSOCIATION. To efficiently and effectively provide for the administration of the condominium by the owners of condominium units, a non-profit North Carolina corporation, known and designated as Mill Ridge Condominium Owners Association, Inc., has been organized, and said corporation shall administer the operation and management of the condominium, and undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation and Bylaws. A true copy of said Articles of Incorporation and Bylaws are attached hereto and expressly made a part hereof as Exhibits "B" and "C" respectively. The owner of each condominium unit shall automatically become a member of said corporation upon his acquisition of an ownership interest in title to any condominium unit and its appurtenant undivided interest in the common areas and facilities and the membership of such owner shall terminate automatically upon such owner being divested of such ownership interest in the title to such condominium unit, regardless of the means by which such ownership may be divested. Ownership of a unit shall be the sole qualification for membership in the Association. No person, firm or corporation holding any lien, mortgage or other encumbrance upon any condominium unit shall be entitled, by virtue of such lien, mortgage or other encumbrance to membership in said corporation, or to any of the rights or privileges of such membership. As evidence of each owner's membership, each unit owner, upon purchase of a unit, shall deliver to the office of the Association a photocopy of the page of his deed which contains the name of the unit owner and the number of the unit owned by such unit owner, from which the Association shall keep and maintain a roster or listing of its membership. In the administration of the operation and management of the condominium, the Association shall have and is hereby granted the authority and power to enforce the provisions of this Declaration to levy and to collect assessments in the manner hereinafter provided, and to adopt, promulgate and enforce such rules and regulations governing the use of the condominium units and the common areas and facilities as the Board of

Directors may deem to be in the best interests of the Association.

16. ENCROACHMENTS. If any portion of the common areas and facilities now or hereafter encroaches upon any unit or if any unit now or hereafter encroaches upon any other unit or upon any portion of the common areas and facilities as a result of the construction of any building, or if any such encroachment shall occur after recordation of this Declaration as a result of settling or shifting of any building or as a result of any permissible repair, construction, reconstruction, or alteration, there is hereby created and shall be a valid easement for such encroachment and for the maintenance of the same.

17. EASEMENTS. Each unit owner within the Property shall have an easement in common with the owners of all other units to use all pipes, wires, ducts, cables, conduits, public utility lines and other common facilities located in or adjacent to any of the other units and serving his unit. Each unit shall be subject to an easement in favor of the owners of all other units to use the pipes, ducts, cables, wires, conduits, public utility lines and other common facilities serving such other units and located in or adjacent to such unit. The Board of Directors shall have the right of access to each unit from time to time during reasonable hours as may be necessary to inspect the same, to remove violations therefrom and to maintain, repair or replace the common areas and facilities contained therein or accessible therefrom, or for making emergency repairs therein necessary to prevent damage to the common areas and facilities or to another unit or units. Each unit owner shall specifically have an easement to maintain all components of the heating and air conditioning systems serving his unit in its initial location.

An easement is hereby established over the common areas and facilities for the benefit of applicable governmental agencies, public utility companies and public service agencies as necessary for setting, removing and reading of meters, replacing and maintaining water, sewer and drainage facilities, electrical, telephone, gas and cable antenna lines, fire fighting, garbage collection, postal delivery, emergency and rescue activities and law enforcement activities and other public services (whether similar or dissimilar to the foregoing).

No municipality shall be responsible for failing to provide any emergency or regular fire, police or other public service to the Property or to the occupants of the Property when such failure is due to the lack of access to such areas due to inadequate design or construction, blocking of access routes, or any other factor within the control of the Declarant, the Association, the unit owners, or other occupants of the Property.

18. RIGHT OF ENTRY INTO CONDOMINIUM UNITS IN EMERGENCIES. In case of any emergency originating in or threatening any condominium unit, regardless of whether the owner is present at the time of such emergency, the Board of Directors, or any other person authorized by it, or the Managing Agent, shall have the right to enter any condominium unit for the purpose of remedying or abating the cause of such emergency, and such right of entry shall be immediate. To facilitate entry in the event of any such emergency, the owner of each condominium unit, if required by the Association, shall deposit under the control of the Association a key to such condominium unit.

19. PARTITIONING. The common areas and facilities shall not be divided nor shall any right to partition any part thereof exist. Nothing contained herein, however, shall be deemed to prevent ownership of a condominium unit by the entireties, jointly, or in common or in any other form by law permitted.

20. NATURE OF INTEREST IN UNITS. Every unit, together with its undivided common interest in the common areas and facilities,

shall for all purposes be, and it is hereby declared to be and to constitute a separate parcel of real property and the unit owner thereof shall be entitled to the exclusive ownership and possession of his unit and the exclusive right to occupy and possess the limited common areas appurtenant to such unit, subject only to the covenants, restrictions, and easements contained herein and the Bylaws, Rules, Regulations, Resolutions and decisions adopted pursuant thereto.

21. INSURANCE. Insurance coverage on the property shall be governed by the following provisions:

(a) Ownership of Policies. All insurance policies upon the Property shall be purchased by the Board of Directors for the benefit of the Board and the unit owners and their mortgagees as their interests may appear, and provisions shall be made for the issuance of certificates of mortgagee endorsements to the mortgagees of unit owners. Unit owners may, at their option, obtain insurance coverage at their own expense upon their own personal property and for their personal liability and living expense and such other coverage as they may desire.

(b) Coverage. All buildings and improvements upon the land and all personal property included in the common areas and facilities shall be insured in an amount equal to the maximum insurable replacement value as determined annually by the Board of Directors with the assistance of the insurance company providing such coverage. Such coverage shall provide protection against

(i) loss or damage by fire and other hazards covered by a standard extended coverage endorsement,

(ii) such other risks as from time to time shall be customarily covered with respect to buildings similar in construction, location and use as the buildings on the land, and

(iii) workmen's compensation insurance, if and to the extent required by law.

The Board may, if it so elects, include in its insurance coverage for the benefit of the unit owners any or all of those items owned by the unit owners which would normally be deemed real estate under the laws of North Carolina, including, without limitation, such items as sheetrock, non-load bearing walls, doors and built in appliances. If such items are included in the insurance coverage, the extra cost of such coverage shall be borne by the unit owners in the same ratio that applies to other assessments.

To the extent obtainable, public liability and property damage insurance having such limits as the Board of Directors may from time to time determine, insuring: each member of the Board of Directors; the manager, if any; 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. The insurance shall be issued on a comprehensive liability basis and shall contain a cross liability endorsement under which the rights of each named insured under the policy shall not be prejudiced with respect to his action against another named insured. The amount of such public liability insurance shall be not less than \$1,000,000 per occurrence with regard to the Association and not less than \$100,000 per occurrence with regard to each individual unit owner. There shall also be obtained such other insurance coverage as the Board of Directors shall determine from time to time to be desirable and necessary.

(c) Premiums. Premiums upon insurance policies purchased by the Board of Directors shall be paid by the Association.

(d) Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association and the unit owners and their mortgagees as their interest may appear, and shall provide that all proceeds thereof shall be payable to the Board as insurance trustee under this Declaration. The sole duty of the Board of Directors as insurance trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purposes elsewhere stated or stated in the Bylaws and for the benefit of the unit owners and their mortgagees in the following shares:

(i) Proceeds on account of damage to common areas and facilities: an undivided share for each unit owner, such share being the same as each unit owner's undivided interest in the common areas and facilities.

(ii) Proceeds on account of damage to units shall be held in the following undivided shares: (a) When the building is to be restored - for the owners of damaged units in proportion to the cost of repairing the damage suffered by each unit owner, which cost shall be determined by the Directors; (b) When the building is not to be restored - an undivided share for each unit owner, such share being in ratio to each unit owner's undivided interest in the common areas and facilities.

(iii) In the event a mortgagee endorsement has been issued as to a unit, the share of the unit owner shall be held in trust for the mortgagee and the unit owner as their interests may appear.

(e) The Board of Directors shall purchase and maintain a master policy of flood insurance on the Property and any units or other buildings thereon if required by a lender and if the Property is located in a flood hazard area.

22. DISTRIBUTION OF INSURANCE PROCEEDS. Proceeds of insurance policies received by the Board of Directors as insurance trustee shall be distributed to or for the benefit of the beneficial owners in the following manner:

(a) Reconstruction or Repair. If the damage for which the proceeds are paid is to be repaired or reconstructed, the proceeds shall be paid to defray the cost thereof as provided by Paragraph 21 hereof. Any proceeds remaining after defraying such cost shall be distributed to the beneficial owners.

(b) Failure to Reconstruct or Repair. If it is determined, as provided in Paragraph 23 hereof, that the damage for which the proceeds are paid shall not be reconstructed or repaired, the proceeds shall be distributed to the beneficial owners thereof, with the respective mortgagees having a prior claim to such proceeds.

23. DAMAGE AND DESTRUCTION. Except as hereinafter provided, damage to or destruction of the buildings shall be promptly repaired and restored by the Board of Directors using the proceeds of insurance on the buildings for that purpose and the unit owners within the Property shall be liable for assessment of any deficiency; provided, however, if more than two-thirds of all of the units are substantially destroyed by fire or other casualty and the owners of three-fourths of all of the units within the Property resolve not to proceed with reconstruction or restoration, then in that event the Property shall be deemed to be owned as tenants in common by the unit owners and subject to the provisions of North Carolina General Statutes 47A-25, as the same exists at the date hereof or as amended hereafter. The determination as to whether more than two-thirds of the units have been substantially destroyed by fire or other casualty shall be made by the unit owners at a duly called meeting of the Association.

Any reconstruction or repair shall be in accordance with the Architectural Plans.

24. FIDELITY BONDS. The Association shall maintain blanket fidelity bonds for all officers, directors, trustees and employees of the Association and for all other persons handling or responsible for funds of or administered by the Association. Where the Association has delegated some or all of the responsibility for the handling of funds to a management agent, fidelity bonds shall be required for such management agent's officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association.

The total amount of fidelity bond coverage shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the management agent, as the case may be, at any given time during the term of each bond. However, in no event shall the aggregate amount of such fidelity bonds be less than a sum equal to three months' aggregate assessments on all units plus reserve funds.

Fidelity bonds required herein shall:

- (1) name the Association as an obligee;
- (2) contain waivers by the issuers of the fidelity bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions;
- (3) provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least 10 days prior written notice to the Association, to any such agent as the Association shall designate to negotiate settlement of insurance claims on behalf of the Association, and to any institutional lender servicing on behalf of the Federal National Mortgage Association any loan secured by any unit.

The premiums on all such fidelity bonds for the Association (except for premiums on fidelity bonds maintained by a management agent for its officers, employees and agents) shall be paid by the Association as a common expense.

25. UNITS SUBJECT TO DECLARATION, BYLAWS, RULES AND REGULATIONS AND LAWS OF NORTH CAROLINA. All present and future owners, tenants and occupants of units, all employees of such owners, tenants and occupants, and any other persons that may in any manner use the Property or any part shall be subject to, and shall comply with the provisions of this Declaration, the Bylaws and any rules and regulations as may be adopted in accordance with the Bylaws, as said Declaration, Bylaws, Rules and Regulations may be amended from time to time. The acceptance of a deed or conveyance or the entering into of a lease or the entering into occupancy of any unit shall constitute an agreement that the provisions of this Declaration, Bylaws and any rules and regulations which may be adopted are accepted and ratified by such owner, tenant or occupant, and all of such provisions shall be deemed and taken to be covenants running with the land and shall bind any person having at any time any interest or estate in such unit as though such provisions were made a part of each and every deed or conveyance or lease.

Each unit owner shall comply strictly with the bylaws and with the administrative rules and regulations adopted pursuant thereto, as either of the same may be lawfully amended from time to time, and with the covenants, conditions and restrictions set forth in the declaration or in the deed to his unit. Failure to comply with any of the same shall be grounds for an action to recover sums due, for damages or injunctive relief, or both, maintainable by the manager or board of directors on behalf of

the association of unit owners or, in a proper case, by an aggrieved unit owner.

No unit owner shall do any work which would jeopardize the soundness or safety of the property or impair any easement or hereditament without in every such case the unanimous consent of all the other unit owners affected being first obtained.

26. ASSESSMENTS. The Association is given the authority to administer the operation and management of the Property, it being recognized that the delegation of such duties to one entity is in the best interest of all unit owners. To properly administer the operation and management of the Property, the Association will incur, for the mutual benefit of all of the unit owners, costs and expenses, which are herein referred to as "common expenses". To provide the funds necessary for such proper operation, management and capital improvement, the Association is herein granted the right to levy and collect assessments against the owners of all units and against said units.

All assessments levied against the unit owners and against their units shall be uniform and, unless specifically otherwise provided for in this Declaration, the assessments made by the Association shall be in such an amount that any assessment levied against a unit owner and against his unit shall bear the same ratio to the total assessment made against all unit owners and against their units as the undivided interest in the common areas and facilities appurtenant to each unit bears to the total undivided interest in the common areas and facilities appurtenant to all units. Assessments on each unit of Phase I shall begin to accrue on the first day of the first month following the closing of the sale of the first Studio Home or 8-Plex Unit located in Phase I. As to other units, it shall accrue from the date of annexation.

Should the Association be the owner of any unit, the assessment which would otherwise be due and payable to the Association by the owner of such unit, reduced by the amount of income which may be derived from the leasing of such unit by the Association, shall be apportioned and the assessment therefor levied ratably among the owners of all units which are not owned by the Association, based upon their proportionate interests in the common areas and facilities exclusive of the interests therein appurtenant to any unit owned by the Association.

At the closing of the sale of each unit by the Declarant, a sum shall be collected equal to the total assessment for such unit for the succeeding two months and such sum shall be contributed to the general operating fund of the Association for the purpose of insuring that the Association will have sufficient funds to meet unforeseen expenditures.

27. LIENS FOR UNPAID COMMON EXPENSES; RECORDATION: PRIORITIES: FORECLOSURE.

(a) 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 the Superior Court of Wake County in the manner provided therefor by the General Statutes of North Carolina as now written or hereafter amended. Upon the same being duly filed, such lien shall be subordinate to the lien of any deed of trust duly of record against such unit prior to the docketing of such lien and subordinate also to assessments, liens and charges for real estate taxes due and unpaid on the unit and to materialmen's and mechanics' liens.

(b) Provided the same is duly filed in accordance with the provisions contained in subparagraph (a) above, a lien created by nonpayment of a unit owner's pro rata share of the

common expenses may be foreclosed by suit by the manager or Board of Directors, acting on behalf of the unit owners in like manner as a deed of trust or mortgage of real property. In any such foreclosure the unit owner shall be required to pay a reasonable rental for the unit, as provided in the Bylaws, and the plaintiff in such foreclosure shall be entitled to the appointment of a receiver to collect the same. The manager or Board of Directors, acting on behalf of the unit owners, shall have power to bid in the unit at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. A suit to recover a money judgment for unpaid common expenses shall be maintainable without foreclosing or waiving the lien securing the same. Reasonable attorney fees, not to exceed five percent (5%) of the sale price, as permitted by the Clerk of Superior Court shall be charged as a part of the cost of any such foreclosure.

(c) Where the mortgagee of a first mortgage of record or other purchaser of a unit obtains title to the unit as a result of foreclosure of the first mortgage or by deed in lieu of foreclosure, such purchaser or mortgagee, his successors and assigns, shall not be liable for the share of the common expenses or assessments by the association of unit owners chargeable to such unit which became due prior to the acquisition of title to such unit by such purchaser. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the unit owners including such purchaser, his successors and assigns.

(d) All sums payable as common expenses and remaining unpaid for a period of thirty (30) days after the date it was due to have been paid shall bear interest from the due date until paid at the highest rate permitted by law not to exceed 18% and said interest shall also be a lien on the unit to which the assessment is applicable.

28. LIABILITY OF GRANTOR AND GRANTEE OF UNIT FOR UNPAID COMMON EXPENSES. The grantee of a unit shall be jointly and severally liable with the grantor for all unpaid assessments against the latter for his proportionate share of the common expenses up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, any such grantee shall be entitled to a statement from the manager or person designated by the Board of Directors, as the case may be, setting forth the amount of the unpaid assessments against the grantor and such grantee 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.

29. CONSTRUCTION. In interpreting any and all provisions of this instrument, the exhibits attached hereto, and subsequent deeds and deeds of trust covering individual units, the actual location of each such unit shall be deemed conclusively to be the property intended to be conveyed, reserved or encumbered notwithstanding any minor deviations, either horizontally or vertically, from the locations indicated on the Architectural Plans, or in minor variations in the description of the unit contained herein. To the extent that such minor deviations in location do or shall exist, a valid easement therefor and for the maintenance thereof does and shall exist.

30. AMENDMENT OF DECLARATION. During the first twenty (20) years following the recordation of this instrument, this Declaration may be amended with the approval of Unit Owners collectively owning at least ninety percent (90%) of the aggregate undivided interest in the common areas and facilities of the Property, and thereafter with the approval of Unit Owners collectively owning at least seventy-five percent (75%) of the aggregate undivided interest in the common areas and facilities of the Property. Such approval shall be expressed by the execution by such Unit Owners of such amendment. If the laws of

North Carolina require a higher percentage than herein stated in order to amend this Declaration, the laws of North Carolina shall take precedence over this paragraph.

Thereupon, the Board of Directors shall, within thirty (30) days after all such signatures have been collected, reasonably assure itself that the amendment has been executed by the required percentage of unit owners. (For this purpose, the Board may rely on its roster of members and shall not be required to cause any title to any unit to be examined). The Board of Directors then shall cause to be attached to the amendment a certification as to its validity, which certification shall be executed by the Association in the same manner that deeds are executed. The following form of certification is suggested:

CERTIFICATION OF VALIDITY OF AMENDMENT TO DECLARATION
OF MILL RIDGE CONDOMINIUM

By authority of its Board of Directors, Mill Ridge Condominium Owners Association, Inc. hereby certifies that the foregoing instrument has been duly executed by owners of units collectively owning at least _____ of the aggregate undivided interest in the common areas and facilities of the Property and is, therefore, a valid amendment to the existing Declaration of Mill Ridge Condominium.

MILL RIDGE CONDOMINIUM OWNERS
ASSOCIATION, INC.

By _____
President

ATTEST:

Secretary

Such amendment shall be executed in the name of the Association named in the Bylaws by the President (or Vice-President) and by the Secretary (or Assistant Secretary) of the Association and recorded in the Office of the Register of Deeds of Wake County. No such amendment shall be effective until recorded as aforesaid. As to all bona fide purchasers for value, an amendment shall be conclusively presumed to be valid if such amendment contains a certification which in form and substance substantially conforms to the foregoing suggested certification.

31. AMENDMENT OF DECLARATION WITHOUT APPROVAL OF OWNERS. The Declarant, for so long as it controls the Board, and thereafter, the Board of Directors, may amend this Declaration and/or Bylaws without the consent of the owners and hereby reserves the right to act on behalf of the unit owners for the purpose of conforming the Declaration and/or Bylaws to the requirements of any law or governmental agency having legal jurisdiction over the Property or to qualify the Property or any units therein for mortgage or improvement loans made, guaranteed or insured by a governmental agency, including, without limitation, Veterans Administration, Federal Housing Administration, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, or to comply with the requirements of law or regulations of any governmental corporation or agency regarding purchase of mortgage interests in units by such agency. A letter from any such agency stating that a change is desired or necessary in order to qualify the Property or any units for loans eligible to be guaranteed by, insured by or purchased by such agency, shall be sufficient authority for the amendment of the Declaration and Bylaws.

FHA/VA Approval. Notwithstanding any provision in this instrument to the contrary, as long as the Declarant controls the Association, and if Declarant desires to qualify this condominium or units thereof for Federal Housing Administration or Veterans Administration approval (but not otherwise) the following actions will require the prior approval of the Federal Housing Adminis-

tration and/or the Veterans Administration: Annexation of additional properties other than those specifically provided for in this Declaration and amendment of this Declaration.

32. APPROVAL OF AMENDMENTS BY CITY ATTORNEY. The Raleigh City Attorney shall have the right to approve any amendment to this Declaration for the purpose of ascertaining that the Declaration as amended shall conform to all matters over which the City exercises jurisdiction; provided, however, that if the Raleigh City Attorney fails to comment on any proposed amendment within thirty days after receiving such proposed amendment, then the Raleigh City Attorney's approval of such amendment shall be implied and the amendment shall no longer require the Raleigh City Attorney's express approval.

33. RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS. "Institutional Lender" or "Institutional Lenders", as the terms are used herein, shall mean and refer to banks, savings and loan associations, insurance companies, or other reputable mortgage lenders. "Governmental Guarantor", as used herein, shall mean the Veterans Administration, the Federal Housing Administration, or any other governmental agency which guarantees or insures mortgages. So long as any Institutional Lender or Institutional Lenders shall hold any mortgage upon any condominium unit or shall be the owner of any condominium unit or units, and so long as any Governmental Guarantor shall insure or guarantee any mortgage upon any condominium unit, such Institutional Lender or Governmental Guarantor shall have the following rights:

A. To be furnished, free of charge, with at least one copy of the Annual Financial Statement and Report of the Association, prepared by a Certified Public Accountant designated by the Association, including a detailed statement of annual carrying charges or income collected and operating expenses, such Financial Statement and Report to be furnished by April 15 of each calendar year.

B. To be given notice by the Association of the call of any meeting of the membership to be held for the purpose of considering any proposed Amendment to this Declaration of Condominium, or the Articles of Incorporation and Bylaws of Association, which notice shall state the nature of the Amendment being proposed, and to be given permission to designate a representative to attend all such meetings.

C. To be given notice of default by any condominium unit owner owning a condominium unit encumbered by a mortgage held by the Institutional Lender or Institutional Lenders, such notice to be given in writing and to be sent to the principal office of such Institutional Lender or Institutional Lenders, or to the place which it or they may designate in writing to the Association.

D. To inspect the books and records of the Association during normal business hours.

E. To be given notice by the Association of any substantial damage to or destruction of any unit or any part of the common areas.

F. To be given notice by the Association if any unit or a portion of any unit, or the common areas or any portion of the common area, is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority.

G. To be given notice by the Association of any delinquency in the payment of assessments or charges owed by an owner of a unit subject to a first mortgage held, insured or guaranteed by such Institutional Lender or Governmental Guarantor, which remains uncured for a period of 60 days.

H. To be given notice of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.

The prior written approval of Institutional Lenders who hold first mortgage liens on units which have at least fifty-one percent (51%) of the votes of units subject to first mortgage liens held by Institutional Lenders shall be required for the following matters:

(1) The abandonment or termination of the condominium in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain.

(2) Any material amendment to the Declaration or to the Bylaws, including, but not limited to, any amendment which would establish, provide for, govern or regulate any of the following:

(a) Voting;

(b) Assessments, assessment liens or subordination of such liens;

(c) Reserves for maintenance, repair and replacement of the common areas;

(d) Insurance or Fidelity Bonds;

(e) Rights to use of the common areas;

(f) Responsibility for maintenance and repair of the several portions of the project;

(g) Expansion or contraction of the project or the addition, annexation or withdrawal of property to or from the project;

(h) Boundaries of any unit;

(i) The interests in the common areas;

(j) Convertibility of units into common areas or of common areas into units;

(k) Leasing of units;

(l) Imposition of any right of first refusal or similar restriction on the right of a unit owner to sell, transfer, or otherwise convey his or her unit; and

(m) Any provisions which are for the express benefit of Institutional Lenders or Governmental Guarantors.

(3) The effectuation of any decision by the Association to terminate professional management which had been previously required by any Institutional Lender or Governmental Guarantor and assume self-management of the Property.

(4) Any restoration or repair of the Property, after a partial condemnation or damage due to an insurable hazard, which is not performed substantially in accordance with the Declaration and the Architectural Plans.

The prior written approval of Institutional Lenders who hold first mortgage liens on units which have at least sixty-seven percent (67%) of the votes of units subject to first mortgage liens held by Institutional Lenders shall be required to terminate the legal status of the Property as a Condominium (to remove the Property from the coverage of the Unit Ownership Act) except in the case of substantial destruction by fire or other

casualty or in the case of a taking by condemnation or eminent domain.

Whenever any Institutional Lender or Governmental Guarantor desires the provisions of this section to be applicable to it, it shall serve written notice of such fact upon the Association by Registered Mail or Certified Mail addressed to the Association and sent to its address stated herein identifying the condominium unit upon which any such Institutional Lender holds any mortgage or any Governmental Guarantor insures or guarantees any mortgage, or identifying any condominium units owned by it, together with sufficient pertinent facts to identify any such mortgage, and which notice shall designate the place to which notices are to be given by the Association to such Institutional Lender or Governmental Guarantor. Any Institutional Lender who receives a written request from the Association to approve additions or amendments to the Declaration but does not deliver or post to the Association a negative response within 30 days of receipt of such request shall be deemed to have approved such request.

Notwithstanding any provisions in this instrument to the contrary, as long as the Declarant owns 25% or more of the aggregate undivided interest in the common areas and facilities, and if Declarant desires to qualify the condominium for Federal Housing Administration or Veterans Administration approval or has already qualified the condominium for Federal Housing Administration or Veterans Administration approval, any amendment to this Declaration shall require the prior approval of either the Veterans Administration or the Federal Housing Administration.

34. OWNER'S RIGHTS. The consent of owners of units to which at least sixty-seven percent (67%) of the total votes in the Association are allocated shall be required for the effectuation of any decision by the Association to terminate professional management which had been previously required by any Institutional Lender or Governmental Guarantor and assume self-management of the Property.

35. LEASES. All leases or rental agreements for units shall be in writing and specifically subject to the Declaration. No unit may be leased or rented for a period of less than thirty (30) days.

36. CONDEMNATIONS. The Association shall represent the unit owners in any condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of part or all of the common areas. In the event of a taking or acquisition of part or all of the common areas by a condemning authority, the award or proceeds of settlement shall be payable to the Association for the use and benefit of the unit owners and their mortgagees as their interests may appear. Nothing contained herein shall prohibit a unit owner from employing counsel to assist the Association and protect the unit owner's interests.

37. INVALIDITY. The invalidity of any provisions of this Declaration shall not be deemed to impair or affect in any manner the validity and enforceability or effect of the remainder of this Declaration, and in such event, all of the other provisions of this Declaration shall continue in full force and effect as if such invalid provision had never been included herein.

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

39. LIBERAL CONSTRUCTION. The provisions of this Declaration of Condominium shall be liberally construed to effectuate its purpose of creating a uniform plan of Condominium

ownership. Throughout this Declaration wherever appropriate the singular shall include the plural, the plural shall include the singular, and the masculine, feminine and neuter genders each shall include the other. The article headings are for convenience of reference only and shall not be considered terms of this Declaration.

40. LAW CONTROLLING. This Declaration and the Bylaws attached hereto shall be construed and controlled by and under the laws of the State of North Carolina.

41. DEFINITION OF TERMS. Any terms used herein which are defined in the North Carolina Unit Ownership Act shall have the meaning specified in said Act unless a contrary intent clearly appears.

IN WITNESS WHEREOF, the said Declarant has caused this instrument to be signed this the 15th day of July, 1983.

OLDE RALEIGH DEVELOPMENT CO.

By: W. R. HENDERSON ASSOCIATES, INC.

By: W. R. Henderson
President

ATTEST:

Dorothy S. Henderson
Secretary

By: MANGUM EQUIPMENT COMPANY

By: B. E. Mangum
President

ATTEST:

B. E. Mangum
Secretary

By: STEVE ADAMS CONSTRUCTION COMPANY

By: Steve W. Adams
President

ATTEST:

Steve W. Adams
Secretary

NORTH CAROLINA
WAKE COUNTY

I, the undersigned, a Notary Public in and for said State and County, certify that Dorothy S. Henderson personally came before me this day and acknowledged that the foregoing instrument was executed in the name and on behalf of OLDE RALEIGH DEVELOPMENT CO., a joint venture, by W. R. HENDERSON ASSOCIATES, INC., a joint venturer; that he, the said Dorothy S. Henderson is the Secretary of W. R. HENDERSON ASSOCIATES, INC., and that by authority duly given and as an act of the corporation, the foregoing instrument was signed by its President, sealed with its corporate seal, and attested by her self as its Secretary, and that the said instrument is the act and deed of said corporation acting as a joint venturer of OLDE RALEIGH DEVELOPMENT CO.

WITNESS my hand and notarial seal, this the 18 day of July, 1983.

My Commission Expires: 5/14/85

Kenneth H. Stine
Notary Public

KENNETH H. STINE
NOTARY PUBLIC
GUILFORD COUNTY, NC
COMMISSION EXPIRES 5/14/85

NORTH CAROLINA
WAKE COUNTY

I, the undersigned, a Notary Public in and for said State and County, certify that MICHAEL D. MANGUM personally came before me this day and acknowledged that the foregoing instrument was executed in the name and on behalf of OLDE RALEIGH DEVELOPMENT CO., a joint venture, by MANGUM EQUIPMENT COMPANY, a joint venturer; that he, the said MICHAEL D. MANGUM is the ASST. Secretary of MANGUM EQUIPMENT COMPANY, and that by authority duly given and as an act of the corporation, the foregoing instrument was signed by its President, sealed with its corporate seal, and attested by HIMSELF as its ASST. Secretary, and that the said instrument is the act and deed of said corporation acting as a joint venturer of OLDE RALEIGH DEVELOPMENT CO.

WITNESS my hand and notarial seal, this the 13th day of July, 1983.

Margorie L. Farwell
Notary Public

My Commission Expires:

3-4-85

NORTH CAROLINA
WAKE COUNTY

I, the undersigned, a Notary Public in and for said State and County, certify that Alice S. Hutchins personally came before me this day and acknowledged that the foregoing instrument was executed in the name and on behalf of OLDE RALEIGH DEVELOPMENT CO., a joint venture, by STEVE ADAMS CONSTRUCTION COMPANY, a joint venturer; that she, the said Alice S. Hutchins is the Asst. Secretary of STEVE ADAMS CONSTRUCTION COMPANY, and that by authority duly given and as an act of the corporation, the foregoing instrument was signed by its President, sealed with its corporate seal, and attested by HER-SELF as its Asst. Secretary, and that the said instrument is the act and deed of said corporation acting as a joint venturer of OLDE RALEIGH DEVELOPMENT CO.

WITNESS my hand and notarial seal, this the 15th day of July, 1983.

Vera J. Nix
Notary Public

My Commission Expires:

2/21/85



NORTH CAROLINA — WAKE COUNTY

The foregoing certificate, 5 of Kenneth H. Stone, Margorie L. Farwell and Vera J. Nix

Notary(y)(ies) Public is (are) certified to be correct. This instrument and this certificate are duly registered at the date and time and in the book and page shown on the first page hereof.

R. B. MCKENZIE, JR., Register of Deeds

By Charles C. Smith
Deputy Register of Deeds

EXHIBIT "A"

BEGINNING at an iron stake in the western right of way of Duraleigh Road, said iron stake situated at a point where the southern edge of Ebenezer Church Road intersects the Duraleigh Road; runs thence with the western edge of Duraleigh Road the following courses and distances: South $16^{\circ} 27' 18''$ East 129.13 feet; South $23^{\circ} 47' 23''$ East 108.21 feet; South $28^{\circ} 57' 14''$ East 103.51 feet; South $34^{\circ} 55' 22''$ East 104.35 feet; South $41^{\circ} 36' 49''$ East 104.98 feet; South $47^{\circ} 07' 44''$ East 105.17 feet; South $53^{\circ} 30' 39''$ East 104.92 feet and South $59^{\circ} 34' 43''$ East 106.25 feet; thence leaving the Duraleigh Road, South $04^{\circ} 46' 15''$ West 159.61 feet to a concrete monument; runs thence North $85^{\circ} 13' 45''$ West 1,287.1 feet to a concrete monument; runs thence North $05^{\circ} 40'$ East 871.06 feet to a concrete monument on the southeastern side of Arden Circle; runs thence South $84^{\circ} 04' 53''$ East 595.82 feet to a concrete monument on the southwestern side of Ebenezer Church Road; runs thence along the southwestern side of Ebenezer Church Road in a southeastern direction the following two courses and distances: South $51^{\circ} 54' 47''$ East 121.32 feet and South $35^{\circ} 01' 46''$ East 13.04 feet to the point of BEGINNING and containing 19 acres, according to a map by John A. Edwards and Company, Consulting Engineers, dated January 5, 1983 and revised March 2, 1983.

EXHIBIT "A-1"

BEGINNING at an iron stake in the western right of way line of Duraleigh Road, said iron stake being situated at a point where the southern edge of Ebenezer Church Road intersects the western line of Duraleigh Road; runs thence along the western line of Duraleigh Road the following courses and distances: South 16° 27' 18" East 129.13 feet; South 23° 47' 23" East 108.21 feet and South 28° 57' 14" East 106.51 feet to a stake; thence leaving Duraleigh Road and runs thence South 55° 50' West 200 feet; thence North 42° 35' West 90 feet; thence South 88° 42' West 160 feet; thence North 27° 10' West 87 feet; thence North 28° 10' East 207 feet; thence North 23° 38' 48" West 229.94 feet to a stake; runs thence South 84° 04' 53" East 186.81 feet to a monument on the southwestern side of Ebenezer Church Road; runs thence along the southern line of Ebenezer Church Road South 51° 54' 47" East 121.32 feet to a stake; thence continuing along Ebenezer Church Road South 35° 01' 46" East 13.04 feet to the point of BEGINNING and containing 3.12 acres and being all of Phase I according to a map entitled "Mill Ridge Condominiums" by John A. Edwards & Company, recorded in Book of Maps 1983, Page 794, Wake County Registry.

ARTICLES OF INCORPORATION
OF
MILL RIDGE CONDOMINIUM OWNERS ASSOCIATION, INC.

In compliance with the requirements of Chapter 55A of the North Carolina General Statutes, the undersigned, a natural person of full age, has this day executed these Articles of Incorporation for the purpose of forming a nonprofit corporation and hereby certifies:

ARTICLE I

The name of the corporation is MILL RIDGE CONDOMINIUM OWNERS ASSOCIATION, INC. (the "Association").

ARTICLE II

The principal and registered office of the Association is located at 1334 Kildaire Farm Road, Cary, North Carolina 27511.

ARTICLE III

William R. Henderson, whose address is 1334 Kildaire Farm Road, Cary, North Carolina 27511, is hereby appointed the initial Registered Agent of the Association.

ARTICLE IV

The Association does not contemplate pecuniary gain or profit to the members thereof and no part of the Association's net income shall inure to the benefit of any of its officers, directors or members or any other private individual. The purposes and objects of the Association shall be to administer the operation and management of MILL RIDGE CONDOMINIUM (the "Condominium"), a condominium to be established in accordance with the laws of the State of North Carolina upon the Property situate, lying and being in the City of Raleigh, North Carolina, and more particularly described in Exhibit "A" of the formal Declaration of Condominium which will be recorded in the public records of Wake County, North Carolina (herein referred to as "Declaration") said Exhibit and Declaration being incorporated herein by reference; to undertake the performance of the acts and duties incident to the administration of the operation and management of the Condominium in accordance with the terms, provisions, conditions and authorization contained in these Articles of Incorporation and the Declaration at the time said Property, and the improvements now or hereafter situate thereon, are submitted to the plan of Condominium Ownership; and to own, operate, lease, sell, trade and otherwise deal with such property, whether real or personal, as may be necessary or convenient in the administration of the Condominium. Notwithstanding the foregoing, the Association shall not exercise any jurisdiction over any portion of land described in Exhibit "A" which has not been submitted to the Unit Ownersip Act of North Carolina.

ARTICLE V

The Association shall have the following powers:

1. The Association shall have all of the powers and privileges granted to nonprofit corporations under the law

pursuant to which the Association is chartered, and all of the powers and privileges which may be granted unto the Association under any other applicable laws of the State of North Carolina, including the Unit Ownership Act.

2. The Association shall have all the powers reasonably necessary to implement and effectuate the purposes of the Association, including but not limited to the following:

(a) To make and establish reasonable rules and regulations governing the use of Condominium Units and Common Areas and Facilities and Property of the Condominium as said terms may be defined in the Declaration.

(b) To levy and collect assessments against Unit Owners of the Association to defray the common expenses of the Condominium as may be provided in the Declaration and in the Bylaws of the Association which may be hereafter adopted, including the right to levy and collect assessments for the purposes of acquiring, operating, leasing, managing and otherwise trading and dealing with such property, whether real or personal, including Condominium Units in the Condominium, which may be necessary or convenient in the operation and management of the Condominium and in accomplishing the purposes set forth in the Declaration.

(c) To maintain, repair, replace, operate and manage the Condominium and the property comprising same, including the right to reconstruct improvements after casualty and to make further improvement of the property of the Condominium, and to make and enter into any and all contracts necessary or desirable to accomplish said purposes.

(d) To contract for the management of the Condominium and to delegate to such contractor all of the powers and duties of the Association except those which may be required by the Declaration to have approval of the Board of Directors or Unit Owners of the Condominium.

(e) To enforce the provisions of the Declaration, these Articles of Incorporation, the Bylaws of the Association which may be hereafter adopted and the rules and regulations governing the use of the Condominium as the same may be hereafter established.

(f) To exercise, undertake and accomplish all of the rights, duties and obligations which may be granted to or imposed upon the Association by the Declaration.

ARTICLE VI

The qualification of the members, the manner of their admission to membership and termination of such membership, and voting by members shall be as follows:

1. The owners of all Condominium Units in the Condominium shall be members of the Association, and no other person or entities shall be entitled to membership, except as provided in Item 5 of this Article VI.

2. Membership shall be established by the acquisition of fee ownership in a Condominium Unit in the Condominium or by acquisition of a fee ownership interest therein, whether by conveyance, devise, judicial decree or otherwise, and the membership of any party shall be automatically terminated upon his being divested of all title to or his entire fee ownership interest in any Condominium Unit, except that nothing herein contained shall be construed as terminating the membership of any

party who may own two or more Condominium Units or who may own a fee ownership interest in two or more Condominium Units, so long as such party shall retain title to or a fee ownership interest in any Condominium Unit.

3. The interest of a member in the funds and assets of the Association cannot be assigned, hypothecated or transferred in any manner, except as an appurtenance to his Condominium Unit. The funds and assets of the Association shall belong solely to the Association subject to the limitation that the same be expended, held or used for the benefit of the membership and for the purposes authorized herein, in the Declaration and in the Bylaws which may be hereafter adopted.

4. On all matters which the membership shall be entitled to vote, the owner of each Condominium Unit shall have a vote equal to his Percentage of Interest in the Common Areas and Facilities as set forth in Exhibit "D" of the Declaration. The vote of the owner of each Unit may be cast or exercised in such manner as may be provided in the Bylaws hereafter adopted by the Association. Should any member own more than one Condominium Unit, such member shall be entitled to exercise or cast the votes associated with each Condominium Unit owned in the manner provided by said Bylaws.

5. Until such time as the Declaration is recorded in the Office of the Register of Deeds of Wake County, North Carolina and a successor Board of Directors is appointed or elected and qualified in accordance with the Bylaws, the membership of the Association shall be comprised of the three (3) individuals named in Articles VIII hereof as the initial Board of Directors of the Association, and each such individual shall be entitled to cast one vote on all matters on which the membership shall be entitled to vote.

ARTICLE VII

The Association shall have perpetual existence.

ARTICLE VIII

The number of directors constituting the initial Board of Directors shall be three (3); and the names and addresses of the persons who are to serve as directors, subject to the Bylaws and the laws of the State of North Carolina, until the first annual meeting of members of the Association, as provided for in the bylaws or until their successor or successors are elected and qualified are:

<u>NAME</u>	<u>ADDRESS</u>
William R. Henderson	710 Lakestone Drive Raleigh, N. C. 27609
W. E. Mangum	3500 Duraleigh Road Raleigh, N. C. 27612
Steve W. Adams	417 Glen Bonnie Lane Cary, N. C. 27511

ARTICLE IX

The original Bylaws of the Association shall be adopted by a majority vote of the initial Board of Directors of the Association present at a meeting of the directors at which a majority of the directors are present, and thereafter, such Bylaws may be altered and rescinded only in such manner as said Bylaws provide.

ARTICLE X

Notwithstanding any provisions in this instrument to the contrary, as long as the Declarant owns twenty-five percent (25%) or more of the aggregate undivided interest in the common areas and facilities, and if Declarant desires to qualify the condominium or portions of the condominium for Federal Housing Administration or Veterans Administration approval or if Declarant has already qualified the condominium or portions of the condominium for Federal Housing Administration or Veterans Administration approval, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration: annexation of additional properties other than those specifically provided for in the Declaration, mergers and consolidations, dedication of common area, dissolution and amendment of the Articles of Incorporation.

ARTICLE XI

FHA/VA Approval. Notwithstanding any provision in this instrument to the contrary, as long as Declarant controls the Association, and if Declarant desires to qualify this condominium or units thereof for Federal Housing Administration or Veterans Administration approval (but not otherwise) the following actions will require the prior approval of the Federal Housing Administration and/or the Veterans Administration: annexation of additional properties other than those specifically provided for in the Declaration and the amendment of the Declaration.

ARTICLE XII

The name and address of the incorporator is as follows:

Thomas F. Adams, Jr., P. O. Box 19471, Raleigh, N. C. 27619

IN TESTIMONY WHEREOF, I, being the incorporator, have hereunto set my hand and seal, this the 15th day of July, 1983.

/s/ Thomas F. Adams, Jr. (SEAL)
Thomas F. Adams, Jr.

NORTH CAROLINA
WAKE COUNTY

I, the undersigned, a Notary Public in and for said State and County do hereby certify that THOMAS F. ADAMS, JR. personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

WITNESS my hand and notarial seal this the 15th day of July, 1983.

/s/ Vera J. Nix
Notary Public

My Commission Expires:

2-21-85

BYLAWS
OF
MILL RIDGE CONDOMINIUM OWNERS ASSOCIATION, INC.

ARTICLE I

PLAN OF UNIT OWNERSHIP

Section 1. Lands submitted to unit ownership. OLDE RALEIGH DEVELOPMENT CO., hereinafter known as the "Declarant", is the owner of certain lands lying in the City of Raleigh, Wake County, North Carolina, more particularly described in Exhibit "A" attached to the Declaration of Mill Ridge Condominium (herein "Declaration") and has submitted portions of said lands and the improvements thereon to unit ownership pursuant to the North Carolina Unit Ownership Act by filing simultaneously herewith the declaration provided for in Chapter 47A of the North Carolina General Statutes. The lands and improvements submitted to unit ownership by said declaration shall be known as Mill Ridge Condominium.

Section 2. Applicability of Bylaws. All present and future owners, mortgagees, lessees, and occupants of units within the Property, and their agents, servants, and employees, and any other persons who may make use of the facilities of the Property in any manner, are subject to these bylaws and to the rules and regulations adopted pursuant hereto and to any amendments to these bylaws upon the same being duly passed and set forth in an amended declaration, duly recorded.

The acceptance of a deed or conveyance or the entering into of a lease or the act of occupancy of a condominium unit by any person shall conclusively establish the acceptance and ratification by such person of these bylaws (and any rules and regulations adopted pursuant hereto), as they may be amended from time to time, and shall constitute and evidence an agreement by such persons to comply with these bylaws and with the rules and regulations.

ARTICLE II

DEFINITIONS

Section 1. "Association of Unit Owners" or "Association" shall mean and refer to the association of unit owners of Mill Ridge Condominium, to be known as the Mill Ridge Condominium Owners Association, Inc.

Section 2. "The Property" shall mean and include the lands, buildings, structures and improvements thereon, and all easements, rights and appurtenances belonging thereto, and all articles of personal property intended for use in connection therewith, which are herein submitted to the provisions of the Unit Ownership Act.

Section 3. "Declarant" shall mean OLDE RALEIGH DEVELOPMENT CO. and its successors and assigns to whom its rights under the Declaration are expressly transferred, in whole or in part, and subject to such terms and conditions as the Declaration may impose.

Section 4. "Declaration" shall mean the instrument, duly recorded, by which the Property is submitted to the Unit Ownership Act, and as it, from time to time, may be lawfully amended.

Section 5. "Board of Directors" or "Board" shall mean those persons elected or appointed and acting collectively as the directors of the Association.

Section 6. "Rules and Regulations" shall mean those written actions of the Board, duly adopted, and amendments thereto, interpreting and applying the provisions of the Declaration and these bylaws and establishing and prescribing the administration and management of the Property and the use, operation, and maintenance of the common areas.

Section 7. "Common expenses" means and includes:

(a) All sums lawfully assessed against the unit owners by the Association;

(b) Expenses of administration, maintenance, repair, or replacement of the common areas and facilities;

(c) All ad valorem taxes and public assessments levied against the common areas;

(d) All water and sewer charges for water and sewer service provided to the Property, including water and sewer service provided to individual units for so long as they are not individually metered;

(e) Expenses agreed upon as common expenses by the Board of Directors of the Association;

(f) Expenses declared to be common expenses by the provisions of the Unit Ownership Act, by the Declaration or by the Bylaws; and

(g) Hazard, and such other insurance premiums as the Declaration and/or Bylaws may require the Association to purchase.

ARTICLE III

ASSOCIATION OF UNIT OWNERS

Section 1. Members. Every owner of a unit within the Property shall be a member of the association of unit owners of Mill Ridge Condominium, to be known as the Mill Ridge Condominium Owners Association, Inc.

Section 2. Annual Meetings. An annual meeting of the Association shall be held for the purpose of electing members of the Board of Directors and for the transaction of such other business as may be properly brought before the meeting. The annual meetings shall be held at 7:00 p.m. on the fourth Thursday of January of each year, unless such day shall be a legal holiday, in which event the meeting shall be held at the same time on the day next following which is not a legal holiday, and the first annual meeting shall be held on the fourth Thursday of January in 1984.

Section 3. Substitute annual meetings. If an annual meeting is not held on the day designated in the Bylaws, a substitute annual meeting may be called in the same manner as a special meeting. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4. Special meetings. Special meetings of the Association may be called at any time by the President of the Association, a majority of the members of the Board of Directors

or upon the written request of the owners of not less than twenty-five percent (25%) of the aggregate interests in the common areas and facilities as established by the Declaration.

Section 5. Place of meetings. All meetings of the Association shall be held at the Property or at such other place in the City of Raleigh, North Carolina, as shall be designated in the notice of the meeting.

Section 6. Notice of meetings. Written or printed notice stating the place, day and hour of the meeting shall be delivered or mailed by first class mail, postage prepaid, not less than ten (10) nor more than thirty (30) days prior to the date of the meeting, either by the unit owners calling the meeting or as the Board of Directors shall direct, to each person entitled to vote at such meeting; provided, however, that in the event fire or other casualty in the opinion of the Board of Directors has destroyed more than fifty percent (50%) of the property, an emergency meeting may be called by prominently posting notice of such meeting in not less than ten (10) locations across the Property not less than twelve (12) hours prior to such emergency meeting, and such meeting shall be a duly constituted meeting if a quorum is present; and provided, further, that the notice of a meeting to increase the annual assessment must comply with the requirements of Article VII, Section 2(b) of these Bylaws.

In the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted unless it is a matter other than the election of directors on which the vote of unit owners is expressly required by the provisions of the North Carolina Unit Ownership Act. In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called. Notice of any meeting at which the Declaration is to be amended shall state the proposed amendment.

When a meeting is adjourned for thirty (30) days or more, notice of the reconvening of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment, it shall not be necessary to give notice of the reconvening of the adjourned meeting other than by an announcement at the meeting at which the adjournment is effective.

Section 7. Quorum. The presence in person or by proxy at any meeting of members having a majority of the total votes entitled to be cast shall constitute a quorum. Unless otherwise expressly provided herein or provided in the North Carolina Unit Ownership Act, as now written or hereafter amended, any action, consistent with the notice of such meeting, may be taken at any meeting of the Association at which a quorum is present upon the affirmative vote of the members having a majority of the total votes present at such meeting.

If a quorum is not present at the opening of any meeting, the meeting may be adjourned from time to time by vote of a majority of the voting members present, either in person or by proxy, and shall be reconvened at the date and time determined at the adjourned meeting, subject to the notice requirements set forth in Section 6 of this Article. Upon the reconvening of any meeting adjourned for lack of a quorum, the quorum required at any subsequent meeting shall be one-half (1/2) that required at the next preceding meeting.

Section 8. Voting members; proxies. There shall be one person with respect to each unit who shall be entitled to vote at any meeting of the Association, herein referred to as the "voting member". The voting member may be the owner of a unit, or an

owner designated by a majority of the several owners of a unit, or may be some other person designated by such owner or owners to act as proxy on his or their behalf and who need not be an owner. Designation of the voting member or of a proxy shall be made in writing to the Board and shall be revocable at any time by actual notice to the Board by the owner or a majority of the owners.

Section 9. Voting rights. The vote cast by or on behalf of the owner or owners of a unit shall be equal in percentage of the total vote entitled to be cast to the percentage of interest owned in the common areas and facilities by such unit owner or owners. Cumulative voting is not permitted.

Section 10. Waiver of notice. Any unit owner, at any time, may waive notice of any meeting of the Association in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a unit owner at any meeting of the Association shall constitute a waiver of notice by him of the time and place thereof except where a unit owner attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all of the voting members are present at any meeting of the Association, no notice shall be required, and any business may be transacted at any meeting.

Section 11. Informal action by unit owners. Any action which may be taken at a meeting of the Association may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the persons who would be entitled to vote upon such an action at a meeting (that is, the voting members), and filed with the Secretary of the Association to be kept in the Association minute book.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. General powers. The business and the Property shall be managed and directed by the Board of Directors of the Association or by such executive committee as the Board may establish pursuant to these bylaws.

Section 2. Initial board. There shall be an initial board of three directors, appointed by the Declarant, who shall serve until their successors are appointed or elected and qualified.

Section 3. Number, term and qualification. At the first annual meeting of the Association, there shall be created a Board of Directors consisting of five (5) members, three (3) of whom shall be designated by the Declarant and shall serve for a term of one (1) year, and two (2) of whom shall be elected from among the membership by the voting members, and who shall serve terms of two (2) years. Thereafter, the Declarant shall be entitled to appoint, and, from time to time, remove and replace, three members of the Board at each annual meeting until the occurrence of the earlier of the following two events:

(a) The date on which seventy-five percent (75%) of the aggregate interest in the common areas and facilities has been conveyed; or

(b) The fifth anniversary of the conveyance of the first unit by the Declarant.

At the first annual meeting thereafter, all directorships for terms which have expired shall be filled by the voting members of the Association. The terms for which each director is elected shall be such that when the election is completed, three (3) of the

directors shall be elected to serve for two (2) years and two (2) of the directors shall be elected to serve for one (1) year. (Example: If at the time of the election there are two directors who were elected by the members to a two-year term during the preceding year, these directors would serve for one additional year and the members would in such event elect three directors to serve two years. Their successors shall be elected for two (2) year terms.

Section 4. Election of directors. Except for the appointed directors provided for in Section 3 of this Article and as otherwise provided in Section 5 of this Article, the directors shall be elected at the annual meeting of the Association; and those candidates who receive the highest number of votes shall be elected.

Section 5. Removal. Any elected director may be removed from office, with or without cause, by the affirmative vote of a majority of the voting members. If any directors are so removed, new directors may be elected at the same meeting.

Section 6. Vacancies. An elective vacancy occurring in the Board of Directors, including directorships not filled by the voting members, may be filled by a majority of the remaining directors, though less than quorum, or by the sole remaining director. Voting members may elect a director at any time to fill any elective vacancy not filled by the directors and to fill any elective vacancy not filled by the Declarant within ninety (90) days after the vacancy occurs.

Section 7. Compensation. The Board of Directors shall receive no compensation for their services as directors unless expressly allowed by the Board upon the affirmative vote of the voting members representing two-thirds (2/3) of the aggregate interest in the common areas and facilities, but the Board may reimburse any director for any direct expense incurred by him on behalf of the Association and such reimbursement shall be a common expense.

Section 8. Executive committee. The Board of Directors may, by resolution adopted by a majority of the number of directors fixed by these bylaws, designate two or more directors to constitute an executive committee, which committee, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the Property.

Section 9. Powers and duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things, except such acts as by law, by the Declaration or by these bylaws may not be delegated to the Board of Directors. The powers and duties of the Board of Directors shall include, but specifically shall not be limited to, those herein set out:

(a) Powers. The Board of Directors shall have power to:

(1) Exercise for the association all powers, duties, and authority vested in or delegated to this Association by law and the Declaration and amendments thereto and not reserved to the membership by other provisions of these bylaws or the Declaration.

(2) Purchase, lease or otherwise acquire in the name of the Board of Directors, or its designee, corporate or otherwise, on behalf of the Association, units offered for sale or lease.

(3) Purchase 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 unit owners.

(4) Sell, mortgage, vote the votes appurtenant to, or otherwise deal with units acquired by the Board of Directors or its designee, corporate or otherwise, on behalf of the association, subject to the Declaration and other applicable restrictions, and organize corporations to act as designees of the Board in acquiring title to units on behalf of the Association.

(5) Enter any unit when necessary in connection with any maintenance, inspections, repairs or construction for which the Board is responsible; provided, such entry shall be made during reasonable hours with as little inconvenience to the unit owner as practicable, and any damage caused thereby shall be repaired by the Board and such expense shall be treated as a common expense of the property within which the unit is located.

(6) Enter any unit when necessary in case of any emergency originating in or threatening any condominium unit, regardless of whether the owner is present at the time of such emergency, for the purpose of remedying or abating the cause of such emergency, and such right of entry shall be immediate, and to facilitate entry in the event of any such emergency, may require the owner or owners of each condominium unit to deposit under the control of the Association a key to such condominium unit.

(7) Enter an agreement or agreements with any person, firm, or corporation to act as agent, contractor or manager of and for the Property, at the compensation established by the Board, to perform such duties and services as the Board shall authorize, other than the powers enumerated in subdivisions (1), (2), (3), (4) and (7) of this subsection (a) and the duties enumerated in subdivisions (3), (4), (7), (8), (9), (11) and (12) of subsection (b) of this section, provided that any such agreement shall be terminable by the Board for cause upon thirty (30) days' written notice thereof and without cause upon ninety (90) days' notice thereof, without penalty to the Association, and further provided that the term of any such agreement shall not exceed one year.

(b) Duties. It shall be the duty of the Board of Directors to:

(1) Administer, operate, maintain and repair the common areas and facilities.

(2) Enter any unit to make inspections and perform any repairs, maintenance or construction for which the Association is responsible at reasonable times and hours and with as little inconvenience to the unit owner as practicable. The Association shall repair any damages to the unit caused by such repair, maintenance or construction, and all costs incurred in performing these duties shall be a common expense of the Property, unless the Board shall determine that the repairs, maintenance or construction was necessitated by the negligence, misuse, unlawful act, or act in violation of the Declaration, these bylaws or the rules and regulations of the Association by the unit owner, in which event such costs may be assessed against the unit owner.

(3) Determine the common expenses arising from the costs of administration, operation, care, upkeep, maintenance, repair and construction of the common areas and

facilities, including, without limitation, reserves for repair, reconstruction or replacement.

(4) Fix and assess in the manner provided by law and in the Declaration and Bylaws, the proportionate part of the common expenses of each unit owner within the Property.

(5) Collect and enforce the collection of common expenses in the manner provided by law and in the Declaration and Bylaws, including, but not limited to legal proceedings for the enforcement of liens.

(6) Employ and dismiss personnel necessary to the maintenance and operation of the common areas and facilities.

(7) Adopt, amend, publish and enforce reasonable rules and regulations that it deems advisable and necessary for the proper administration, operation, maintenance, conservation, and beautification of the Property and for the health, comfort, safety and general welfare of the owners and occupants of condominium units. Copies of the published rules and regulations and amendments thereto shall be given to all the owners and occupants and the Association and Property shall be administered, operated and maintained in conformity with such rules and regulations.

(8) Designate depositories for Association funds and the officers, agents and/or employees having the authority to deposit and withdraw such funds; and to require such officers, agents or employees to be bonded.

(9) Sign all agreements, contracts, vouchers for payment of expenditures, deeds and other instruments in such manner as from time to time shall be determined by written resolution of the Board. In the absence of such determination by the Board, such documents shall be signed by the President and/or such other persons as the Board may designate.

(10) Procure and maintain adequate insurance of such nature and in such amounts as is provided in the Declaration, and such other insurance as the Board may deem necessary or appropriate.

(11) Appoint such committees as are provided for in these Bylaws and the Declaration.

(12) Exercise their powers in good faith and do and perform such other matters and things not expressly prohibited by law, the Declaration, or these bylaws as are necessary and appropriate to the proper administration, operation and maintenance of the Association and the Property.

(13) Pay all taxes and public assessments levied against the common areas.

Section 10. Persons who may serve. Every elected member of the Board shall be a unit owner or co-owner or the spouse of a unit owner or co-owner, unless the owner is a corporation, partnership, trust or other legal entity other than a natural person or persons, in which event any officer, director, agent or employee of such corporation, partner of such partnership, beneficiary of such trust, or manager of such other legal entity, shall be eligible to serve as a member of the Board, but members of the Board appointed by the Declarant need not be owners.

Section 11. Liability of the Board. The members of the Board of Directors shall not be liable to the unit owners for any mistake of judgment, negligence or otherwise except for their own individual malfeasance or willful neglect of duty. The Associa-

tion shall indemnify and hold harmless each of the members of the Board against all contractual liability to others arising out of contracts made by the Board on behalf of the Association unless any such contracts shall have been made in bad faith or in willful disregard of the provisions of the Declaration or 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 Association, except to the extent of their liability as unit owners. It is also intended that the liability of any unit owner arising out of any contracts made by the Board of Directors or out of the aforesaid indemnity in favor of the members of the Board shall be limited to such proportions of the total liability thereunder as his interest in the common areas and facilities bears to the interest of all of the unit owners in the common areas and facilities. Every agreement made by the Board or by the manager on behalf of the Association shall provide that the members of the Board of Directors, or the manager, as the case may be, are acting only as agents for the Association, and shall have no personal liability thereunder (except as unit owners), and that each unit owner's liability thereunder shall be limited to such proportion to the total liability thereunder as his interest in the common areas and facilities of the Property bears to the interest in said common areas and facilities of all unit owners in the Property.

ARTICLE V

MEETINGS OF DIRECTORS

Section 1. Organizational meeting. The initial Board of Directors shall meet prior to conveyance of the first unit by the Declarant. No notice to the Directors shall be necessary in order to legally constitute such meeting, provided that a quorum shall be present.

Section 2. Regular meetings. A regular meeting of the Board shall be held immediately after and at the same place as the annual meeting or substitute annual meeting of the Association. The Board may provide by adoption of an appropriate resolution for the time and place within the City of Raleigh, North Carolina, for other regular meetings of the Board.

Section 3. Special meetings. Special meetings of the Board may be called by or at the request of the President or by any two Directors. Such meetings may be held at any place within Wake County, North Carolina.

Section 4. Notice of meetings. Regular meetings of the Board of Directors may be held without notice. The person or persons calling a special meeting of the Board shall give actual notice, oral or written, to all Directors of the time, place and purpose of such meeting at least two days prior thereto.

Attendance by a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called.

Section 5. Waiver of notice. Any member of the Board of Directors may give written waiver of notice at any time of any meeting of the Board, and such waiver shall be deemed equivalent to the giving of such notice. If all of the members of the Board are present at any meeting thereof, no notice shall be required and any business may be transacted at such meeting.

Section 6. Quorum. A majority of the number of Directors fixed by these bylaws shall be required for and shall constitute

a quorum for the transaction of business at any meeting of the Board of Directors.

Section 7. Manner of acting. Except as otherwise provided in this section, the act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

A vote of a majority of the number of Directors fixed by the bylaws shall be required to adopt a resolution constituting an executive committee.

Section 8. Organization. Each meeting of the Board of Directors shall be presided over by the President and in the absence of the President, by the Vice President, and in the absence of the Vice President, by any person selected to preside by vote of the majority of the Directors present. The Secretary, or in his absence, an Assistant Secretary, or in the absence of both the Secretary and the Assistant Secretary, any person designated by the presiding officer of the meeting shall act as Secretary of the meeting.

Section 9. Informal action of Directors. Any action taken by a majority of the Directors without a meeting shall constitute Board action if written consent to the action in question is signed by all the Directors and filed with the minutes of the proceedings of the Board, whether done before or after the action is taken.

Section 10. Minutes. The Board shall keep minutes of all of its proceedings.

ARTICLE VI

OFFICERS

Section 1. Designation. The principal officers of the Association shall be a president, a secretary, a treasurer and such vice presidents, assistant secretaries, assistant treasurers and other officers as the Board of Directors may from time to time elect. Any two or more offices may be held by the same person except that the office of President and Secretary may not be held by the same person.

Section 2. Election and term. The officers of the Association shall be elected by and from the Board of Directors, and such elections may be held at the regular annual meetings of the Board; provided, however, that prior to the first annual meeting, the Declarant shall appoint the officers from among the initial Board.

Each officer shall hold office for a period of one (1) year or until his death, resignation, retirement, removal, disqualification or his successor is elected and qualified.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board with or without cause, and any officer or agent appointed or designated by the Declarant may be removed by the Declarant with or without cause. Such removal, however, shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Compensation. No officer shall receive any compensation from the Association for acting as such, but the Board may reimburse any officer for any direct expenses incurred by him in the performance of his duties as such officer and such reimbursement shall be a common expense.

Section 5. President. The President shall be the principal executive officer of the Association and, subject to the control of the Board of Directors, shall supervise and control the management of the Property. The President shall, when present, preside at all meetings of the Board and of the Association, and, in general, shall perform all duties incident to the office of the President and such other duties as may be prescribed from time to time by the Board.

Section 6. Vice President. The Vice President, and if there be more than one, the Vice Presidents shall, in the absence or disability of the President, have the powers and perform the duties of said office. In addition, each Vice President shall perform such other duties and have such other powers as shall be prescribed by the President.

Section 7. Secretary. The Secretary shall keep accurate records of the acts and proceedings of all meetings of the Association and of the Board. He shall give, or cause to be given, all notices required by law and these bylaws. He shall have general charge of the minute books and records of both the Association and of the Board. He shall sign such instruments as may require his signature, and, in general, shall perform all duties incident to the office of Secretary and such other duties as may be assigned to him from time to time by the President or by the Board of Directors.

Section 8. Treasurer. The Treasurer shall have custody of all Association funds and securities and shall receive, deposit, or disburse the same under the direction of the Board of Directors. He shall keep full and accurate records of the finances of the Association in books especially provided for that purpose. He shall cause a true statement to be prepared as of the close of each fiscal year as shall be determined by the Board of Directors, setting forth, in reasonable detail, the assets and liabilities of the Association and the Property, the changes in surplus for such fiscal year, and the result of the operations of the Association and Property. The statement shall be filed and kept available for inspection by any unit owner for a period of three (3) years and the Treasurer shall mail or otherwise deliver a copy of the latest statement to each unit owner and member of the Board of Directors annually on or before March 15, covering the preceding calendar year. The Treasurer shall also prepare and file all reports and returns required by Federal, State or local laws, and shall generally perform all other duties as may be assigned to him from time to time by the President or the Board of Directors.

Section 9. Assistant Secretaries and Treasurers. The Assistant Secretaries and Assistant Treasurers, if any, shall, in the absence or disability of the Secretary or the Treasurer, respectively, have all the powers and perform all of the duties of those officers, and they shall, in general, perform such other duties as shall be assigned to them by the Secretary or Treasurer, respectively, or by the President or Board of Directors.

Section 10. Liability of the Officers. The officers of the Association shall not be liable to the unit owners for any mistake of judgment, negligence or otherwise except for their own individual malfeasance or willful neglect of duty. The Association shall indemnify and hold harmless each of the officers against all contractual liability to others arising out of contracts made by the officers on behalf of the Association unless any such contracts shall have been made in bad faith or in willful disregard of the provisions of the Declaration or these bylaws. It is intended that the officers shall have no personal

liability with respect to any contract made by them on behalf of the Association, except to the extent of their liability as unit owners. It is also intended that the liability of any unit owner arising out of any contracts made by the officers or out of the aforesaid indemnity in favor of the officers shall be limited to such proportions of the total liability thereunder as his interest in the common areas and facilities bears to the interest of all of the unit owners in the common areas and facilities. Every agreement made by the officers or by the manager on behalf of the Association shall provide that the officers, or the manager, as the case may be, are acting only as agents for the Association, and shall have no personal liability thereunder (except as unit owners), and that each unit owner's liability thereunder shall be limited to such proportion to the total liability thereunder as his interest in the common areas and facilities of the Property bears to the interest in said common areas and facilities of all unit owners in the Property.

ARTICLE VII

OPERATION OF THE PROPERTY

Section 1. Determination of common expenses and fixing of common charges. The Board of Directors, from time to time, and at least annually, shall prepare a budget for the Property, determine the amount of the common charges payable by the unit owners to meet the common expenses of the Property, and allocate and assess the common charges of the Property among the unit owners thereof according to their respective common interests. A part of the common expenses of the Property shall include, among other things, and without limitation, the administrative expenses of the Association and Property, the costs of all premiums for insurance obtained pursuant to the provisions of the Declaration, and an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the common areas and facilities. The budget of the Property, in the discretion of the Board, and as necessary, may include, without limitation, amounts for: funding deficits for any prior year; a reserve for working capital and a general operating reserve.

Unless all mortgagees and two-thirds (2/3) of the unit owners elect to the contrary, the exterior portions of all buildings that were initially stained or painted shall be restained or repainted not less than once in every seven (7) years and the roofs of all buildings shall be replaced not less than once in every twenty (20) years.

The common expenses of the Property may also include such amounts as may be required for the purchase or lease by the Board or its designee, corporate or otherwise, on behalf of the Association, of any unit whose owner has elected to sell or lease such unit or of any unit which is to be sold at foreclosure or other judicial sale. The Board of Directors shall advise all unit owners promptly, in writing, of the amount of common charges payable by each of them, respectively, as determined by the Board of Directors as aforesaid, and shall furnish copies of each budget on which such common charges are based to all unit owners and, when requested, to their mortgagees, at least thirty (30) days before such budget becomes effective, provided, however, that failure to do so shall not affect the validity of the assessments of common charges.

Section 2. Assessment Increases.

(a) Increase by Board of Directors. The annual assessment effective for any year after 1983 may be increased for each succeeding year by the Board of Directors, without a vote of the membership by a percentage which may not exceed the

percentage increase reflected in the U. S. City Average, Consumer Price Index - United States and selected areas for urban wage earners and clerical workers, all items most recent index and percentage changes from selected dates (published by the U. S. Bureau of Labor Statistics, Washington, D.C.), or such other Index as may succeed the Consumer Price Index, for the twelve-month period ending the immediately preceding October 1.

(b) Increase by Members. From and after December 31, 1983, the annual assessment may be increased by a percentage greater than permitted by this Article by an affirmative vote of two-thirds (2/3) of the unit owners who are voting in person or by proxy, at a meeting duly called for such purpose, written notice of which, setting forth the purpose of the meeting, shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting.

Section 3. Payment of common charges. All unit owners shall be obligated to pay the common charges assessed by the Board of Directors pursuant to the provisions of Section 1 of this Article VII at such time or times as the Board shall determine.

No unit owner shall be liable for the payment of any part of the common charges assessed against his unit subsequent to a sale, transfer or other conveyance by him (made in accordance with the provisions of the Declaration and applicable restrictions of record) of such unit, together with his interest in the common areas and facilities as defined in the Declaration. A purchaser of a unit shall be jointly and severally liable with the seller for the payment of the common charges assessed against such unit prior to the acquisition by the purchaser of such unit, without prejudice to the purchaser's right to recover from the seller the amounts paid by the purchaser therefor, provided, however, that in the case of a foreclosure of a first lien mortgage or deed of trust, a mortgagee or other purchaser of a unit at a foreclosure sale of such unit shall not be liable for, and such unit shall not be subject to, a lien for the payment of common charges assessed prior to such foreclosure sale, and such unpaid common charges shall be deemed to be common charges collectible from all of the unit owners, including such purchaser, his successors and assigns.

Section 4. Collection of assessments. The Board of Directors shall assess common charges against the unit owners from time to time and at least annually and shall take prompt action to collect any common charge due from any unit owner which remains unpaid for more than thirty (30) days from the due date of the payment thereof.

Section 5. Default in payment of common charges. In the event of default by any unit owner in paying to the Board of Directors the common charges as determined by the Board, such unit owner shall be obligated to pay interest at the highest rate permitted by law, but not more than eighteen (18%) percent, on such common charges from the due date thereof, together with all expenses, including reasonable attorneys' fees incurred by the Board in any proceeding brought to collect such unpaid common charges. The Board shall have the right and duty to attempt to recover such common charges, together with interest thereon and the expenses of the proceeding, including reasonable attorneys' fees and a reasonable rental fee for the unit. In the event of a foreclosure in order to enforce the payment of common charges, reasonable attorney fees shall not exceed 5% of the sale price. However, if services are rendered by an attorney in an attempt to collect the common charges other than by foreclosure, reasonable attorney fees shall not be governed by the 5% limitation set forth in paragraph 27 of the Declaration.

Section 6. Foreclosure of liens for unpaid common charges. In any action brought by the Board to foreclose on a unit because of unpaid common charges, the Board, acting on behalf of all unit owners, or on behalf of any one or more individual unit owners, if so instructed, shall have the power to purchase such unit at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey, or otherwise deal with the same, subject, however, to applicable restrictions of record. A suit to recover money judgment for unpaid common charges may be maintainable without foreclosing or waiving the lien securing the same.

Section 7. Statement of common charges. The Board of Directors, or such person as the Board shall designate, shall promptly provide any unit owner making written request therefor, a written statement of all unpaid common charges due from such unit owner.

Section 8. Abatement and restraint of violations by unit owners. The violation of any rule or regulation adopted by the Board, the breach of any bylaw contained herein, or the breach of any provision of the Declaration shall give the Association and any aggrieved unit owner the right, in addition to any other rights set forth in these bylaws,

(a) To a cause of action for the recovery of damages which result from such violation or breach,

(b) To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach of violation.

Section 9. Maintenance and repair.

(a) Maintenance of unit. All maintenance and repairs to any unit, ordinary or extraordinary (other than maintenance of and repairs to any common areas and facilities contained therein and not necessitated by the negligence, misuse, or neglect of the owner of such unit) shall be made by the owner of such unit. Each unit owner shall be responsible for all damages to any other unit and/or to the common areas and facilities that his failure so to do may endanger.

(b) Maintenance of common areas. All maintenance, repairs and replacements to the common areas and facilities, whether located inside or outside of the units (unless necessitated by the negligence, misuse or neglect of a unit owner, or a unit owner's tenants, employees, invitees, or immediate family, in which case such expense shall be charged to such unit owner), shall be made by the Board and shall be charged to all unit owners as a common expense of the Property.

Section 10. Utility equipment. Each unit owner shall own and be responsible for the repair, maintenance and upkeep of all equipment (such as heating and air conditioning equipment, hot water heaters, and water and sewer pipes located directly underneath his unit) which serves his unit exclusively.

Section 11. Additions, alterations or improvements by unit owners. No unit owner shall make any addition, alteration or improvement in or to his unit which is structural without the prior written consent of the Board of Directors. The Board shall have the obligation to answer any written request by a unit owner for approval of a proposed structural addition, alteration or improvement in such owner's unit within sixty (60) days after such request is received in writing by the Board, and failure to do so within the stipulated time shall constitute a consent by

the Board to the proposed addition, alteration or improvement. It is suggested that additions, alterations and improvements be permitted if they do not adversely affect the value and/or use of units belonging to other unit owners.

Section 12. Use of units and common areas and facilities. The use of the units, common areas and facilities, limited common areas, and other property and appurtenances within the Property shall be in accordance with the following provisions:

(a) Each of the units shall be occupied only as a residence and for no other purpose. No unit may be divided into smaller units and no divided portion of a unit may be sold or otherwise transferred without first amending these bylaws to show the changes in the units to be affected thereby.

(b) The common areas and facilities shall be used only for the purposes for which they are intended in furnishing services and facilities for the enjoyment of the units.

(c) No use or practice shall be permitted on the Property which is the source of annoyance to unit owners or which interferes with the peaceful possession and proper use of the Property by the unit owners. All parts of the Property shall be kept in a clean and sanitary condition, and no rubbish, refuse, or garbage shall be allowed to accumulate nor any fire hazard allowed to exist. It shall be the responsibility of each unit owner and the Board of Directors to prevent the development of conditions which render the Property, or any portion thereof, unclean, unsightly, or unkept, or which substantially decreases the beauty of the area as a whole. No unit owner shall make or permit any use of his unit or of the common areas which will increase the rate of insurance upon the Property or any unit or which shall cause the cancellation of such insurance. No immoral, improper, offensive, or unlawful use shall be made of the Property or any portion thereof. Garbage receptacles shall be located in accordance with reasonable standards established by the Board. All valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed. The responsibility of meeting the requirements of governmental bodies which require maintenance, modification or repair of the Property shall be the same as the responsibility for the maintenance and repair of the property concerned.

(d) Until all of the lands of the Declarant referred to in Article I, Section 1, hereof have been sold, neither the unit owners nor the Board shall interfere with the sale of additional units. The owner of the unsold units may make such use of the unsold units and the common areas as may facilitate such completion and sale, including, but not limited to, the rental of the same, showing of the property and the display of signs.

Section 13. Entry by Board. In the event any unit owner permits any use of the premises or practice in violation of the provisions of Section 11 of this Article VII, and such owner fails to cure said violation within thirty (30) days of the Board's request to do so, agents of the Board may enter upon the premises and cure said violations at the expense of such unit owner or owners.

Section 14. Rules of conduct. Rules and regulations concerning the use of the units and the common areas and facilities may be promulgated and amended by the Board. Copies of such rules and regulations shall be furnished by the Board to each unit owner, and all amendments and new rules and regulations shall be furnished to unit owners prior to the time that the amendment or new rule or regulation becomes effective.

Section 15. Water and electricity charges. All charges for water, sewer and electricity used in connection with the maintenance and use of the common areas and facilities shall be a common expense of the Property.

ARTICLE VIII

RECORDS AND AUDITS

The Board of Directors or the manager shall keep detailed records of actions of the Board and the manager, minutes of the meetings and resolutions of the Board of Directors, minutes of meetings and resolutions of the Association, the financial records and books of accounts of the Property, including a chronological listing of receipts and expenditures, which, among other things, shall contain the amount of each assessment of the common charges against each unit, the date when due, the amounts paid thereon, and the balance remaining unpaid and all other records and accounts required by the laws of the State of North Carolina whether similar or dissimilar to those listed herein. The financial record and books of account shall be available for examination by any unit owner or his duly authorized agent or attorney at convenient hours on working days by prior arrangement with the Board or the manager. An outside audit of all receipts and expenditures of the Association and Property shall be rendered by the Board to all unit owners on or before the 15th day of the third month following the close of each calendar year, covering the preceding year. All books and records shall be kept in accordance with good and accepted accounting practices. A copy of the audit shall be furnished to all mortgagees of units who have requested the same.

ARTICLE IX

OPERATION PRIOR TO INITIAL MEETING OF BOARD

Prior to the first meeting of the initial Board of Directors, all functions of the Association and of the Board of Directors as herein set forth shall be performed and carried out by the Declarant through its officers and agents.

ARTICLE X

AMENDMENT OF BYLAWS

These Bylaws may be amended with the approval of unit owners collectively owning at least seventy-five percent (75%) of the aggregate undivided interest in the common areas and facilities of the Property.

Thereupon, the Board of Directors shall, within thirty (30) days, reasonably assure itself that the amendment has been executed by the required percentage of unit owners. (For this purpose, the Board may rely on its roster of members and shall not be required to cause any title to any unit to be examined). The Board of Directors then shall cause to be attached to the amendment a certification as to its validity, which certification shall be executed by the Association in the same manner that deeds are executed. The following form of certification is suggested:

CERTIFICATION OF VALIDITY OF AMENDMENT TO BYLAWS OF MILL RIDGE CONDOMINIUM

By authority of its Board of Directors, Mill Ridge Condominium Owners Association, Inc. hereby certifies that the foregoing instrument has been duly executed by unit owners

collectively owning at least seventy-five percent (75%) of the aggregate undivided interest in the common areas and facilities of the Property and is, therefore, a valid amendment to the existing Bylaws of Mill Ridge Condominium.

MILL RIDGE CONDOMINIUM OWNERS
ASSOCIATION, INC.

ATTEST: By _____
President

Secretary

Such amendment shall be executed in the name of the Association named herein by the President (or Vice-President) and by the Secretary (or Assistant Secretary) of the Association and recorded in the Office of the Register of Deeds of Wake County. No such amendment shall be effective until recorded as aforesaid. As to all bona fide purchasers for value, an amendment shall be conclusively presumed to be valid if such amendment contains a certification which in form and substance substantially conforms to the foregoing suggested certification.

Section 2. Amendment by Declarant or the Board. The Declarant, for so long as it controls the Board, and thereafter, the Board of Directors, may amend these Bylaws without the consent of the owners to conform the Bylaws to the requirements of any law or governmental agency having legal jurisdiction over the Property or to qualify the Property or any units therein for mortgage or improvement loans made, guaranteed or insured by a governmental agency, including, without limitation, Veterans Administration, Federal Housing Administration, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, or to comply with the requirements of law or regulations of any governmental corporation or agency regarding purchase of mortgage interests in units by such agency. A letter from any such agency stating that a change is desired in order to qualify the Property or any units for loans eligible to be guaranteed by, insured by or purchased by such agency, shall be sufficient authority for the amendment of these Bylaws.

Section 3. FHA/VA Approval. Notwithstanding the provisions of Section 2 of this Article X or any other provision of this instrument to the contrary, as long as the Declarant controls the Association, and if Declarant desires to qualify sections of this condominium or units thereof for Federal Housing Administration or Veterans Administration approval (but not otherwise), the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments to these bylaws.

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting President of Mill Ridge Condominium Owners Association, Inc. and

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the ____ day of _____, 1983.

IN WITNESS WHEREOF, I have executed this Certification in the name of and on behalf of Mill Ridge Condominium Owners Association, Inc. this ____ day of _____, 1983.

MILL RIDGE CONDOMINIUM OWNERS
ASSOCIATION, INC.

By _____
President

EXHIBIT "D"

Percentage interest of each unit owner in the common areas initially, upon completion of 190 units and during periods between initial and final stages of development.

<u>Unit</u>	<u>Percentage Interest Upon Submission of Phase I</u>	<u>Percentage Interest Upon Submission of all areas within the boundaries of the tract described in Exhibit A with completed units consisting of 110 Studio Units and 80 8-Plex Units</u>
1	3.43915	.56851
2	3.43915	.56851
3	3.43915	.56851
4	3.43915	.56851
5	3.43915	.56851
6	3.43915	.56851
7	3.43915	.56851
8	3.43915	.56851
9	3.43915	.56851
10	3.43915	.56851
11	3.43915	.56851
12	3.43915	.56851
13	3.43915	.56851
14	3.43915	.56851
15	3.43915	.56851
16	3.43915	.56851
17	2.99823	.49563
18	2.99823	.49563
19	2.99823	.49563
20	2.99823	.49563
21	2.99823	.49563
22	2.99823	.49563
23	2.99823	.49563
24	2.99823	.49563
25	2.99823	.49563
26	2.99823	.49563
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During periods between the initial and final stages of development, the percentages of interest of the various units shall be computed following each annexation in accordance with the provisions of paragraph 6 of this Declaration. The following is an example of how the percentages may be computed:

Assume that at some stage of development and annexation there were 16 8-Plex Units and 47 Studio Units, that the annual assessment necessary to pay expenses and provide the necessary reserves were a total of \$50,000. (Keep in mind that the ratio of values is 34 for Studio Units and 39 for 8-Plex Units and that the assessment must adhere to the same ratio.) The computation of the annual and monthly assessments for each type of unit is as follows:

$$\begin{array}{r} 47 \times 34 = 1598 \\ 16 \times 39 = \underline{624} \\ \text{Total} \quad 2222 \end{array}$$

$$50,000 \text{ divided by } 2222 = 22.50225$$

$$22.50225 \times 34 = \$765.08 \text{ divided by } 12 = \text{month assessment - studio} - \$63.76$$

$$22.50225 \times 39 = \$877.59 \text{ divided by } 12 = \text{month assessment - 8-Plex} - \$73.13$$

$$\begin{array}{r} 765.08 \times 47 = 35,958.76 \\ 877.59 \times 16 = \underline{14,041.44} \\ \text{Total} \quad 50,000.20 \text{ divided by } 12 = \text{monthly total of} \\ \$4,166.68 \end{array}$$

Since the percentage of interest in the common area is the same as the percentage of assessment, the percentage of interest applicable to each Studio Unit in this example would be .0153016% (765.08 divided by 50,000 = .0153016) and the percentage of interest applicable to each 8-Plex unit would be .0175518% (877.59 divided by 50,000 = .0175518)

If no budget is established, then the percentage of interest is as follows:

$$\begin{array}{r} 47 \times 34 = 1,598 \\ 16 \times 39 = \underline{624} \\ \text{Total} \quad 2,222 \end{array}$$

$$\begin{array}{l} \text{Value of Studio Unit is } 34 \\ 34 \text{ divided by } 2,222 = .0153016 \end{array}$$

$$\begin{array}{l} \text{Value of 8-Plex is } 39 \\ 39 \text{ divided by } 2,222 = .0175518 \end{array}$$

Mill Ridge Condominium Owners Association

The following is a designation/clarification concerning the stairways to the upper units of the eleven (11) 8-Plex units located in Mill Ridge Subdivision.

Pursuant to the authority given the board in the "Mill Ridge By-Laws: Book 3146, Page 492, Section 8, Paragraph #4" the board does hereby designate that the stairways leading up to the upper units in the eleven (11) 8-Plex units are to be classified as "walkways" and are officially designated as "Limited Common Area".

The stairways to the upper units of the 8-Plex buildings will be added to "Section 8 (Limited Common Area and Facilities), Paragraph # 3" of the "Mill Ridge By-Laws: Book 3146, Page 492" and all rules, regulations and maintenance regarding the patio or balcony areas will now apply to the stairways.

The responsibility for the lighting fixtures and the electrical usage for the fixtures located in the stairways will be the same as it is for all the exterior lights located on both the pedestal and 8-Plex units located in the Mill Ridge Subdivision with the following clarifications:

A.) The following units will be responsible for (see pairs listed below, Bldg. #8 - 11):

1.) Electrical Usage for ONE of the following:

- a.) The two (2) wall lights located on the brick wall wired to one unit /OR
- b.) The chandelier located above stairway landing wired to the other unit

2.) Replacement/repair of Light fixtures/Chandelier-Each Upper Unit of Pair responsible for:

- a.) One (1) of the two- (2) lights located on the brick wall nearest their individual unit AND
- b.) Half (1/2) of the costs regarding the chandelier

Bldg. #8 units 3539 & 3545
3541 & 3543

Bldg. #9 units 3557 & 3563
3559 & 3561

Bldg. #10 units 3625 & 3631
3627 & 3629

Bldg. #11 units 3643 & 3649
3645 & 3647

B.) The following units will be responsible for (see pairs listed below, Bldg. #1 - 7):

1.) Electrical Usage for ONE of the following:

- a.) One (1) of the two- (2) wall lights located on the brick wall nearest their individual unit.

2.) Replacement/repair of Light fixtures for ONE of the following:

- a.) One (1) of the two- (2) lights located on the brick wall nearest their individual unit.

Bldg. #1 units 3209 & 3215
3211 & 3213

Bldg. #2 units 3227 & 3233
3229 & 3231

Bldg. #3 units 3245 & 3251
3247 & 3249

Bldg. #4 units 3309 & 3315
 3311 & 3313
 Bldg. #5 units 3327 & 3333
 3329 & 3331
 Bldg. #6 units 3409 & 3411
 3413 & 3415
 Bldg. #7 units 3427 & 3429
 3431 & 3433

The association will assume the responsibility for the following concerning ONLY the light fixtures located in the stairways (chandeliers & two (2) stairway fixtures on brick wall):

A.) The Association/Management Company will schedule on a quarterly basis a day that a maintenance person will:


- 1.) Replace all the light bulbs in each of the stairway light fixtures located on the brick wall and the chandeliers.
- 2.) Check and repair any sensors that activate these light fixtures/chandeliers.

The Association/Management Company will not schedule or pay for any repairs, replacement or maintenance to these fixtures other than the regularly scheduled quarterly maintenance dates. All repairs, replacement, unscheduled maintenance will be the responsibility of the homeowner unless due to forces of nature.


The Association/Management Company will under no circumstance allow the following regarding the wall light fixtures/chandelier located in the stairways of the eleven- (11) 8-Plex units or any other light fixtures located in "Limited Common Areas":

- 1.) Reduction of dues to compensate homeowner for electrical usage, replacement, repairs or maintenance
- 2.) Monetary payment for electrical usage, replacement, repairs or maintenance.

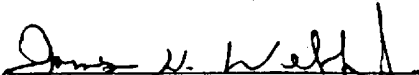
The above declaration/clarification does hereby nullify any and all previous agreements, contract, promises, etc. that exist between a homeowner of Mill Ridge and the previous board or board members, original directors of the subdivision, developer and management company.


 MRCOA President (Robert J. Greenhill)

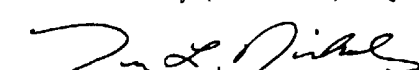
08-10-00
 Date


 MRCOA Vice President (Tom Adams)

08-10-00
 Date


 MRCOA Secretary (James Webb)

08-10-00
 Date


 MRCOA Treasurer (Terry L. Nichols)

8-10-00
 Date


 MRCOA Asst. Sec./Treasurer (Brenda D. Cole)

8-10-00
 Date