

Exhibit C

BY-LAWS
OF
VILLAGE OFFICE PARK CONDOMINIUM OWNERS ASSOCIATION, INC.

ARTICLE I

Name, Seal and Offices

Section 1. Name: The name of this corporation is VILLAGE OFFICE PARK CONDOMINIUM OWNERS ASSOCIATION, INC. (herein referred to as the "Association").

Section 2. Seal: The seal of the Association shall be circular in form and shall bear the words "CORPORATE SEAL". The Board of Directors may change the form of the seal or the inscription thereon at its pleasure.

Section 3. Offices: The principal office of the Association shall be at 828 Kenmore Road, Chapel Hill, North Carolina, or at such other place as the Board of Directors may from time to time designate.

ARTICLE II

Definitions

Section 1. Plan of Ownership: The real properties located in County of Orange and State of North Carolina as shown on certain maps entitled VILLAGE OFFICE PARK CONDOMINIUM, will be submitted to the provisions of a certain Declaration of Condominium dated June 7, 2004 (herein referred to as the "Declaration"), by the Declarant and will be subdivided into Units and Common Areas in accordance with the maps, creating a system of ownership of the Units located thereon by individual Owners, each Unit having a non-exclusive easement of enjoyment over the Common Areas (except as may be limited in the Declaration or noted on any recorded plat of the Property), and each Unit being subject to a reciprocal obligation to contribute assessments for the maintenance and operation of the Common Areas and certain exterior improvements on the Units all in accord with the Declaration.

Section 2. Applicability of By-Laws: The provisions of these By-Laws are applicable to the Property and to the use and occupancy thereof.

Section 3. Personal Application: All present and future Unit Owners, trust beneficiaries, mortgagees, lessees, and occupants of the Units, and their employees, and any other person who may use any portion of the Property in any manner are subject to these By-Laws, the Declarations and to the Rules and Regulations established by the Board of Directors as hereinafter set forth. The acceptance of a deed of conveyance or the entering into a lease or the act of occupancy of a Unit shall constitute an agreement that these By-Laws, the Rules and Regulations, and the provisions of the Declaration, as they may be amended from time to time,

are accepted, ratified and will be complied with.

Section 4. Other Definitions: The following words when used in the Declaration, any amended or supplemental Declaration, or these By-Laws or any amendment hereto (unless the context shall require otherwise) shall have the following meanings:

- (a) "Assessments" or "assessments" or "Common Charges" shall mean and refer to the assessments and charges levied against the Unit Owners, as hereinafter defined, and the words assessments or Assessment shall be and mean the same thing as Common Charges, unless the context requires otherwise.
- (b) "Association" shall mean and refer to the Village Office Park Condominium Owners Association, Inc.; and "By-Laws" shall mean and refer to the By-Laws of the Association.
- (c) "Board" shall mean and refer to the Board of Directors of the Association.
- (d) "Common Expense" shall mean and refer to any and all:
 - (1) Expense of administration, maintenance, repair or replacement of the Common Areas.
 - (2) Expense declared Common Expense by the provisions of the Declaration or these By-Laws.
 - (3) Expense agreed upon as Common Expense by the Association and lawfully assessed against Unit Owners in accordance with these By-Laws or the Declaration.
 - (4) Valid charge against the Association or against the Common Areas as a whole.
- (e) "Common Areas" shall mean and refer to those areas of land shown on any recorded subdivision plat of the Property labeled as "Common Areas" or shown as streets or roads (together with all improvements located thereon) and as such intended to be devoted to the common use and enjoyment of the Unit Owners, subject to special rights, if any, granted Owners of particular Units, which are a part of the Property.
- (f) "Declarant" shall mean and refer jointly to F. Richard Matthews, Jr. and Venture Equities, Inc., a North Carolina corporation, or the survivor of them, and any person or entity who is specifically assigned the rights and interests of Declarant hereunder.
- (g) "Member" shall mean and refer to all those Unit Owners who are members of the Association as provided in the Declaration.
- (h) "Unit Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Unit situated upon the Property, but notwithstanding any applicable theory of any lien or mortgage law, shall not mean or refer to any mortgagee or trust beneficiary unless and until such mortgagee or trust beneficiary has acquired title pursuant to foreclosure or any proceeding in lieu of foreclosure.
- (i) "Property" shall mean and refer to all such Property and any additions thereto as are

made subject to the Declaration under the provisions of Article One of the Declaration.

- (j) "Unit" shall mean an enclosed space consisting of one floor and shall include such accessory spaces and areas as are described in Paragraph 3. J. of the Declaration.

ARTICLE III

Membership

Section 1. Members: Every person or entity who is a record Owner of a fee simple interest in any Unit shall be a Member of the Association pursuant to the Declaration with the limitations and voting powers provided therein.

Section 2. Assessments: The rights of membership are subject to the payment of annual and special assessments levied by the Association, the obligation of which assessments is imposed against each Owner, of, and becomes a lien upon, the property against which such assessments are made and the personal obligation of the then Member as provided by the Declaration pursuant to the terms therein.

Section 3. Suspension of Voting Rights: The voting rights of any Member whose membership or interest in the Property is subject to assessments under the Declaration, whether or not he be personally obligated to pay such assessments, may be suspended by action of the Directors during the period when the assessments remain unpaid but, upon payment of such assessments, his rights and privileges shall be automatically restored. If the Directors have adopted and published rules and regulations governing the use of the Common Areas as provided herein, the Directors may, in their discretion, suspend the rights of any such person for violation of such rules and regulations for a period not to exceed thirty (30) days, in addition to levying the liquidated charges provided herein.

ARTICLE IV

Property Rights and Rights of Enjoyment Of Common Areas

Section 1. Each Member shall be entitled to the use and enjoyment of the Common Areas and facilities as may be provided by the Declaration.

Section 2. Any Unit Owner may share its rights of enjoyment in the Common Areas or delegate said rights to any of its tenants who occupy said Unit under any leasehold interest or rental agreement. Such Owner shall notify the secretary of the Association in writing of the name of any such tenant together with a copy of said lease. The rights and privileges of such persons are subject to suspension under ARTICLE III Section 3 herein, to the same extent as those of the Member.

ARTICLE V

Purposes and Powers

The Association shall operate on a not-for-profit basis in accordance with its Articles of Incorporation. The Association will not provide pecuniary gain or profit, direct or indirect, to

its Members. The purposes for which it is formed are:

Section 1. General: To promote the ownership interests, safety and welfare of the Unit Owners and legal occupants within the Property, and for this purpose, to:

- (a) Own, acquire, build, operate and maintain any roads, utilities, trails, parking lots, open space, streets, footways and including building structures and personal properties incident thereto, any and all of which is hereinafter referred to as the "Common Areas";
- (b) Provide exterior maintenance for the Units within the Property in order to main the character of the Property for the mutual benefit of all the Unit Owners;
- (c) Maintain unkept lands or trees;
- (d) Supplement municipal services;
- (e) Fix Assessments or Common Charges to be levied against the Units;
- (f) Enforce any and all covenants, restrictions and agreements applicable to the Property;
- (g) Pay taxes, if any, on the Common Areas; and
- (h) Insofar as permitted by law, to do any other thing that, in the opinion of the Board of Directors, will promote the common benefit and enjoyment of the legal occupants of the Property.

Section 2. Dispose of Assets: To mortgage, pledge, hypothecate or otherwise grant any form of security interest in and to its assets, to dispose of its assets, provided that upon dissolution, the remaining assets shall be dedicated to an agency or public entity to be devoted to purposes, as nearly as practicable, the same as those to which they were required to be devoted by the Association. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association. No such disposition of Association assets shall be effective to divest or diminish any right or title of any Member vested in him under the recorded covenants and deeds applicable to the Property unless made in accordance with the provisions of such covenants and deeds.

Section 3. Additions to the Property and Memberships: Additions to the Property described in the Declaration may be made only in accordance with the provisions of the recorded covenants and restrictions applicable to the Property. Such additions, when properly made in the applicable covenants, shall extend the jurisdiction, functions, duties and membership of this Association to such additional properties.

Section 4. Mergers and Consolidations: Subject to the provisions of the recorded covenants and restrictions applicable to the properties described in the Declaration, and to the extent permitted by law, the Association may participate in mergers and consolidations with other nonprofit corporations organized for the same purposes, provided that any such merger or consolidation shall have the affirmative vote of Members casting votes representing at least sixty-seven percent (67%) of the aggregate interest in the Common Areas as established by the Declaration, such votes to be cast at a meeting duly called for this purpose, written notice of which shall be mailed to all members at least thirty (30) days in advance and shall set forth the

purpose of the meeting.

Section 5. Mortgages: Other Indebtedness: The Association shall have the power to mortgage or grant deeds of trust (hereinafter referred to as "mortgages") on the Common Areas only to the extent authorized in this Section 5.

The total debts of the Association including the principal amount of such mortgages, outstanding at any time, shall not exceed the total of four (4) years' annual Assessments established at that time, provided that authority to exceed said maximum in any particular case may be given by an affirmative vote of Members casting votes representing at least sixty-seven percent (67%) of the aggregate interest in the Common Areas as established by the Declaration, such votes to be cast at a meeting duly called for this purpose, written notice of which shall be mailed to all Members at least thirty (30) days in advance and shall set forth the purpose of the meeting.

Section 6. Dedication of Property or Transfer of Function to Public Agency or Entity: The Association shall have power to dispose of the Common Areas only as authorized under the recorded covenants and restrictions applicable to said properties.

Section 7. Dissolution: The Association may be dissolved only with the assent given in writing and signed by the Members entitled to cast votes representing at least sixty-seven percent (67%) of the aggregate interest in the Common Areas as established by the Declaration. Written notice of a proposal to dissolve, setting forth the reasons therefor and the disposition to be made of the assets shall be mailed to every Member and mortgagee at least ninety (90) days in advance of any action taken.

Section 8. Disposition of Assets upon Dissolution: Upon dissolution of the Association, the assets, both real and personal of the Association, shall be dedicated to an appropriate public agency or non-profit association to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association.

ARTICLE VI

Members

Section 1. Eligibility: Membership in the Association shall be in accordance with the Declaration.

Section 2. Voting: Voting shall be in accordance with the Declaration. A majority of the total votes cast at a meeting at which a quorum is present shall be binding upon all Unit Owners for all purposes except when a higher percentage is required by these By-Laws, the Declaration or by law.

Section 3. Vote in the Event of Multiple Ownership of a Unit: In the event a Unit is owned by more than one person, if such persons cannot agree upon the exercise of their right to vote pursuant to these By-Laws, each person shall have a fractional vote based upon his fractional share of ownership of the Unit. A co-owner of a Unit may permit the other co-owner of the Unit to vote his interest by furnishing the other co-owner with a proxy. In the absence of any co-owner, a vote for a Unit cast by a co-owner shall be held to be by valid proxy of the absent co-owner, unless challenged at the time the vote is cast.

Section 4. Annual Meetings: Annual meetings shall be held on the third Saturday in April of each year. At each annual meeting, there shall be elected by ballot of the Unit Owners, a Board of Directors in accordance with the provisions of ARTICLE VII Section 1 herein, and Members may also transact such other business as may properly come before them.

Section 5. Place of Meetings: Meetings of the Members shall be held at the principal office of the Association or such other suitable place convenient to the Members as may be designated by the President of the Association.

Section 6. Special Meetings: It shall be the duty of the President to call a special meeting of the Members when so directed by resolution of the Board of Directors, or, upon petition signed by Members entitled to cast votes representing at least twenty-five percent (25%) of the aggregate interest in the Common Areas as established by the Declaration. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 7. Notice of Meetings: It shall be the duty of the secretary to mail a notice of each annual or special meeting of the Members, at least ten (10) days but not more than eighty (80) days prior to such meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Member as recorded on the records of the Association, at the Unit address or at such other address as such Member shall have designated by notice in writing to the secretary. The mailing of a notice of meeting in the manner provided in this section shall be considered service of notice.

Section 8. Waiver of Notice: Any Member may at any time waive notice of any meetings of the Members in writing and such waiver shall be deemed equivalent to the giving of such notice. Presence by a Member at the meeting will be considered a waiver of the right to such notice.

Section 9. Order of Business: The order of business at all meetings of the Members shall be, to the extent required, as follows:

- (a) Roll Call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Report of Board of Directors.
- (f) Report of Committee.
- (g) Election of members of the Board of Directors.
- (h) Unfinished business.
- (i) New business.
- (j) Adjournment.

Section 10. Parliamentary Procedure: At all meetings of the Members, or of the Board of Directors, Roberts' Rules of Order, as to such date amended, shall be followed except in the event of conflict, these By-Laws or Declaration, as the case may be, shall prevail.

Section 11. Quorum: The presence of Members, in person or by proxy, able to vote at least fifty percent (50%) of the votes eligible to vote shall constitute a quorum at any meeting of the Members.

Section 12. Proxies: Votes may be cast in person or by proxy. A Member may designate any person, who need not be a Member, to act as proxy. The designation of any such proxy shall be made in writing, signed by the Member, and shall be revocable at any time by written notice to the secretary by the Member designating the proxy.

ARTICLE VII

Board of Directors

Section 1. Function, Number and Qualification: The affairs of the Common Areas, and appurtenant duties on the Units shall be operated by the Association, which in turn shall be governed by a Board of Directors (not more than five (5) in number), who need not be Members of the Association. Unless the Members shall otherwise determine at a meeting duly noticed, the Board of Directors shall consist of three (3) directors who shall hold office until the election of their successors. Each of the initial directors shall have one (1) vote. The initial directors shall be F. Richard Matthews, Jr., Guido De Maere and Mike Clayton.

Section 2. Powers and Duties: The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and shall do all such acts and things as are not by law or by the By-Laws directed to be exercised and done by the Owners. Such powers and duties of the Board of Directors shall include, but shall not be limited to, the following:

- (a) Operation, care, upkeep and maintenance of the Common Areas and such duties with respect to the Units as provided in the Declaration.
- (b) Determination of an annual budget and the Common Expenses required for the affairs of the Property.
- (c) The establishment, levying, assessment and collection of the Assessments (Common Charges) from the Owners.
- (d) The employment and dismissal of the personnel necessary for the maintenance, repair, replacement and operation of the Common Areas.
- (e) Opening of bank accounts in the name of the Association and designating the signatories required therefor.
- (f) Purchasing or leasing or otherwise acquiring in the name of the Association or its designee, corporate or otherwise, Units offered for sale or lease, or surrendered by their Unit Owners to the Board of Directors or to the Association.
- (g) Purchasing of Units, including at foreclosure or other judicial sales in the name of the

Association, or its designee, corporate or otherwise.

- (h) Selling, leasing, subleasing, encumbering, mortgaging, voting the votes appurtenant to (other than for the election of members of the Board of Directors) or otherwise dealing with, Units acquired by the Association or its designee, corporate or otherwise.
- (i) Organizing corporations to act as designees of the Association in acquiring title to or Units on behalf of all Unit Owners.
- (j) Granting of licenses over the Common Areas.
- (k) Obtaining and maintaining insurance on the Property, and designating a commercial bank, insurance company or similar institution with trust powers as Trustee.
- (l) Making of repairs, additions and improvements to or alterations to and restoration of the Property.
- (m) Leasing or otherwise acquiring the title to use, either exclusively or in common with others, other facilities for the benefit of Owners.
- (n) Adopting and amending reasonable Rules and Regulations governing the conduct of all people on the Property and the operation and use of the Property. The Board shall have the power, after notice and after an opportunity for the offending Unit Owner to be heard, to levy a charge against the offending Unit Owner for violation thereof or for violation of any provision of these By-Laws or the Declaration for which any Unit Owner (or its invitees) is responsible, provided that no such levy may be for more than the statutory maximum for any one violation; but for each day that a violation continues, after notice and opportunity to be heard and without being cured or without a plan for cure acceptable to the Board of Directors, it shall be considered a separate violation. Collection of damages may be enforced against the Unit Owner or Owners responsible as if the damages were a Common Charge owed by the particular Unit Owner or Owners.
- (o) The Board of Directors may also enforce, by any legal means, the provisions of the Declaration, the By-Laws, and The Rules and Regulations for the use of the Property.
- (p) To appoint and remove at pleasure all officers, agents and employees of the Association, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient. Nothing contained in these By-Laws shall be construed to prohibit the employment of any Member, Officer or Director of the Association in any capacity whatsoever.

Section 3. Management: The Board of Directors may employ or enter into a contract or agreement with a Manager for the Property, for a period of not more than twelve (12) months with the right of the Association to cancel such contract with thirty (30) days notice for cause, at a compensation or consideration established by the Board to perform such duties and services as the Board shall authorize. The Board of Directors shall send all Unit Owners a copy of any such cancellation notice. The Board of Directors may authorize such Manager to perform such duties as it deems appropriate.

Section 4. Removal of Directors: At any time, at any regular or special meeting of

the Members, any one or more of the members of the Board of Directors may be removed with cause by Members entitled to cast votes representing more than fifty percent (50%) of the aggregate interest in the Common Areas as established by the Declaration, following notice thereof in the call of the meeting and a successor or successors may then or thereafter be elected to fill the vacancy thus created.

Section 5. Vacancies: Vacancies on the Board of Directors caused by any reason other than the removal of a member thereof by a vote of the Members shall be filled by vote of a majority of the remaining directors at a regular or special meeting of the Board of Directors held promptly after the occurrence of any such vacancy, even though the directors present at such meeting shall constitute less than a quorum and each person so elected shall be a member of the Board of Directors for the remainder of the term of the director so replaced, and until his successor shall be duly elected.

Section 6. Organizational Meeting: The first regular meeting of the Board of Directors following a meeting of the Members at which directors are elected, shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Members at such meeting. No notice shall be necessary to the members of the Board of Directors in order legally to constitute such a meeting, provided a quorum shall be present at such first regular meeting.

Section 7. Regular Meetings: Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors. Notice of regular meetings of the Board of Directors shall be given by the secretary to each director personally or by mail at least three (3) days prior to the day named for the meeting.

Section 8. Special Meetings: Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each director, given personally or by mail, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or secretary in like manner and on like notice on the written request of at least two (2) directors.

Section 9. Waiver of Notice: Any director may at any time waive notice of any meeting of the Board of Directors in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all members of the Board are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 10. Quorum of Board of Directors: At all meetings of the Board of Directors, the presence of a majority of the then directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present shall constitute the decision of the Board of Directors.

Section 11. Fidelity Bonds: The Board of Directors shall have the option, but not the obligation to obtain, to the extent reasonably available, for all officers, employees and agents of the Association handling or responsible for Association funds, a fidelity bond in the amount of 150% of anticipated funds to be held by such officers, employees and agents. The premiums on such bonds shall constitute a Common Expense.

Section 12. Compensation: No member of the Board of Directors shall receive any

compensation from the Association for acting as a director.

Section 13. Liability of the Board of Directors: The directors shall not be liable to the Association or to the Members for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Association shall defend, indemnify and hold harmless, to the extent permitted by law, each of the directors against all liability arising out of their conduct on behalf of the Association, unless such conduct shall have been willful misconduct or in bad faith. It is intended that the directors shall have no personal liability with respect to any contract made by them on behalf of the Association (except as Members). It is also intended that the liability of any Member arising out of any contract made by the Association with respect to the Common Areas, or out of the aforesaid indemnity in favor of the Board of Directors, shall be limited to the Member's interest in the Common Areas.

Section 14. Fiscal Year: The Board of Directors shall establish a fiscal year.

Section 15. Fiscal Affairs: It shall be the duty of the Board of Directors:

- (a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members or at any special meeting when such is requested in writing by Members representing at least one-fourth (1/4) of the votes of the membership.
- (b) To supervise all officers, agents and employees of this Association, and to see that their duties are properly performed.
- (c) As more fully provided in the Declaration applicable to the Property:
 - (1) To fix the amount of the assessment against each Unit for each assessment period at least thirty (30) days in advance of such date or period and, at the same time;
 - (2) Cause to be prepared a roster of the Units and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Member or his designee, and, at the same time;
 - (3) To cause to be sent written notice of each assessment to every Unit Owner subject thereto.
- (d) To issue or to cause an appropriate officer to issue, upon demand by any person a certificate setting forth whether any assessment has been paid. Such certificate shall be conclusive evidence of any assessment therein stated to have been paid.

ARTICLE VIII

Officers

Section 1. Designation: The principal officers of the Association shall be the president, the secretary, and the treasurer, all of whom shall be elected by the Board of Directors. The president and the vice president shall be elected from among the members of the Board of Directors. The Board of Directors may elect a Treasurer, Assistant Treasurer,

Secretary, Assistant Secretary and such other officers as, in its judgment, may be necessary and who need not be Unit Owners. Any person or officer or employee of a corporate, partnership or fiduciary Unit Owner shall be eligible for such election.

Section 2. Election of Officers: The officers of the Association shall be elected annually by the Board of Directors and shall hold office at the pleasure of the Board.

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

Section 4. President: The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Members and of the Board of Directors. He shall have all the general powers and duties which are usually vested in the office of president of a corporation, organized under the laws of the State of North Carolina, including but not limited to the power to appoint committees from time to time as he may, in his discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

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

Section 6. Secretary: The secretary shall keep the minutes of all meetings of the Members and of the Board of Directors; he shall have charge of such books and papers as the Board of Directors and these By-Laws may direct; he shall give all notices required by the By-Laws unless otherwise provided; and he shall, in general, perform all the duties incident to the office of the secretary of a corporation organized under the laws of the State of North Carolina.

Section 7. Treasurer: The treasurer shall have responsibility for Association funds and securities and shall cause the financial records and books of account in books belonging to the Association to be kept. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association, in such depositories as may from time to time be designated by the Board of Directors, and he shall, in general, perform all the duties incident to the office of treasurer of a corporation organized under the laws of the State of North Carolina.

Section 8. Signatories to Documents: All agreements, contracts, deeds, leases, checks and other documents of the Association shall be executed by any officer of the Association or by such other person or persons as may be designated by the Board of Directors. Vouchers for the payment of Association funds shall be approved by the treasurer before payment.

Section 9. Compensation of Officers: No officer shall receive any compensation from the Association for acting as such.

ARTICLE IX

Operation of the Property

Section 1. Determination of Common Expenses and Fixing of Common Charges: The Board of Directors shall, from time to time, and at least annually, prepare a budget for the Property, determine the amount of the Common Charges payable by the Unit Owners to meet the Common Expenses and allocate and assess such Common Charges among the Unit Owners according to their share as established by the Declaration. 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 Owners and to their mortgagees upon request. The Common Expense shall include, among other things:

- (a) The cost of repairs and maintenance of the Common Areas and appurtenant interest;
- (b) All insurance premiums on all policies of insurance required to be or which have been obtained by the Board of Directors pursuant to the provisions of ARTICLE VII herein, and the fees and expenses, if any, of the Trustee, if any; provided, however, that as long as the Declarant is engaged in the construction or erection of improvements on the Common Areas, it shall pay the portion of insurance premiums allocable to builder's risk insurance (including liability coverage for construction operations and completed operations).
- (c) Such amounts as the Board of Directors may deem proper for the improvement and operation of the Property, including without limitation on amount for its working capital, a general operating reserve, a reserve fund for replacements, and sums necessary to make up any deficit in the Common Expenses for any prior year;
- (d) Expenses incurred in leasing or otherwise acquiring the right to use either exclusively or in common with others, other facilities for the benefit of the Unit Owners;
- (e) Such amounts as may be required for the purchase or lease by the Board of Directors, or its designee, corporate or otherwise, on behalf of all Unit Owners, or Unit whose Unit Owner has elected to sell or lease such Unit, or a Unit to be acquired by foreclosure proceedings or proceedings in lieu of foreclosure or which is to be sold at judicial sale;
- (f) Any other expense in connection with the Common Areas or their improvements which the Board of Directors deems to be of mutual benefit to the Unit Owners or Members.

Section 2. Payment of Common Charges: All Unit Owners shall be obligated to pay the Common Charges assessed by the Board of Directors annually or at such other times as the Board of Directors shall determine. The Board may authorize Common Charges to be collected by a mortgagee of one or more Units or by the Manager.

Section 3. No Waiver of Liability for Common Expense: No Member may exempt himself from liability for his contribution toward the Common Expenses by waiver of the use or enjoyment of any of the Common Areas or by abandonment of his Unit.

Section 4. Non-Liability After Conveyance: No (former) 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 made pursuant to the provisions of these By-Laws.

Section 5. Successor's Liability for Common Charges: A grantee who acquired a Unit shall not be, unless expressly assumed, personally liable for any charge for unpaid assessments due prior to his purchase; however, the Unit conveyed shall be subject to a lien for any such unpaid assessment.

Section 6. Default in Payment of Common Charges: In the event of default by any Member in paying to the Association the Common Charges as determined by the Board of Directors, such Members shall be obligated to pay interest at the highest legal rate on such Common Charges from the due date thereof until collected together with all expenses, including attorneys' fees incurred by the Association in any proceeding brought to collect such unpaid charges. The Association shall attempt to recover such Common Charges together with interest thereon and the expenses of the proceeding including such attorneys fees, by an action to recover the same brought against such Member, or by foreclosure of the line on such Unit under powers granted by the Declaration.

Section 7. Foreclosure of Liens for Unpaid Common Charges: In any action brought by the Association to foreclose a lien on a Unit because of any unpaid Common Charges, the Unit Owner shall be required to pay reasonable rental for the use of his Unit from the date of non-payment of Common Charges and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Association acting on behalf of all Unit Owners, shall have the power to purchase such Unit at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant thereto (other than for the election of members of the Board of Directors), convey or otherwise deal with the same. A suit to recover a money judgment for unpaid Common Charges shall be maintainable without foreclosing or waiving the liens securing the same.

Section 8. Maintenance, Repair and Replacement:

- (a) Common Areas: The Association shall maintain, repair and replace all improvements (including landscaping) located on the Common Areas; and in the event that such maintenance, repair or replacement was caused by the negligence or misuse of a Unit Owner, such expense shall be charged to such Unit Owner.
- (b) Units: Each Unit Owner shall maintain, repair and replace, at his own expense, all portions of his Unit, except any portions thereof to be maintained, repaired and replaced by the Association. Each Unit Owner shall be responsible for damages to any other Unit or to the Common Areas caused intentionally, negligently, or by his failure to properly maintain, repair, or make replacements to his Unit.

Section 9. Additions, Alterations, or Improvements by Board of Directors: Whenever, in the judgment of the Board of Directors, the Common Areas shall require additions, alterations or improvements costing more than Ten Thousand Dollars (\$10,000.), which are not to be at the expense of an individual Unit Owner for his own benefit, and the making of such additions, alterations or improvements shall have been approved at an annual or special meeting of the Owners, the Board of Directors shall proceed with such additions, alterations or improvements and shall assess all Unit Owners for the cost thereof as a Common Charge. Any additions, alterations or improvements costing Ten Thousand Dollars (\$10,000.) or less may be made by the Board of Directors without further approval of the Unit Owners, and the costs thereof will constitute part of the Common Expenses.

Section 10. Additions, Alterations, or Improvements by Unit Owner: No Unit Owner, other than Declarant, shall make any structural addition, alteration or improvement in

or to any Unit or Common Areas, nor shall he paint or otherwise decorate or change the appearance of any portion of the exterior of any Unit, without prior written consent of the Board of Directors pursuant to the Declaration. The Board of Directors shall answer any written request for such approval within thirty (30) days after the receipt thereof, and failure to do so within such time shall constitute a consent by the Board of Directors to the proposed addition, alterations or improvements. The provisions of this Section shall not apply to any Unit until such Unit has been conveyed by the Declarant, and until the initial certificate of occupancy has been issued.

Section 11. Water and Sewer Charges: Each Unit Owner shall be required to pay any water, gas, and sewer charges pertaining to his Unit. Such charges may be separately metered or may be determined in accordance with an engineering determination by the Board of Directors and billed in accordance therewith. The water and sewer services supplied to the Common Areas may be metered separately, but in any event the Association shall pay all charges for such water and sewer service supplied as a Common Expense.

Section 12. Electricity: Each Unit Owner shall be required to pay the electric power charges pertaining to his Unit. Such charges may be separately metered, and each Unit Owner shall be required to pay the charges for such meter. The electricity servicing the remaining Common Areas may be metered separately, but in any event the Association shall pay all charges for such electricity supplied as a Common Expense.

ARTICLE X

Use Of Property

Section 1. Restrictions on the Use of the Property: In order to provide for congenial occupancy of the Property and for the protection of the values of the Units, the use of the Property shall be restricted to, and shall be in accordance with the terms of the Declaration.

ARTICLE XI

Mortgages

Section 1. Notice to Association: A Unit Owner who mortgages or grants a deed of trust with respect to his Unit, or the mortgagee, shall notify the Association of the name and address of such mortgagee. The Association shall maintain such information in a book entitled "Mortgagees of Units".

Section 2. Statement of Common Charges: The Association, whenever so requested in writing by a Unit Owner, a prospective Unit Owner, a mortgagee, or by a prospective mortgagee of a Unit, shall promptly report any then unpaid Common Charges due from, or any other default by, the Unit Owner of the mortgaged Unit. The Association shall be allowed to charge an administrative fee for furnishing such report.

Section 3. Notice of Default: The Association, when giving notice to a Unit Owner of a default in paying Common Charges or other default, shall send a copy of such notice to each holder of a mortgage covering such Unit, if the name and address of such mortgagee has previously been furnished to the Association and the sending of such notice has been requested

in writing by such mortgage holder.

Section 4. Examination of Books: Each Unit Owner or mortgagee of a Unit shall be permitted to examine the books of account of the Association at a reasonable time on business days.

ARTICLE XII

Insurance

Section 1. Coverage: To the extent available, the Association may obtain and maintain insurance coverage as set forth in Sections 2, 3 and 4 hereof. All insurance affecting the Property shall be governed by the provisions of this ARTICLE XII. Premiums of insurance obtained by the Association shall be a Common Expense.

Section 2. Physical Damage: All buildings and improvements (as defined in Subsection (d) hereof) and all of the personal property owned by the Association, shall be insured, for the benefit of the Association, the Unit Owners and Mortgagees as their interests may appear, against risks of physical damage as follows:

- (a) Amounts: As to real property, for an amount equal to not less than One Hundred Percent (100%) of its replacement costs; as to personal property, for an amount equal to its actual cash value. Prior to obtaining any insurance on real property under this Section, and at least annually thereafter the Board of Directors shall obtain an estimate from an insurance agent, or otherwise qualified person, for the purpose of determining the replacement cost of such real property.
- (b) Risks Insured Against: The insurance shall afford protection against loss or damage by reason of:
 - (1) Fire and other perils normally covered by intended coverage;
 - (2) Vandalism and malicious mischief;
 - (3) Such other risk of physical damage as from time to time may be customarily covered with respect to buildings and improvements similar in construction, location and use as those on the Common Areas or Limited Common Areas including without limitation builder's risk coverage for improvements under construction; and
 - (4) Such other risks of physical damage as the Board of Directors may from time to time deem appropriate.
- (c) Other Provisions: The insurance shall include, to the extent reasonably obtainable and without limitation, the following provisions:
 - (1) Waivers by the insurer of rights of subrogation, other than those based on fraud or criminal acts, against the Association and the Unit Owners;
 - (2) That the insurance shall not be affected or diminished by reason of any other insurance carrier by any Unit Owner or Mortgagee;

- (3) That the insurance shall not be affected or diminished by failure of any Unit Owner or any occupants or owners of any improvements to comply with any warranty or condition when such failure to comply is not within the control of this Association;
 - (4) Such deductible as to loss, but not co-insurance features, as the Board of Directors in its sole judgment deems prudent and economical;
 - (5) That the insurance may not be cancelled or substantially modified (except for the addition of property or increases in amount of coverage) without at least thirty (30) days prior written notice to the named insured;
 - (6) The standard mortgagee clause, except that any loss otherwise payable to named mortgagees shall be payable in the manner set forth in Subsection (7) hereof;
 - (7) Proceeds for losses shall be payable to the Association or any Trustee designated by the Board of Directors; and
 - (8) The named insured shall be the Association for the benefit of the Unit Owners.
- (d) Definition: As used in this Section, the term "all buildings and improvements" shall include, without limitation, all Common Areas and personal property of the Association, and replacements thereof and shall exclude building fixtures, alterations, installations or additions (other than those shown in the Unit Ownership File) situated within a portion of the Property used and owned exclusively by an individual Unit Owner and made or acquired at the expense of an individual Unit Owner of that portion of the Property.

Section 3. Liability Insurance: The Board of Directors shall obtain and maintain public liability insurance for bodily injury and property damage in such limits as the Board of Directors may from time to time determine, insuring the Association, the Board of Directors and each Unit Owner with respect to his liability arising from ownership, maintenance or repair of the Common Areas which is the responsibility of the Association including, without limitation, liability arising from construction operations. Such liability insurance shall also cover cross-liability claims among Unit Owners and the Association. The Board of Directors shall review such limits at least annually. The insurance provided under this Section shall include without limitation the following provisions.

- (a) That the insurance shall not be affected or diminished by any act or neglect of any Unit Owner or any occupants of any improvements when such act or neglect is not within the control of the Association;
- (b) That the insurance shall not be affected or diminished by failure of any Unit Owner or any legal occupants of Units of any improvements to comply with any warranty or condition when such failure to comply is not within the control of the Association; and
- (c) Waivers by the insurer of rights of subrogation, other than those based on fraud or criminal acts, against the Association and the Unit Owners.

Section 4. Workmen's Compensation Insurance: The Board of Directors shall obtain and maintain Workmen's Compensation Insurance to meet the requirements of the laws of the State of North Carolina.

Section 5. Unit Owners Hazard Insurance: Each Unit Owner shall be responsible for his own individual hazard insurance coverage on his Unit and all improvements and contents, except to the extent actually insured by any policies obtained by or through the Association for the benefit of individual Unit Owners. However, each Unit Owner shall be responsible for ascertaining whether or not the Association has obtained any such insurance for the benefit of individual Unit Owners. The Association may require a Unit Owner to exhibit his hazard insurance policy.

Section 6. Other Insurance: The Board of Directors is authorized to obtain and maintain such other insurance as it may, from time to time, deem appropriate.

ARTICLE XIII

Damage to or Destruction of Property

Section 1. Duty to Repair or Restore: Any portion of the Common Areas, damaged or destroyed, shall be repaired or restored promptly by the Association.

Section 2. Estimate of Cost: Promptly after damage to or destruction of the Common Areas, and thereafter as it deems advisable, the Board of Directors shall obtain reliable and detailed estimates of the cost of repair or restoration. If such cost in the opinion of the Board of Directors may exceed \$5,000.00, the Board of Directors may retain the services of an architect to assist in the determination of such estimates and in the supervision of repair and restoration.

Section 3. Collection of Construction Funds: Construction funds may consist of insurance proceeds, condemnation awards, proceeds of assessments against Unit Owners and other funds received on account of or arising out of injury or damage to the Common Areas.

- (a) Insurance Proceeds: The Board of Directors shall adjust losses under physical damage insurance policies of the Association. Such losses shall be payable in accordance with ARTICLE XII, Section 2(c)(7) herein.
- (b) Condemnation Awards: Any condemnation awards with respect to the Common Areas shall be payable to the Association.
- (c) Assessments against Unit Owners: If the insurance proceeds and condemnation awards are insufficient to effect the necessary repair or restoration of the Common Areas, such deficiency shall be charged against all Unit Owners as a Common Expense. The proceeds of assessments for such Common Expense shall be paid to the Association or any Trustee appointed by the Board of Directors.
- (d) Payments by Others: Any other funds received on account of or arising out of injury or damage to the Common Areas shall be paid to the Board of Directors or to any Trustee.

Section 4. Plans and Specifications: Any repair or restoration must be either substantially in accordance with the architectural and engineering plans and specifications for the original improvements or according to plans and specifications approved by the Board of Directors.

Section 5. Units: Repairs or restoration of damage or destruction to a Unit shall be at the Unit Owner's expense, but the Association, to the extent it has actually obtained policies insuring the interest of a Unit Owner with respect to his Unit or any related Limited Common Areas, shall make any insurance proceeds from any such policies obtained by the Association available to the Unit Owner for repairs or restoration.

Section 6. Disbursement of Construction Funds: Any Trustee appointed by the Board of Directors shall deduct from the construction funds its actual costs, expenses and a reasonable fee for the performance of its duties, and such Trustee, or the Association if no Trustee is appointed, shall disburse the balance in the following manner:

- (a) Payment of Repair or Restoration: Any Trustee or the Association shall apply such balance to pay directly, and to reimburse the Association for the payment for, the costs of repair or restoration of the Common Areas including the cost of temporary repairs for the protection of the Common Areas pending the completion of permanent repairs and restoration.
- (b) Surplus Funds: If after payment of all repairs and restoration, there remains any surplus fund, such fund shall be paid to Unit Owners in proportion to the contributions resulting from assessments levied against them pursuant to Section 3(c) of this ARTICLE; provided, however, that no Unit Owner shall receive a sum greater than that actually contributed by him. Any surplus remaining after such payments shall be paid to the Association and shall be part of its general income.
- (c) Determination Not to Repair or Restore: If there is substantially total destruction, as determined by the Board of Directors, of all of the improvements on the Common Areas, and Unit Owners voting at least three-fourths (3/4) of the eligible votes vote not to proceed with repair or restoration, any balance of construction funds shall be paid to the Association and placed in a reserve for capital improvements on the Common Areas. In the event of dispute as to the fact of substantially total destruction, that issue shall be submitted to arbitration in accordance with the rules of the American Arbitration Association and in accordance with North Carolina law.

Section 7. Trustee: The Board of Directors may, but is not required to, enter into and keep in force a trust agreement with a bank in the State of North Carolina with trust powers to receive, administer, and disburse funds pursuant to ARTICLE XIII herein. Any such trust agreement shall incorporate the Declaration and By-Laws by reference and shall provide that upon termination thereof, all monies or funds held by the Trustee shall be turned over only to a successor trustee which shall also be a bank in the State of North Carolina with trust powers. No amendment of the Declaration or of these By-Laws affecting ARTICLE XII or this ARTICLE XIII shall be binding on the Trustee until the Trustee receives notice of such amendment.

ARTICLE XIV

Records

Section 1. Records: The Association shall keep detailed records of the actions of the Board of Directors, minutes of the meetings of the Board of Directors, minutes of the meetings of the Members or Unit Owners, names of the Unit Owners and Mortgagees, and financial records and books of account for the Property, including chronological listing of

receipts and expenditures, as well as a separate account for each Unit, which, among other things, shall contain the amount of each assessment of Common Charges against such Unit, the date when due, the amount paid thereon, and the balance remaining unpaid. Unless the Unit Owner notifies the Association of change in ownership, the Association may rely on the names of Unit Owners appearing on the municipal tax assessor's list as of the last municipal assessment date.

Section 2. Statement: A written report and statement summarizing all receipts and expenditures of the Association shall be rendered by the Board of Directors to all Unit Owners at least annually.

Section 3. Annual Report: In addition to the annual statement referred to above, an Annual Report of the receipts and expenditures of the Association, prepared but not necessarily audited by an independent certified public accountant, shall be rendered by the Board of Directors to all Unit Owners and to all Mortgagees of Units whose names appear in the book entitled "Mortgagees of Units" and who make written request to the Association, promptly after the end of each fiscal year.

Section 4. Examination of Records: Each Unit Owner and Mortgagee shall be permitted to examine the books of account of the Association at reasonable times on business days but not more than once a quarter.

ARTICLE XV

Proxies

Section 1. At all corporate meetings of Members, each Member may vote in person or by proxy.

Section 2. All proxies shall be in writing and filed with the Secretary. No proxy shall extend beyond a period of eleven (11) months and every proxy shall automatically cease upon transfer of title by a Member of his interest in a Unit in the Property, but shall remain in effect as to such Member's interest, if any, in Units other than the one transferred.

ARTICLE XVI

Miscellaneous

Section 1. Notices: All notices hereunder shall be sent by mail to the Association at its office in Chapel Hill, North Carolina to Unit Owners to the address of the Unit, or to such other address as may have been designated by such Unit Owner from time to time in writing to the Association; to Mortgagees at their addresses as designated by them from time to time in writing to the Association. All notices from or to the Association shall be deemed to have been given when mailed, except notice of changes of address which shall be deemed to have been given when received.

Section 2. Captions: The Captions herein are inserted as a matter of convenience and for reference, and in no way define, limit or describe the scope of these By-Laws or the intent of any provisions thereof.

Section 3. Gender: The use of the masculine or neuter gender in these By-Laws shall be deemed to include the feminine gender, the use of singular shall be deemed to include the plural when the context so requires.

Section 4. Tort Liability: Each Unit Owner shall be deemed to have released and exonerated each other Unit Owner and the Association, and the Association shall be deemed to have released and exonerated each Unit Owner from any tort liability other than that based on fraud or criminal acts to the extent which such liability is satisfied by the proceeds of liability insurance carried by a Unit Owner or by the Association.

ARTICLE XVII

Invalidity, Conflict and Waiver

Section 1. Invalidity: The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of the By-Laws.

Section 2. Conflict: These By-Laws are set forth to comply with the requirements of the North Carolina Non-Profit Corporation Act and the Declaration. In the event of any conflict between these By-Laws and the provisions of such Act, or of the Declaration, the provisions of such Act, or of the Declaration, as the case may be, shall control.

Section 3. Waiver: No restriction, condition, or covenant contained in these By-Laws shall be deemed to have been a or waived by reason of failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

ARTICLE XVIII

Amendment to By-Laws

Section 1. Method of Amendment: These By-Laws may be altered amended or added to at any duly called meeting of the Members provided:

- (a) The Board of Directors of the Association shall adopt a resolution setting forth the amendment proposed;
- (b) That the notice of the meeting shall contain a substantial statement of the proposed amendment;
- (c) That the amendment be approved in writing by the holders of mortgages on not less than seventy-five percent (75%), in the aggregate, of the Units subject to mortgages;
- (d) That the amendment be approved by the affirmative vote of members voting the majority of the eligible votes of the Association; and
- (e) That said amendment shall be fully consistent with a duly recorded amendment to the Declaration executed by the President and Secretary of the Association; however, no amendment to the Declaration or the recordation thereof, shall be necessary unless such amendment to these By-Laws creates an inconsistency with the Declaration.

Section 2. Effect of Amendments upon Encumbrances: No amendment or modification of By-Laws will affect or impair the validity or priority of any mortgage encumbering any Unit, nor the validity or priority of any other proper lien.