

EXHIBIT B

BYLAWS
OF
SHEPHERD LANE HOMEOWNERS ASSOCIATION, INC.
AND
SHEPHERD LANE CONDOMINIUMS

Section 1: Definitions

Any definition of a term set forth in North Carolina General Statutes Section 47A-3 which is not inconsistent with the definitions hereinafter incorporated from the Declaration of Unit Ownership under Chapter 47A of the North Carolina General Statutes for SHEPHERD LANE CONDOMINIUMS ("Declaration") is incorporated herein by reference. Unless the context clearly indicates otherwise, any term not otherwise defined in these Bylaws shall have the same meaning as in the Declaration and the Declaration of Unit Ownership is hereby included by reference.

Section 2: Administration of the Shepherd Lane Condominiums

2.1. Corporation. Shepherd Lane Homeowners, Association, Inc. ("Association") was formed solely for the purpose of administering, managing and being in charge of the operation of the Condominium Property, and these Bylaws shall govern the administration of the Condominium Property as required by Section 47A-18 of the North Carolina Unit Ownership Act (the "Act"). The Association shall not engage in any other activities and shall confine itself to the administration and government of the Condominium Property.

2.2. Authority. The Association, its Board of Directors, its officers and its members, shall at all times act in conformity with the Act, the Declaration, the Articles of Incorporation of the Association, these Bylaws and the Rules and Regulations adopted by the Board of Directors pursuant to Article VI, Section 10, of the Declaration and these Bylaws. In the administration, operation and management of the Condominium Property, the Association shall have the authority and power to enforce the provisions of these Bylaws and the 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 Units and Common Areas and Facilities as its Board of Directors may deem to be in its best interest.

Section 3: Offices -- Seal -- Fiscal Year

3.1. Principal Office -- Registered Office. The initial registered office of the Association shall be located at 130 Estes Drive, Chapel Hill, North Carolina. The Association may change the registered office as it deems it necessary.

3.2. Other Offices. The Association may have other offices at such other places within the State of North Carolina as the Board of Directors may from time to time determine or as the affairs of the Association may require.

3.3. Seal. The seal of the Association shall contain the name of the Association, the word "Seal," year of incorporation and such other words and figures as desired by the Board of Directors. When obtained, said seal shall be impressed in the space below:

3.4. Fiscal Year. The fiscal year of the Association shall be the calendar year, except that in the initial year of operation of the Association, the fiscal year shall commence with the closing of the sale of the first Unit.

Section 4: Membership and Meetings

4.1. Qualification. Membership in the Association shall be confined to and consist of the Unit Owners. Membership shall be appurtenant to and inseparable from Unit ownership.

Membership in the Association shall inure automatically to Unit Owners upon acquisition of the fee simple title, whether encumbered or not, to any one or more Units. The date of recordation of the conveyance in the Office of the Register of Deeds of Orange County, North Carolina, of the Unit in question shall govern the date of ownership of each particular Unit. In the case of death, however, the transfer of ownership shall occur on date of death in the case of intestacy or date of probate of will in the case of testacy. Until a decedent's will is probated, the Association may rely on the presumption that a deceased owner died intestate.

4.2. Place of Meetings. All meetings of the membership shall be held at the registered office of the Association or at such other place as may be designated from time to time by the Board and included in the notice of meeting, provided that all meetings shall be held within Orange County, North Carolina.

4.3. Annual Meetings. The first annual meeting of the members shall be held at the date and hour designated by the Declarant within sixty (60) days after the conveyance of the Declarant of the Unit which leaves Declarant as the Owner of ten percent (10%) or less of the Percentage Interests, or at 7:30 p.m., Eastern Standard Time, on the first Tuesday of the thirteenth month following the date of this Declaration, whichever date first occurs. Thereafter, the annual meetings of the members shall be held on the first day in January should this date be a legal holiday, the annual meeting shall be held at the same hour on the first day following which is not a legal holiday. At such meetings the Board of Directors shall be elected and the members shall transact such other business as may properly come before them.

4.4. Substitute Annual Meetings. If the annual meeting shall not be held on the day designated by these Bylaws, a substitute annual meeting may be called in accordance with the provisions of Sections 4.5 and 4.6. A meeting so called shall be designated and treated for all purposes as the annual meeting.

4.5. Special Meetings. Special meetings of the members may be called at any time by the President, Secretary or Board of Directors of the Association, or by any member pursuant to the written request of the holders of not less than thirty-three percent (33%) of the Percentage Interests.

4.6. Notice of Meetings - Waiver. Written or printed notice stating the time and place of the meeting shall be delivered not less than ten (10) nor more than thirty (30) days before the date of any membership meeting, either personally or by mail, by or at the direction of the President, the Secretary or other person calling the meeting, to each Member entitled to vote at such meeting. If delivered personally, receipt of such notice shall be signed by the member, indicating the date on which such notice was received by him. If mailed, such notice shall be deemed to be properly given when deposited in the United States mail, postage prepaid and addressed to the member at his or her post office address as it appears on the records of the Association as of the date of mailing such notice.

Notice given to any one tenant-in-common or tenant by the entireties of a Unit shall be deemed notice to all co-owners of such Unit.

In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called; but, in the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted thereat unless the business to be transacted is an amendment of these Bylaws or such a statement is otherwise required by the Declaration or required by the provisions of Chapter 55A of the North Carolina General Statutes.

Any member may waive the necessity of formal notice to him by signing a written waiver either before or after the meeting. Upon execution of such a waiver, a member shall not be entitled thereafter to object, on the grounds of lack of notice, to the holding of the meeting or to matters properly before the membership for consideration and passed upon at said meeting.

4.7. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of members entitled to vote one-half (1/2) of the total Percentage Interests shall constitute a quorum at all meetings of the members. If any meeting cannot be organized because a quorum has not attended, or because the greater percentage of the membership required to constitute a quorum for particular purposes has not attended (wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these Bylaws or the Declaration), the members who are present, either in person or by proxy, may adjourn the meeting from time to time without notice other than the announcement at the meeting, until a quorum, or the required percentage of attendance if greater than a quorum, is present, so long as said adjournment is for less than thirty (30) days.

The members at any meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum, unless a higher percentage of votes is required.

4.8. Voting Rights. The total number of votes of all Unit Owners shall be One Thousand (1,000). The Owner or Owners of each Unit shall be entitled to cast the number of votes equal to the Percentage Interest appurtenant to his or her Unit as set forth in the Declaration and Exhibit D attached thereto.

The vote of the Owners of a Unit owned by more than one person or by a corporation or other entity shall be cast by the one individual named in a certificate signed by all of the Owners of the Unit and filed with the Secretary of the Association, and such certificate shall be valid until revoked by subsequent certificate. If such a certificate is not on file, the vote of such Owners shall not be considered for any purpose.

The owners of a life estate in a Unit shall be entitled to cast the vote appurtenant to such Unit as against the owners of a reversion or remainder interest. The above provisions concerning one voter shall also apply to those owning joint or multiple life estates in any particular unit.

4.9. Proxies. Members may vote either in person or by agents duly authorized by a written proxy executed by a member or by his duly authorized attorney-in-fact. A proxy is not valid after the expiration of eleven (11) months from the date of its execution, unless the person executing it specifies therein the length of time or the particular meeting(s) for which it is to continue in force, but no proxy shall be valid after ten (10) years from the date of its execution. Unless a proxy otherwise provides, any proxy holder may appoint in writing a substitute to act in his place.

4.10. Majority Vote. The casting of a majority of the votes represented at a meeting at which a quorum is present, in person or by proxy, shall be binding for all purposes except where a higher percentage vote is required by the Declaration, the Articles of Incorporation of the Association, these Bylaws or by law.

4.11. Actions Without Meetings. Any action which may be taken at a meeting of the membership may be taken without a meeting if a consent or ratification, in writing, setting forth the action so taken or to be taken shall be signed by persons who would be entitled to vote all of the One Thousand (1,000) votes upon such action at a meeting and such consent is filed with the Secretary of the Association and inserted in the minute book of the Association.

4.12. Order of Business. As far as practical, the order of business at any meeting of members shall be:

- a. calling of the roll and certifying of proxies;
- b. proof of notice of meeting or waiver of notice;
- c. reading and disposal of any unapproved minutes;
- d. election of Directors in the manner provided in Section 5.6 of these Bylaws;
- e. reports of Officers;
- f. reports of Committees;
- g. unfinished business;
- h. new business; and
- i. adjournment.

4.13. Voting by Members. Voting on all matters except election of directors shall be by voice or by a show of hands unless one tenth (1/10) of the votes represented at the meeting shall, prior to the voting on any matter, demand a ballot vote on that particular matter.

4.14. Voting Lists. At least ten (10) days before each meeting of members, the Secretary of the Association shall prepare an alphabetical list of the members entitled to vote at such meeting or any adjournment thereto, with the address of each such member. This list shall be kept on file at the registered office of the Association for a period of ten days prior to such meeting, and shall be subject to inspection by any member at any time during the usual business hours. This list shall also be produced and kept open at the time and place of the meeting and shall be subject to inspection by any member during the whole time of the meeting.

Section 5: Board of Directors

5.1. General Powers. The business and affairs of the Association shall be managed by the Board of Directors.

5.2. Number, Term and Qualification. The initial Board of Directors will consist of five persons whose names are set forth in the Articles of Incorporation of Shepherd Lane Homeowners Association, Inc. The undertakings and contracts authorized by the initial Board of Directors shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by any Board of Directors duly

elected by the membership after the Declaration had been recorded, so long as such undertakings and contracts are within the scope of the powers and duties which may be exercised by the Board of Directors of the Association in accordance with all applicable Condominium documents. From and after the date of the first annual membership meeting there shall be five directors. The initial Board shall serve until their successors are elected by the membership or designated by the Declarant if Declarant still owns at least twenty-five (25%) percent of the Percentage Interest at the first annual membership meeting. Each director shall hold office until his death, resignation, retirement, removal, or disqualification, or until his successor is elected and qualifies. Directors need not be members of the Association or residents of North Carolina, and each director shall be at least twenty-one years of age.

5.3. Classification of Directors. Directors of the Association shall be chosen by the members (including Declarant) at annual meeting as provided in Section 5.6 of these Bylaws. So long as the Declarant has or retains the right to designate any directors as provided in Section 5.4 of these Bylaws, each director so chosen shall serve for a term of one year, or until his or her successor is duly elected and qualified at the next annual meeting.

Beginning with the first annual meeting at which the Declarant shall have no right to designate directors as provided in Section 5.4 of these Bylaws, the Board of Directors shall be divided into two classes, the first class shall have two directors and the second class shall have three directors, with the term of office of one class expiring each year. Directors of the first class shall be elected to hold office for a term expiring at the next annual meeting and directors of the second class shall be elected to hold office for a term expiring at the second succeeding annual meeting. If the number of directors is changed by amendment to these Bylaws, any newly created directorships or any decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as possible. If the number of directors is increased and any newly created directorships are filled by the Board of Directors, there shall be no classification of the additional directors until the next annual meeting of stockholders.

At the first annual meeting at which directors are to be classified, those persons receiving the highest number of votes shall be placed in the second class, while those receiving the next highest number of votes shall be placed in the first class.

5.4. Declarant's Right to Designate Directors. Declarant shall have the right to designate directors so long as Declarant owns twenty-five percent (25%) or more of the Percentage Interests, but in any event no longer than the date three years following the conveyance of the first unit by Declarant. Declarant, at its discretion, shall have the right to waive its right to designate all the directors, or a certain number of directors, during the period commencing with the date hereof and ending on the last day of the third year following the conveyance of the first unit by Declarant. In the event Declarant elects to waive its right to designate all of a portion of the directors, Declarant shall notify the members of its waiver in a written notice designating the date and hour of a special meeting called to elect new directors.

5.5. Nominations. Nominations for election to the Board of Directors shall be made by a Nominating Committee consisting of a Chairman, who shall be a member of the Board whose term does not expire at the next annual meeting, and two members of the Association. The Nominating Committee shall be appointed by the Board prior to each annual meeting of the members to serve from the close of such annual meeting until the close of the next

annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Nominations may also be made from the floor at the annual meeting.

5.6. Election of Directors. Election of Directors shall be conducted in the following manner:

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

(b) All members of the Board of Directors whom the Declarant shall not be entitled to select by reason of a waiver of its rights to designate all the directors under the terms and provisions of these Bylaws shall be elected by a plurality (or excess of votes cast over those of opposing candidates) of the votes cast at the Annual Meeting of the members of the Association immediately following the selection of the members of the Board of Directors whom the Declarant shall be entitled to select, and voting shall be cumulative as provided in subparagraph (d) hereof.

(c) Vacancies in the Board of Directors may be filled until the date of the next annual meeting by the remaining directors, except that should any vacancy in the Board of Directors be created in any directorship previously filled by any person selected by the Declarant, such vacancy shall be filled by the Declarant's selection, by written instrument delivered to any officer of the Association, of the successor director to fill the vacated directorship for the unexpired term thereof.

(d) At each annual meeting the members shall elect the number of directors provided in these Bylaws, as classified in accordance with Section 5.3 hereof, for the terms set out in Section 5.3. Every member entitled to vote shall have the right to vote a total number of votes held by such member as set out in Section 4.8 of these Bylaws, for as many persons as there are directors to be elected (without regard to classification). Persons receiving the highest number of votes shall be elected.

Notwithstanding the fact that the Declarant may be entitled to select members of the Board of Directors, it shall still be entitled to cast the vote for each Unit owned by it in the elections of other Directors; provided, however, that the other directors elected are persons other than officers, directors, stockholders and employees of the Declarant, or wives and relatives of any said persons.

(e) In the event that the Declarant, in accordance with the rights herein established, selects any person to serve on any Board of Directors of the Association, the Declarant shall have the absolute right at any time, in its sole discretion, to replace such person with another person to serve on any Board of Directors. Replacement of any person designated by the Declarant to serve on any Board of Directors of the Association shall be made by written instrument delivered to any officer of the Association, which instrument shall specify the name of the person to be replaced and the name of the person designated as successor

to the person so removed from the Board of Directors. The removal of any director and designation of his or her successor shall be effective immediately upon delivery of such written instrument by the Declarant to any officer of the Association.

(f) Any director (other than a director selected by the Declarant) may be removed from the Board, with or without cause, by a majority vote of the members of the Association at any special or regular meeting of the membership. "Majority vote" shall mean the vote of a Majority of Unit Owners as defined in Article I, Section 2(o) of the Declaration, voting in accordance with these Bylaws. If any Directors are so removed, new directors may be elected by the membership at the same meeting.

5.7. Vacancies. Except as otherwise provided in Section 5.6 hereof, a vacancy occurring in the Board of Directors may be filled by a majority of the remaining directors, though less than a quorum, or by the sole remaining director. The members may elect a director at any time to fill any vacancy not filled by the Directors. As indicated in Section 5.6(f), the membership shall have the right to fill any vacancy created by the membership's removal of a director.

5.8. Chairman. There may be a Chairman of the Board of Directors elected by the directors from their number at any meeting of the Board. The Chairman shall preside at all meetings of the Board of Directors and perform such other duties as may be directed by the Board. In the absence of the Chairman, the President shall preside at all meetings of the Board of Directors.

5.9. Compensation. Directors' fees, if any, shall be determined by the members of the Association. Each Director shall be reimbursed for reasonable out-of-pocket expenses incurred and paid by him on behalf of the Association. Each Director, by assuming office, waives his right to institute suit against or make claim upon the Association for compensation based upon quantum meruit, if no fees are set by the members.

5.10. Loans to Directors and Officers. No loans shall be made by the Association to its directors or officers. The directors of the Association who vote for or assent to the making of a loan to a director or officer of the Association, and any officer or officers participating in the making of such loan, shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof.

5.11. Meetings of Directors.

(a) Organizational Meetings. Immediately after each annual meeting of members of the Association, the newly elected (or selected) directors and those directors whose terms hold over shall hold an organizational meeting for the purpose of electing officers and transacting other business. Notice of such meetings need not be given.

(b) Regular Meetings. Regular meetings shall be held at least monthly without notice, at such hour and place as may be fixed from time to time by resolution of the Board. Should such meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

(c) Special Meetings. Special meetings shall be held when called by the President of the Association, or by any two directors, after not less than three nor more than thirty days' written notice to each director.

(d) Notices of Special Meetings. Written notice stating the time and place of the meeting shall be delivered not less than five nor more than thirty days before the date of the meeting. The notice provided for herein may be waived by written instrument signed by those directors who do not receive said notice. Notices shall be deemed delivered upon the happening of any one of the following events: (1) one day following deposit of same in the United States mails with proper postage paid and addressed to the director at his last known address on file with the Association, (2) deposit of same in his mail box at Shepherd Lane Condominiums, should he reside there, or (3) delivery to the director. Attendance by a director at a meeting shall constitute a waiver of notice of such meeting unless the director gives a written statement of the meeting to the person presiding in which he objects to the transaction of any business because the meeting is not lawfully called.

(e) Quorum. A majority of the directors then holding office shall constitute a quorum for the transaction of business and every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act or decision of the Board. A majority of the Directors present at a meeting duly held, whether or not a quorum is present, may adjourn such meeting from time to time. If any meeting is adjourned for lack of a quorum or without completing the business scheduled to come before the meeting, notice of the time and place to which such meeting is adjourned need not be given if the time and place to which such meeting is adjourned are fixed and announced at such meeting. At each meeting of the Board of which a quorum is present, all questions and business shall be determined by a majority vote of those present, except as may be otherwise expressly provided in the Declaration, Articles of Incorporation or these Bylaws.

5.12. Action Without Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors. Said written approval shall be filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

5.13. Presumption of Assent. A director of the Association who is present at a meeting of the Board of Directors, at which action on any Association matter is taken, shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

5.14. Powers and Duties. The Board of Directors shall have all powers and duties necessary for the administration of the Condominium Property except such powers and duties as by law or by the Condominium documents may not be delegated by the Unit Owners to the Board. The powers and duties to be exercised by the Board shall include, but shall not be limited to the following:

(a) Operation, care, upkeep and maintenance of the Common Areas and Facilities;

(b) Determination of the funds required for operation, administration, maintenance and other affairs of the Condominium Property and collection of the Common Expenses from the Unit Owners, as provided in the Declaration;

(c) Employment and dismissal of personnel necessary for the efficient operation and maintenance of the Condominium Property;

(d) Adoption of Rules and Regulations covering the details of the operation and use of the Condominium Property, which shall include the Units and the Common Areas and Facilities as provided in Article VI, Section 10, of the Declaration. This power shall include the authority to enforce by legal means or proceedings the provisions of the Condominium documents;

(e) Suspension of the voting rights and rights to use of the Recreational Facilities located in the Common area and Facilities as provided in Article VI, Section 11, of the Declaration;

(f) Opening of bank accounts on behalf of the Association and designating the signatories required therefor;

(g) Purchasing, leasing or otherwise acquiring in the name of the Association, or its designee, Units offered for sale or lease or surrendered by their Owners to the Association when and if such purchase, lease or other acquisition is unanimously approved by all Owners other than the Owner of the Unit in question;

(h) Purchasing Units at foreclosure or other judicial sales in the name of the Association, or its designee, with the unanimous consent of all Unit Owners except the Owner of the Unit in question;

(i) Selling, leasing, mortgaging, voting the votes appurtenant (other than for the election of directors), or otherwise dealing with Units acquired by the Association or its designee;

(j) Granting licenses for vending machines;

(k) Obtaining insurance for the Condominium Property;

(l) Authorizing the execution and delivery by officers of the Association of contracts, agreements and other documents in furtherance of the Declaration and these Bylaws;

(m) Keeping detailed, accurate records in chronological order of the receipts and expenditures affecting the Common Areas and Facilities, specifying and identifying the maintenance and repair expenses of the Common Areas and Facilities and any other expense incurred. Both said records and the vouchers accrediting the entries thereupon shall be available for examination by all the Unit owners, or their duly authorized agents or attorneys, at convenient hours on working days that shall be set and announced for general knowledge. All books and records shall be kept in accordance with good and accepted accounting practices and an outside audit shall be made at least once a year;

(n) Keeping a complete record of the minutes of all meetings of the directors and membership, in which minute book shall be inserted action taken by the directors or members by consent without meeting;

(o) Supervising all officers, agents and employees of the Association and insuring that their duties are properly performed; and

(p) Contracting for the management of the Condominium property and delegation to the manager such of the powers and duties of the Association as the Board shall determine, except for powers and duties which under the terms and provisions of the Declaration or these Bylaws cannot be delegated.

Section 6: Officers

6.1. Enumeration of Officers. The officers of the Association shall consist of 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. Except for the President, no officer need be a member of the Board of Directors.

6.2. Election and Term. The officers of the Association shall be elected annually by the Board of Directors. Such elections shall be held at the first meeting of the Board next following the annual or substitute annual meeting of the members. Each officer shall hold office until his death, resignation, removal or until his successor is elected.

6.3. Removal. Any officer elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interest of the Association will be served thereby.

6.4. Vacancy. A vacancy in any office may be filled by the election by the Board of Directors of a successor to such office. Such election may be held at any meeting of the Board. The officer elected to such vacancy shall serve for the remainder of the term of the Officer he replaces.

6.5. Multiple Offices. The person holding the office of President shall not also hold the office of Secretary or Treasurer at the same time. Any other offices may be simultaneously held by one person.

6.6. President. The President shall be a member of the Board of Directors and shall be the chief executive officer of the Association and shall preside at all meetings of the members. In the absence of another elected chairman, he shall also preside at all meetings of the Board of Directors. He shall see that orders and resolutions of the Board of Directors are carried out; he shall sign all written instruments regarding the Common Areas and Facilities and shall co-sign all checks and promissory notes, if any. He shall have all of the general powers and duties which are incident to the office of President of a corporation organized under Chapter 55A of the North Carolina General Statutes in the supervision and control of the management of the Association in accordance with these Bylaws.

6.7. Vice Presidents. The Vice Presidents in the order of their election, unless otherwise determined by the Board of Directors, shall, in the absence or disability of the President, perform the duties and exercise the powers of that office. In addition, they shall perform such other duties and have such other powers as the Board of Directors shall prescribe.

6.8. Secretary. The Secretary shall keep the minutes of all meetings of members and of the Board of Directors; he shall have charge of such books and papers as the Board of Directors may direct; he shall, in general, perform all duties incident to the office of Secretary of a corporation organized under Chapter 55A of the North Carolina General Statutes.

6.9. Treasurer. The Treasurer shall have the responsibility for the Association funds and securities and shall be responsible for keeping full and accurate financial records in books of account showing all receipts and disbursements, and for the preparation of all required financial statements. He shall co-sign all checks and promissory notes of the Association; shall cause an annual year-end audit of the Association books to be made by a public accountant; shall prepare a statement of income and expenditures to be presented to the membership at its annual

meeting; and shall deliver a copy of the audit and of the operating statement to the members. He shall perform all duties incident to the office of Treasurer of a corporation organized under Chapter 55A of the North Carolina General Statutes. Notwithstanding the above, the Board of Directors may elect not to require an audit of the Association books and may also designate the property manager, if any, to sign all checks of the Association.

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

6.11. Loans to Officers. The Association shall not make any loans, either directly or indirectly, to any Officer of the Association. Any Officer or Officers participating in the making of any such loan shall be jointly and severally liable to the Association for the amount thereof until the loan is repaid in full.

6.12. Compensation. No Officer shall receive any compensation from the Association for acting as such, provided, that each Officer shall be reimbursed for reasonable out-of-pocket expenses incurred and paid by him on behalf of the Association.

6.13. Indemnification of Directors and Officers. Each director and officer of the Association, and each former director and former officer of the Association, shall be indemnified by the Association against the costs and expenses reasonably incurred by him in connection with the defense of any pending or threatened action, suit or proceeding, criminal or civil, to which he is or may be made a party by reason of his being or having been such director or officer of the Association (whether or not he is a director or officer at the time of incurring such costs and expenses), except with respect to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for willful misfeasance or malfeasance in the performance of his duty as such director or officer. In case of the settlement of any action, suit or proceeding to which any director or officer of the Association, or any former director or officer of the Association, is made a party or which may be threatened to be brought against him by reason of his being or having been a director or officer of the Association, he shall be indemnified by the Association against the costs and expenses (including the cost of settlement) reasonably incurred by him in connection with such action, suit or proceeding (whether or not he is a director or officer at the time of incurring such costs and expenses), if (a) the Association shall be advised by independent counsel that, in such counsel's opinion, such director or officer did not commit willful misfeasance or malfeasance in the performance of his duty as such director or officer with respect to the matters covered by such action, suit proceeding, and that the cost to the Association of indemnifying such director or officer (and all other directors and officers, if any, entitled to indemnification hereunder in such case) if such action, suit or proceeding were carried to a final adjudication in their favor of the director(s) or officer(s) could reasonably be expected to exceed the amount of costs and expenses to be reimbursed to such directors and officers as a result of such settlement, or (b) disinterested Association members entitled to exercise a majority of the voting power shall, by vote at any annual or special meeting of the Association, approve such settlement and the reimbursement to such director or officer of such costs and expenses. The phrase "disinterested members" shall mean all members of the Association other than (i) any director or officer of the Association who at the time is or may be entitled

to indemnification pursuant to the foregoing provisions, (ii) any corporation or organization of which any such director or officer owns of record or beneficially ten percent (10%) or more of any class of voting securities, (iii) any firm of which such director or officer is a partner, and (iv) any spouse, child, parent, brother or sister of any such director or officer. The foregoing rights of indemnification shall inure to the benefit of the heirs and legal representatives of each such director or officer, and shall not be exclusive of other rights to which any director or officer may be entitled as a matter of law or under the Declaration, any vote of the Association members or any agreement. The Board may purchase and maintain such Directors' and Officers' Liability Insurance as it shall deem appropriate, and premiums for such insurance policies shall be deemed for all purposes proper expenses of the corporation.

Section 8: Amendments

7.1. Amendments. Subject to the provisions of Section 7.2 hereof, the Bylaws may be amended at any time by an instrument in writing signed and acknowledged by Unit Owners holding seventy-five percent (75%) of the Percentage Interests, which instrument shall be effective only upon recordation in the Office of the Register of Deeds of Orange County, North Carolina; provided, that where a unanimous vote of Percentage Interests is required for the Association to take or refrain from taking a specific action, as set forth in these Bylaws, no amendment of the subject bylaw shall be made unless and until the Owners holding one hundred percent (100%) of the vote in the Association execute said amending instrument. All persons or entities who own or hereafter acquire any interest in the Condominium Property shall be bound to abide by any amendment to these Bylaws upon the same being passed as provided herein and duly set forth in an amended Bylaws, duly recorded as provided herein. Such Amendments shall not become operative unless set forth in an Amendment to the Declaration of Unit Ownership and duly recorded in the Office of the Register of Deeds of Orange County.

7.2. Limitations on Amendment. Notwithstanding the foregoing, the following limitations or right to amend shall apply:

(a) No alteration, amendment or modification of the rights and privileges granted and reserved hereunder in favor of the holders of Institutional Mortgages on any Unit or Units shall be made without prior written consent of ninety percent (90%) of all holders of Institutional Mortgages on Units being first had and obtained.

(b) No alteration, amendment or modification of the rights and privileges granted and reserved hereunder in favor of the Declarant (including any change in the number of directors so long as the Declarant retains an existing or prospective right to select any directors) shall be made without the written consent of the Declarant being first had and obtained.

7.3. FHA/VA Approval. In the event the Declarant has arranged for and provided purchasers of Units with FHA insured mortgage loans, then as long as Declarant owns twenty-five (25%) percent of the Units but in no event longer than the date three (3) years following the conveyance of the first Unit by Declarant, the Veterans Administration and/or the Federal Housing Administration shall have the right to veto amendments to the By-Laws.

Section 8: Miscellaneous

8.1. Severability. Invalidation of any covenant, condition, restriction or other provision of these Bylaws shall not affect the validity of the remaining portions thereof which shall remain in full force and effect.

8.2. Gender, Singular, Plural. Whenever the context so permits, the use of the singular or plural shall be interchangeable in meaning and the use of any gender shall be deemed to include all genders.

8.3. Construction. The provisions of the Condominium documents shall be liberally construed to effect their purpose of creating a uniform plan of condominium ownership. The Section headings are for convenience of reference only and shall not be considered part of the Declaration or these Bylaws.

8.4. Parliamentary Rules. Roberts Rules of Order (latest edition) shall govern the conduct of the corporate proceedings, so long as the same are not in conflict with the Articles of Incorporation, the Declaration, these Bylaws or with the laws of the State of North Carolina.

8.5. Notices and Disclosures to Mortgagees. As long as any lender shall hold an Institutional Mortgage upon or shall be the Owner of any Condominium Unit as the result of foreclosure or sale in lieu of foreclosure with respect to an Institutional Mortgage, such lender shall have the following rights:

(a) To be given not less than ten (10) days' prior written notice by the Association of any meeting of the Unit Owners, which notice shall state the purpose of such meeting unless it is an annual meeting; and to designate a representative to attend.

(b) To receive written notice of default (which has continued for thirty (30) days) by any Owner owning a Unit encumbered by a first deed of trust held by the lender, such notice to be sent to the place which it may designate in writing.

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

(d) To be given written notice of any condemnation or eminent domain proceeding or proposed acquisition by a condemning authority.

Whenever any lender desires the provisions of this Section to be applicable to it, it shall give written notice of such fact to the Association, identifying the Unit upon which any such lender holds any mortgage, or identifying any Unit owned by it, together with sufficient facts to identify such mortgage and which notice shall designate the place to which notices are to be given by the Association to such lender.

EXHIBIT C TO DECLARATION
OF UNIT OWNERSHIP OF SHEPHERD LANE CONDOMINIUMS

Copies of the Plans of the Units and buildings which are a part of the Condominium Property, entitled "Shepherd Lane Condominiums" are recorded in Unit Ownership File No. Plat Bk 42/53-56 in the Orange County Public Registry.

EXHIBIT D

PERCENTAGE INTEREST

A. Each unit shall have a .21739% share of the common area described herein (4 (a) 1 through 7).

B. At such time as the Declarant may add additional phases, Declarant will file an amendment to this Declaration setting forth the area to be added together with the improvements located thereon along with a schedule of the adjusted percentages of unit ownership. The adjusted percentages will be computed in accordance with the approximate relation that the fair market value of each unit bears to the then aggregate fair market value of all the units having an interest in said common areas and facilities.

C. This ratio of percentage interest is in the approximate relation that the fair market value of that unit bears to the aggregate fair market value of all the units having an interest in said common areas and facilities.

EXHIBIT "E"

CONDOMINIUM DEED

THIS INDENTURE made this _____ day of _____, 19__ between CAM ASSOCIATES, a partnership existing under the laws of the State of North Carolina, having its principal place of business in the County of Orange and State of North Carolina, party of the first part; and _____ of the County of _____ and State of _____, part _____ of the second part.

W I T N E S S E T H

That the said party of the first part, for and in consideration of the sum of Ten and no/100 (\$10.00) Dollars, to it in hand paid, the receipt whereof is hereby acknowledged, has granted, bargained, sold, aliened, remised, released, conveyed and confirmed, and by these presents doth grant, bargain, sell, alien, remise, release, convey and confirm unto the said part _____ of the second part, and _____ heirs and assigns forever, all that certain parcel of land lying and being in the County of Orange and State of North Carolina, more particularly described as follows:

Apartment _____ of Shepherd Lane Condominiums according to the Declaration thereof, dated _____, 19__, and recorded in Official Records Book _____, at Page _____, of the Public Records of Orange County, and as shown in Plat Book _____ Page _____, et seq. Orange County Registry. Together with all of the appurtenances thereto, all according to said Declaration of Condominium, which includes a _____% of ownership in the common areas as described in Page _____ of the aforesaid declaration.

Subject, however, to all of the provisions of said Declaration of Condominium, which the party of the second part assumes and agrees to observe and perform, including but not limited to the payment of assessments for the maintenance and operation of said apartment and condominium.

TOGETHER with all the tenements, hereditaments and appurtenances, with every privilege, right, title, interest, and estate, reversion, remainder and easement thereto belonging or in anywise appertaining:

TO HAVE AND TO HOLD the same in fee simple forever.

And the said party of the first part doth covenant with the said part _____ of the second part that it is lawfully seized of the said premises; that they are free of all encumbrances, and that it has good right and lawful authority to sell the same; and the said party of the first part does hereby fully warrant the title to said land, and will defend the same against the lawful claims of all persons whomsoever.

IN WITNESS WHEREOF, the said party of the first part has caused these presents to be signed in its name by its Partners the day and year first above written.

CAM ASSOCIATES

Barry L. Cook, Partner (SEAL)

G. Nick Angel, Partner (SEAL)

Connie T. Angel, Partner (SEAL)

James F. Morgan, Partner (SEAL)

EXHIBIT "F"

NORTH CAROLINA
ORANGE COUNTY

VERIFICATION
OF PROFESSIONAL
ENGINEER

In accordance with North Carolina General Statutes 47A - 15, the Verification of Professional Engineer, JOHN E. BEESON, is shown on the plat entitled "SHEPHERD LANE CONDOMINIUMS" dated August 30, 1983, and recorded in Plat Book 42 at Page 53, Orange County Registry.

Prepared by Robert L. Grubb, Attorney at Law, Lexington, N. C.
Mail to: Fred A. Branton, P. O. Box 34367, Richmond, Va. 23234

Property Address: The Oaks Condominium, Burning Tree Rd.,
Chapel Hill, North Carolina 27514

NORTH CAROLINA
ORANGE COUNTY

BOOK 325 PAGE 583

THIS DEED, Made this 18th day of June, 1985, by
and between Grubb Properties, Inc., a North Carolina corporation
with its principal office in Lexington, North Carolina, herein-
after called Grantor; and Fred A. Branton of Chesterfield
County, State of Virginia

~~XX~~
called Grantee;

W I T N E S S E T H:

That the Grantor, for and in consideration of the sum of
Ten Dollars and other good and valuable considerations to it in
hand paid by the Grantee, the receipt whereof is hereby acknow-
ledged, has given, granted, bargained, sold and conveyed; and by
these presents does give, grant, bargain, sell, convey and
confirm unto the Grantee, his heirs and/or successors and assigns,
premises in Chapel Hill Township, Orange County, State of North
Carolina, described as follows:

Those certain premises comprising a portion of the project
known as The Oaks Condominium, said project having been
established as a horizontal property regime by Master
Deed and Declaration and Bylaws dated March 21, 1984, and
recorded in Book 460, Page 115, in the Office of the
Register of Deeds for Orange County, North Carolina, under
and pursuant to the provisions of The North Carolina Unit
Ownership Act, the premises hereby conveyed being more
particularly described as follows: 9798-45-1394.092
7.54c..92 m.

First: Unit(s) No(s). 1405

of said project, as shown on Condominium Map filed in
Plat Book 38, Pages 180 through 185, in the Office of
the Register of Deeds for Orange County, North Carolina,
excepting and reserving any easements through said
apartment(s) appurtenant to the common elements and other
apartments, all as set forth in said Declaration, together
with all fixtures and appliances situated in the condominium
unit(s) referred to above, including without limitation
any heating and air-conditioning unit(s), refrigerator,
stove, range hood, dishwasher, and disposal.

Second: An undivided 0.79% percentage
interest appurtenant to the apartment(s) in all common
elements of said project as described in said Declaration,
including the buildings and land described in the Declara-
tion, which said Declaration is incorporated herein as if
fully set out herein.

SUBJECT, HOWEVER, to the following: The reservations,
restrictions on use, and all covenants and obligations set
forth in the Declaration dated March 21, 1984, and filed
with the Register of Deeds for Orange County, North
Carolina, and as set forth in the Bylaws of the Association

\$70.00 Stamps

B/S Paid _____

ROBERT L. GRUBB
ATTORNEY AT LAW
P. O. BOX 1420
LEXINGTON, NC
27293-1420

RECEIVED
1985 JUN 26 PM 3:42
ORANGE CTY. LAND RECORDS

Real Estate
Excise Tax
70.00
STATE OF
NORTH
CAROLINA
JUL 23 1985
PB. 11224
0 2 4 9 3 6

RECEIVED
1985 JUL 23 PM 2:
ORANGE CTY. LAND REC

of Owners attached thereto and as it may be amended from time to time, said Bylaws to be filed with the Board of Directors of said Association, all of which restrictions, payments of charges, and all other covenants, agreements, obligations, conditions, and provisions are incorporated in this deed by reference and constitute and shall constitute covenants running with the land, equitable servitude, and liens to the extent set forth in said documents and as provided by law, and all of which are accepted by the Grantee(s) as binding and to be binding on the Grantee(s) and his or its successors, heirs, administrators, executors, and assigns or the heirs and assigns of the survivor of them, as the case may be.

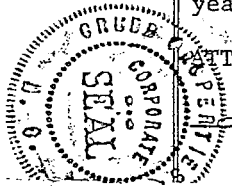
There is presently a deed of trust to Marshall B. Hartsfield and Robert W. Wilson, Jr., Trustees for Massachusetts Mutual Life Insurance Company, against the above-described property, which said deed of trust the seller agrees to pay according to the terms of the purchase money note executed in connection with this deed.

TO HAVE AND TO HOLD the above-described premises, with all the appurtenances thereunto belonging, or in any wise appertaining, unto the Grantee, his heirs and/or successors and assigns forever.

And the Grantor covenants that it is seized of said premises in fee and has the right to convey the same in fee simple; that said premises are free from encumbrances (with the exceptions above stated, if any); and that it will warrant and defend the said title to the same against the lawful claims of all persons whomsoever.

When reference is made to the Grantee, the singular shall include the plural, and the masculine shall include the feminine or the neuter.

IN WITNESS WHEREOF, Grubb Properties, Inc., has caused this instrument to be executed in its name by its proper officers and has caused its corporate seal to be hereto affixed, the day and year first above written.



ATTEST:

Lon G. Atkins
Assistant Secretary

GRUBB PROPERTIES, INC.

By: Robert L. Lind
Vice President

1011

NORTH CAROLINA
DAVIDSON COUNTY

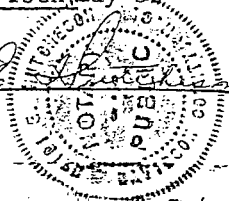
BOOK 525 PAGE 583

I, Heidi E. Hutcheson, Notary Public, do hereby certify that Lou G. Adkins personally came before me this day and acknowledged that she is Assistant Secretary of Grubb Properties, Inc., and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal, and attested by herself as its Assistant Secretary.

WITNESS my hand and official seal, this the 18th day of June, 1985.

ROBERT L. GRUBB
ATTORNEY AT LAW
P. O. BOX 1420
LEXINGTON, NC
27293-1420

Heidi E. Hutcheson
Notary Public



My commission expires: 7-15-89.

NORTH CAROLINA - ORANGE COUNTY

The foregoing certificate of _____ of Heidi E. Hutcheson,

A Notary ~~for Orange County~~ Public of the designated Governmental units is ~~here~~ certified to be correct. Filed for registration this the 23rd day of July, 19 85, at 2:51 o'clock P.M. in Record Book 525 Page 586.

Return: _____

Betty June Hayes, Register of Deeds
By: *Deborah B. Broad*
Assistant/Deputy
Register of Deeds