

Prepared by & return to: Robert J. Page, P. O. Drawer 1109, Chapel Hill, NC 27514

STATE OF NORTH CAROLINA

COUNTY OF ORANGE

BOOK 525 PAGE 537

DECLARATION OF UNIT OWNERSHIP UNDER
CHAPTER 47A OF THE NORTH CAROLINA GENERAL STATUTES
FOR SHEPHERD LANE CONDOMINIUMS

THIS DECLARATION and the exhibits which are attached hereto and made a part hereof by this reference, are made and executed this 16th day of July, 1985, by CAM ASSOCIATES, a North Carolina partnership, hereinafter called the "Declarant", for itself, its successors, grantees and assigns, pursuant to the provisions of the North Carolina Unit Ownership Act, North Carolina General Statute Chapter 47A.

W I T N E S S E T H:

WHEREAS, the Declarant is the owner of certain real property in Orange County, North Carolina, more particularly described and defined in Exhibit A, attached hereto and made a part hereof; and

WHEREAS, the Declarant desires to submit that certain real property described on Exhibit A to the provisions of the North Carolian Unit Ownership Act, North Carolina General Statute Chapter 47A, as amended (hereinafter referred to as the "Act"), thereby creating a condominium known as SHEPHERD LANE CONDOMINIUMS; and

WHEREAS, the Declarant is the owner of certain multi-unit buildings and certain other improvements heretofore constructed on the property described on Exhibit A, and it is the desire and intention of the Declarant to divide such property into condominium units as those terms are defined under the provisions of the Act, and to sell and to convey the same to various purchasers subject to the covenants, conditions, obligations and restrictions herein reserved to be kept and observed;

NOW, THEREFORE, the Declarant does hereby publish and declare that all of the property described on the attached Exhibit A, is held, and shall be held, conveyed, hypothecated, encumbered, used, occupied, and improved subject to the following restrictions, covenants, conditions, uses, limitations, and obligations, all of which are declared and agreed to be in furtherance of the plan for the division of such property into condominium units, and shall be deemed to run with the land and shall be a burden and benefit to the Declarant, its successors and assigns, and any person acquiring and owning an interest in the real property and improvements, their grantees, successors, heirs, administrators, devisees and assigns. Every grantee of any interest in such property, by the acceptance of a deed or other conveyance of such interest, whether or not such person shall otherwise consent in writing, shall take subject to provisions of the Act and this Declaration and shall be deemed to have assented to the same.

ARTICLE I.

STATUTORY PROVISIONS AND DEFINITIONS

1. Statutory Provisions. This Declaration is made pursuant to Chapter 47A of the North Carolina General Statutes, as amended, in effect as of the time of recording of this Declaration.

FOR MULTIPLE PIN SHEETS
SEE BOOK 525 PAGE 532-536

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2. Definitions. Unless defined herein, or unless the context requires otherwise, the words defined in Section 3 of the Act, when used in this Declaration or any amendment hereto, shall have the meaning provided herein. The following words, when used in this Declaration or amendment hereto, unless the context requires otherwise, shall have the following meanings:

(a) "Act" means the Unit Ownership Act, North Carolina General Statutes, Chapter 47A, as amended.

(b) "Assessment" means an Owner's share of the Common Expenses assessed against such Owner and his Unit from time to time by the Condominium Association in the manner hereinafter provided.

(c) "Board" or "Board of Directors" means the Board of Directors of the Condominium Association and "Director" or "Directors" means a member or members of the Board.

(d) "By-Laws" means the By-Laws of the condominium Association contained in Exhibit B, attached hereto and made a part hereof by this reference, which constitute the By-Laws governing administration of the Condominium Property as required by Section 47A-18 of the Act.

(e) "Common Areas and Facilities" or "Common Area" means all of the Condominium Property and every part thereof, excluding the Units, but including Limited Common Areas and Facilities.

(f) "Common Expenses" means all or any:

(1) Expenses incident to the administration, maintenance, and repair or replacement of the Common Areas and Facilities.

(2) Expenses determined by the Condominium Association to be common expenses and which are lawfully assessed against the Unit Owners, including without limitation payment by the Condominium Association of costs and expenses of operation, maintenance and repair of recreational and related facilities.

(3) Expenses declared to be common expenses by the Act or the Condominium Documents, this Declaration or the By-Laws.

(4) Sums lawfully assessed against the Unit Owners by the Condominium Documents, this Declaration or the By-Laws.

(g) "Condominium Association" means Shepherd Lane Homeowners Association, Inc., a nonprofit corporation formed under Chapter 55A of the North Carolina General Statutes, whose members are limited to and consist of all Owners of condominium Units of Shepherd Lane Condominiums, including Declarant.

(h) "Condominium Documents" means and includes this Declaration, the By-Laws and Rules and Regulations as may be created pursuant to this Declaration, governing the use of the Condominium Property, all as may be amended from time to time.

(i) "Condominium Property" or "Property" means all of the property submitted to the Act by this Declaration, being the property described in Exhibit A of this Declaration, the buildings and all other improvements situated thereon whether the same be Common Areas and Facilities or Units or any part thereof, and all easements and rights appurtenant thereto.

(j) "Declarant" means CAM Associates, a North Carolina partnership; or its successor in fee ownership of all remaining Units (more than one Unit) unsold to purchasers for use as residences. At no point in time may there be more than one "Declarant".

(k) "Declaration" means this Declaration of Unit Ownership under Chapter 47A of the North Carolina General Statutes for Shepherd Lane Condominiums.

(l) "Institutional Mortgage", sometimes referred to as "first mortgage" herein, shall mean and refer to a first mortgage or deed of trust originally executed and delivered to or held through assignment or assignments by an Institutional Lender.

(m) "Institutional Lender" shall mean and refer to a bank or savings and loan association or an insurance company or a title insurance company or a pension trust or real estate investment trust, or any other private or governmental institution which is regularly engaged in the business of mortgage financing (including the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association), or a subsidiary of any of the foregoing or a designee of any of the foregoing, or Declarant, which owns a mortgage on one or more Units, or any of the foregoing which acquires an Institutional Mortgage, as herein defined, by assignment or through assignments from a non-institutional lender.

(n) "Limited Common Areas and Facilities" or "Limited Common Area" means these parts of the Condominium Property which are described in Section 5 of Article III of this Declaration, which are subject to the Declaration from time to time.

(o) "Majority" or "Majority of Units Owners" means the owners or more than fifty percent (50%) of the aggregate Percentage Interests in the Common Areas and Facilities as established by this Declaration, assembled and voting at a duly called meeting of the Unit Owners.

(p) "Member" means a member of the Condominium Association.

(q) "Percentage Interest" means the percentage of undivided interest held by each Unit Owner in the Common Areas and Facilities as set forth on Exhibit D attached hereto and made a part hereof.

(r) "Person" means any individual, corporation, partnership, association, trustee, fiduciary or other legal entity, and shall mean the plural or combination of the same where applicable.

(s) "Plans" means the building location plan entitled Shepherd Lane Condominiums, dated August 30, 1985 and prepared by Larry L. Callahan of Winston-Salem, North Carolina, plus the Plans of the Units and buildings which are part of the Condominium Property; entitled Shepherd Lane Condominiums, dated August 30, 1985 and prepared by Larry L. Callahan of Winston-Salem, North Carolina, all of which are attached hereto as Exhibit C.

(t) "Recreational Facilities" means the existing recreational facilities and any recreational facilities such as tennis courts, swimming pool, playground areas, etc. constructed in the future.

(u) "Rules and Regulations" means all rules, regulations, requirements and policies which shall govern and limit the use of the Condominium Property, and which are duly adopted and promulgated by the Board of Directors in accordance with this Declaration.

(v) "Unit" means those parts of the Condominium Property which are described in Section 3 of Article III hereof, which are subject to this Declaration and which are shown and designated on the Plans as Units.

(w) "Unit Owner" or "Owner" means the record legal fee owner, whether one or more persons, of a Unit, specifically including contract sellers, but excluding any lender, trustee or creditor whose interest in the Unit is merely as security for the performance of an obligation.

ARTICLE II.

NAME, ADDRESS AND REGISTERED AGENT

1. Name and Address. The name of the property is Shepherd Lane Condominiums and it is located at 130 Estes Drive, Chapel Hill, NC Orange County, North Carolina in the City of Chapel Hill, Orange County, North Carolina.

2. Registered Agent. G. Nick Angel, is designated to receive service of process in any action which may be brought against or in relation to the Condominium Property. In the event of such agent's death, resignation or removal, his successors shall be appointed by the Board of Directors, and the Board of Directors shall so indicate by recording an instrument to that effect with the Register of Deeds of Orange County, North Carolina.

ARTICLE III.

PROPERTY RIGHTS

1. Description of Land. The property which hereby is submitted to the Act by this Declaration is the land on which the buildings and improvements are located in the City of Chapel Hill, Orange County, North Carolina, more fully described on Exhibit A attached hereto and made a part hereof, together with all rights, easements and appurtenances thereunto belonging.

2. Description of Buildings. The plans graphically depict a typical unit plan for all units, the plan of the community building; the particulars of each building, including the location, layout, number of rooms, dimensions, ceiling and floor elevations, building designations, and Unit numbers; and the location of the Common areas and Facilities affording access to each Unit. Each Unit is designated by a number in the Plans. Verification of Unit Plans is attached as Exhibit F.

The buildings are principally constructed with wood frame with brick veneer and wood siding. Bottom floors of four buildings are floor joist systems and three buildings are concrete slabs, and all buildings have sloped roofs covered with composition roofs. The plans contain a more particular description of the principal materials used in construction of the buildings.

3. Description of Units.

(a) Nature of Ownership. Every Unit, together with an undivided interest in the Common Areas and Facilities, shall for all purposes be, and it hereby is declared to be and to constitute, a separate parcel of real estate (Deed conveying ownership of units is shown as Exhibit E attached). The Unit Owner thereof shall be entitled to the exclusive ownership and possession of his Unit, subject only to the covenants, restrictions and easements contained herein and in the By-laws, and the Rules and Regulations, resolutions and decisions adopted pursuant to the Declaration and the By-laws. The Percentage Interest of each Unit Owner shall not be separate from the Unit to which it appertains and shall be deemed to be conveyed or encumbered or released from liens with such Unit whether or not such interest is expressly mentioned or described in the conveyance or other instrument. A unit Owner shall automatically become a Member of the Condominium Association, and shall remain a

Member thereof until such time as his ownership ceases for any reason, at which time his membership in the Condominium Association shall automatically pass to his successor in interest. By acceptance of a deed of a Unit, the Unit Owner agrees to abide by this Declaration, the By-laws and all duly adopted Rules and Regulations of the Condominium Association and the Board, and agrees to pay to the Condominium Association all assessments and charges as set forth in Article VIII of this Declaration prior to any delinquency.

(b) Nature, Type and Description of Unit. There are four buildings located on the property. One building is two-story containing six units connected to one another by common walls or floors or ceilings. Three buildings are two-story containing eight units connected to one another by common walls or floors or ceilings. There is one basic floor plan or type of unit contained as follows:

<u>Type</u>	<u>Description</u>	<u>No. of Units</u>
Lower Unit	1st Floor, 2 bedrooms, kitchen with dining area, living room, and 1 full bath.	15
Upper Unit	2nd Floor, 2 bedrooms, kitchen with dining area, living room, and 1 full bath.	15

The Unit designation of each Unit is shown on the Plans, and each Unit shall be identified by a Unit Number and either an "L" representing a Lower Unit or a "U" representing an Upper Unit.

In addition thereto, there are three one-story frame buildings designated as Units 1 through 16.

(c) Unit Dimensions. Each Unit shall include all the space within the boundaries thereof as follows:

(1) The dimensions of the lateral and perimetrical boundaries are vertical planes which coincide with one of the following, as appropriate: (i) the exterior unexposed facing of drywall next to studs or structural portions of structural or load-bearing walls; (ii) the exterior unexposed facing of finish molding, paneling or interior brick veneer next to studs or structural portions of structural or load-bearing walls; and (iii) the interior exposed facing of structural or load-bearing walls which are not covered with drywalls, molding, paneling or interior brick veneer (a plane coincident with the interior facing of exposed studs or structural portions); such boundaries of the Unit and (except for facings of structural or load-bearing interior walls) to intersect the other lateral or perimetrical boundaries and the upper and lower boundaries of the Unit.

(2) The dimensions of the upper boundaries are horizontal planes which coincide with the unexposed facing of drywall (the facing next to joists or structural portions of buildings) of ceilings, or the unexposed facing of finish molding or paneling of ceilings in areas with no drywall facing, extended to intersect the lateral or perimetrical boundaries of the Unit.

(3) The dimensions of the lower boundaries are horizontal planes which coincide with the unfinished upper surfaces of floor slabs on the ground level and the unfinished upper surface of the subfloor on the second floor level, extended to intersect the lateral or perimetrical boundaries of the Unit.

It is the intent hereof that each Unit will include all interior drywall, paneling and molding, and any surface finish or wallpaper, and all finished flooring, such as vinyl, linoleum or ceramic floor covering, matting and carpeting, but will not include studs, supports and wall insulation, concrete slabs, floor

or ceiling joists, except when located in nonload-bearing interior walls. Each unit shall be deemed to include the interior and exterior of any and all doors, windows, sliding glass doors and other closures, and those portions of any utility room within dimensions of such utility room as set forth above. Included as part of a Unit are all door locks and other security or mechanical devices which control the opening and closing of doors and windows. Included also as part of each Unit are the following:

(a) The heating and air conditioning systems serving the Unit, wherever located.

(b) Lighting fixtures and electrical receptacles serving the Unit exclusively, wherever located.

(c) Nonstructural, nonload-bearing interior partition walls within the boundaries of the Unit (excepting pipes, wires, conduits and other facilities for the furnishing of utilities and other services to the Unit).

(d) All immediately visible fixtures and appliances (such as kitchen appliances).

(e) All pipes, wires, conduits and other facilities for the furnishing of utilities and other services to the Unit, which are within the boundaries of the Unit (except those located within nonstructural, nonload-bearing interior partition walls).

In interpreting this Declaration and the Plans, the actual physical boundaries of a Unit as constructed or reconstructed in substantial compliance with the original Plans thereof, shall be conclusively presumed to be its boundaries irrespective of minor discrepancies between the size and location of the Unit, as shown on the Plans and as actually constructed, and irrespective of settling or lateral movement of the building.

Inside damage from leak

Notwithstanding provisions, if any, in this Declaration to the contrary, the Condominium Association shall be responsible for the repair of damage, regardless of cause, to all portions of a Unit as a result of roof leakage and pipe breakage or overflow caused by events occurring outside of a Unit, and shall be responsible for repairs to damaged elements of the Common Areas and Facilities; provided, however, in the event damage to a Unit or to the Common Areas and Facilities is caused by the negligence or willful misconduct of a Unit Owner, the Condominium Association and all owners whose Units are damaged by such negligence or willful misconduct shall have full recourse against the said Unit Owner to recover all damages and expenses caused as a result of such negligence or willful misconduct.

4. Common areas and Facilities.

(a) Description. The Common Areas and Facilities consist of the entire property from time to time subject to this Declaration, except Units, and include, without limitation, the following:

(1) The land on which the buildings are erected and all the land surrounding the buildings that lies within the boundaries of the land subject to this declaration, and exterior walls, roofs, interior structural, load-bearing walls (except the drywall, paneling, molding and floor covering), and every part of the Condominium Property other than the Units.

(2) The foundation and structural members, including columns, girders, beams and supports of all Units.

(3) All installations designed and intended for common use or to serve more than one Unit, such as, but not limited to, electrical service, gas and plumbing, whether located

in Common areas and Facilities or in Units, excluding from such installations all parts thereof, and all items affixed or connected thereto, not designed or intended for common use or use by more than one Unit.

(4) Easements for access, maintenance, repair, reconstruction and replacement of the Common Areas and Facilities and all other services necessary or convenient to the existence, maintenance, safety and use of the Condominium property.

(5) The yards, landscaping, fences, nonpublic roads and driveways, parking areas, walks, retaining walls and all paved areas.

(6) All recreational areas.

(7) Any portion of the Condominium Property shown and designated on the Plans as Common Area or Limited Common Area.

(b) Percentage Interest. The Unit Owners shall own the Common areas and Facilities and the Limited Common Areas and facilities as tenants in common, with each Unit having appurtenant thereto the Percentage Interest set forth on Exhibit D attached hereto and made a part hereof; provided, however, the use of the Limited Common Areas and Facilities shall be restricted as set forth in Section 5 of this Article III. The Percentage Interest appurtenant to each Unit has been determined as required by law and is based on estimated fair market value as of the date of this Declaration, but such determination shall not restrict the Declarant or any subsequent owner in establishing a sales price for any particular Unit, whether such sales price may be more or less than the estimated fair market value. The Percentage Interest assigned to each Unit shall not be changed except with the unanimous written consent of all the Unit owners of all the Units and with the written consent of all of the mortgagees of record whose deeds of trust constitute a lien upon one or more of the Units, except as shown on Exhibit D, (B & C).

(c) Separability of Percentage Interest. The Percentage Interest cannot be separated from the Unit to which it appertains and shall automatically be conveyed or encumbered with the Unit, even though such interest is not expressly mentioned or described in the deed or other instrument of conveyance.

(d) No Partition. The Common Areas and Facilities shall remain undivided and no right to partition the same or any part thereof shall exist except as provided in the Act, this Declaration and the By-laws. Nothing contained herein, however, shall be deemed to prevent ownership of a Unit by more than one person, either as tenants by the entireties, or as tenants in common, or in any other form permitted by law.

(e) Use of Common Areas and Facilities. Each Unit Owner shall have the right to use the Common Areas and Facilities in accordance with the purposes for which they are intended, without hindering the exercise of or encroaching upon the rights of other Unit Owners. The Board shall, if any question arises, determine the purpose for which any part of the Common Areas and Facilities is intended for use. The Board shall have the right to promulgate Rules and Regulations limiting the use of Common Areas and Facilities to Unit Owners, their tenants and guests, as well as providing for the exclusive use of a part of the Common Areas and Facilities by a Unit Owner, his tenants and guests for special occasions. Such exclusive use may be conditioned upon, among other things, payment of a fee. Any Unit Owner may delegate, in accordance with the provisions of this Declaration, the By-laws and Rules and Regulations, his right to use Common Areas and

Facilities to the immediate members of his family living in the Unit, to a limited number of guests or to tenants who reside in a Unit.

5. Limited Common Areas and Facilities. Ownership of a Unit shall entitle the Owner thereof to the exclusive use or use with others necessarily served thereby of the Limited Common Areas and Facilities appurtenant to such Unit and so designated in the Plans. Limited Common Areas and Facilities shall not be construed or interpreted to be separate and apart from the Common Areas and Facilities in general, being limited only with respect to the reserved use thereof by the Unit or Units served. Limited common Areas and Facilities shall include: (i) those areas designated as such on the Plans attached as Exhibit C; (ii) any balcony, patio (concrete slab), any enclosed patio fencing and patio areas or entrance area serving no more than two Units particularly, such being appurtenant to the Unit or Units served.

Exclusive use of the Limited Common Areas and Facilities may be delegated by an Owner to the immediate members of this family, his guests or tenants who reside in a Unit. Owners may place plants, furniture or other similar items within the Limited Common Areas and Facilities adjacent or appurtenant to the Unit, subject to Rules and Regulations duly adopted by the Board with respect thereto. No Owner shall build or construct any type of storage, fencing or workshop facility or other similar type of structure within the Limited Common Areas and Facilities, unless prior written approval is obtained from the Board of Directors.

ARTICLE IV.

RESTRICTIVE COVENANTS

1. Residential. Each of the Units shall be, and the same is hereby restricted exclusively to single-family residential use, and shall be occupied only by a single family, its servants and guests. The provisions of this paragraph do not apply to property being used by the Condominium Association as incidental to the operation and organization of the Condominium Association or offices used by the Managing Agent of the Condominium Association.

2. Construction and Sale. Anything contained herein to the contrary notwithstanding, it shall be permissible for the Declarant to maintain, during the period of sale of Units and upon such portion of the Condominium Property as Declarant may deem necessary, such facilities as in the sole discretion of the Declarant may be reasonably required, convenient or incidental to the sale of Units, including, but without limitation, a business office, storage area, construction yard, signs, model units and sales offices.

3. Business Activities. No business activities shall be conducted on any portion of the Condominium Property; provided, however, that the foregoing restrictions shall not apply to the Declarant as provided above, and provided further that private offices may be maintained in a Unit so long as such use is incidental to the primary residential use of the Unit and is approved in writing by the Board of Directors.

4. Alterations and Attachments by Unit Owner. No Unit Owner shall make structural alterations or external esthetic modifications to a Unit or to any of the Common Areas and Facilities, without the written approval of the Board of

Directors. The Board of Directors shall not approve any alterations, decorations or modifications which in said Board's sole opinion will or may jeopardize or impair the soundness, safety, appearance or value of the Condominium Property.

5. Motor Vehicles. No motor vehicle (other than private passenger vehicles), boat, boat trailer, mobile home, motor home, trailer or any similar items shall be stored in or upon the Common Areas and Facilities, unless placed upon a portion of the Common Areas and Facilities which may be designated from time to time by the Board for the storage of such items.

6. Signs. No signs or other advertising devices shall be displayed which are visible from the exterior of any Unit or on the Common Areas and Facilities, including "For Sale" or "For Rent" signs, without permission from the Board; except that the Declarant is exempt from this provision as provided above and this provision shall not limit the rights of Institutional Lenders.

7. Prohibitions on Use of Common Areas and Facilities. Except with the specific written approval of the Board and as permitted in Section 5 of Article III of this Declaration, the Common Areas and Facilities, including Limited Common Areas, shall not be used for temporary or permanent storage of supplies, personal property, trash or refuse of any kind, other than in common trash receptacles placed at the discretion of the Board, nor shall any such areas be used in any way for the drying or airing of clothing, rugs, or other fabrics. Entrances, sidewalks, yards, driveways, parking areas and stairways shall not be obstructed in any way. No activities shall be carried on nor condition maintained by any Unit Owner, either in his Unit or upon the Common Areas and Facilities, if such activities should despoil, or tend to despoil, the appearance of the Condominium Property. It is expressly acknowledged and agreed by all parties concerned that this section is for the mutual benefit of all Owners of the Condominium Property and is necessary for the protection of the Unit Owners and is enforceable by the Board or by any one or more Unit Owners.

8. Animals. No animal shall be kept in or on the Condominium Property, except for dogs and small household pets. Such pets may not be kept or bred for any commercial purpose and shall have such care and restraint as is necessary to prevent them from being or becoming obnoxious or offensive on account of noise, odor, unsanitary conditions or other nuisance. No savage or dangerous animal shall be kept or permitted in or on the Condominium Property. No more than two household pets may be housed within a Unit without written permission of the Board. No pets may be permitted to run loose upon the Common Areas and Facilities, and any Unit Owner who causes or permits any animal to be brought or kept upon the Condominium Property shall indemnify and hold the Condominium Association harmless for and from any loss, damage or liability which it sustains as a result of the presence of such animal on the Condominium Property, regardless of whether the Condominium Association or the Board has given its permission therefor. In the event any animal is permitted by a Unit Owner to be on the Common Area and Facilities without a leash, then such Unit Owner shall be subject to an additional assessment by action of a majority of the Board and up to \$100.00 for each such occurrence with such additional assessment to become a part of the next due assessment payable by such Owner.

9. Access to Units. The Condominium Association and its agents shall have access to each Unit from time to time during reasonable working hours, upon oral or written notice to its Owner, as may be necessary for the maintenance, repair or replacement of any of the Common Areas and Facilities. The Condominium Association and its agents shall also have access to each Unit at all times without notice, as may be necessary to make emergency repairs to prevent damage to Common Areas and Facilities or to another Unit.

10. Subdividing. No Unit may be divided or subdivided into smaller units, nor any portion thereof sold or otherwise transferred, without an amendment to the Declaration to show the changes in the Units to be affected thereby; provided that any amendment to this Declaration providing for subdivision into smaller units must be approved by Unit owners (other than Declarant) owning eighty (80%) percent of the total Percentage Interests not owned by Declarant and by Declarant if Declarant still owns any Units.

11. Nuisances. No nuisances shall be allowed upon the Condominium Property and no person shall engage in any use, practice or activity upon the Condominium Property which is noxious, offensive or a source of annoyance to Unit Owners or which reasonably interferes with the peaceful possession and proper use of the Condominium Property by any Unit Owner. All parts of the Condominium Property shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage shall be allowed to accumulate and no fire hazard shall be allowed to exist. Any Unit Owner who shall dump or place (or permit his family, tenants, guests or agent to do so) any trash or debris upon any portion of the Condominium Property shall be liable to the Condominium Association for the actual cost of removal thereof or the sum of \$100.00, whichever is greater, and the same shall be added to and become a part of the assessment next coming due to which the Unit Owner or his Unit is subject. No Unit Owner shall permit any use of a Unit or of the Common Areas and Facilities which will increase the rate of insurance upon the Condominium Property.

12. Lawful Use. No immoral, improper or unlawful use shall be made of the Condominium Property or any part thereof. All valid laws, zoning ordinances and regulations of governmental bodies with jurisdiction over the Condominium Property shall be observed.

13. Restriction on Transfer of Common Areas. Except as provided by statute in case of condemnation or substantial loss to the Common Areas and Facilities, the Condominium Association shall not by act or omission abandon, partition, subdivide, encumber, sell or transfer any portion of the Common Areas and Facilities, without the written approval of Owners holding, and written approval of the holders of Institutional Mortgages then in force with respect to Units representing, not less than seventy-five (75%) percent of the total Percentage Interests and the unanimous approval of Owners of and holders of Institutional Mortgages on all Units having use of Limited Common Areas and Facilities thereby affected. The granting of easements for public utilities or other public purposes consistent with the intended use of the Common Areas and Facilities shall not be deemed a transfer within the meaning of this paragraph.

14. Rules and Regulations. The Board may from time to time promulgate Rules and Regulations respecting the restrictive covenants set out in this Article IV, but such Rules and Regulations shall be consistent with these restrictions and not in derogation or intended as an amendment thereof.

15. Leasing of Units. With the exception of an Institutional Lender in possession of a Unit following a default in an Institutional Mortgage and a subsequent foreclosure proceeding or deed or other arrangement in lieu of foreclosure, no Unit Owner shall be permitted to lease a Unit for transient or hotel purposes and no Unit may be leased or rented for a period of less than thirty (30) days. No Unit Owner may lease less than the entire Unit. Any of the Declaration and the By-laws and any failure by the lessee to comply with the terms of such documents shall constitute a default by the lessee under the lease whereupon the Owner of the leased Unit shall, upon receipt of written request from the Board of Directors detailing the default by the lessee,

undertake to cure or require the lessee to cure any such failure to comply within thirty (30) days of such written request. If such failure to comply has not been cured within thirty (30) days, then the Owner shall terminate such lease and take immediate steps to remove the defaulting lessee from the Unit. The Board may adopt a standard form lease for the Condominium and upon such adoption no lease of a Unit may be made which is not on such lease form. In the event that any Unit Owner does not comply with those provisions; he shall be subject to an additional assessment by the Board of up to \$20.00 per day for each day of violation with each such assessment becoming a part of the next due assessment on his Unit.

ARTICLE V.

EASEMENTS

1. Use and Enjoyment. Every Unit Owner, his or her family living in a Unit, tenant of a Unit Owner and permitted guest, shall have a right and easement of use and enjoyment in and to the Common Areas and Facilities, except Limited Common Areas and Facilities (including the right of access, ingress and egress to and from his or her Unit over those portions of the Condominium Property designated for such purpose), and such easement shall be appurtenant to and shall pass with the title to every Unit, subject to the following provisions:

(a) The right of the Condominium Association to control the use and enjoyment thereof as provided in this Declaration and the By-laws, and in the duly adopted Rules and Regulations of the Condominium Association, which right shall include, but not be limited to, the right of the Board to limit use and enjoyment thereof to the Unit Owners, and their respective families living in the Unit, tenants and guests, as well as to provide for the exclusive use and enjoyment of specific portions thereof at certain designated times by a Unit Owner, his or her family, tenants and guests.

(b) The right of the Condominium Association to limit the number of guests of Unit Owners.

(c) The right of the Condominium Association to suspend the voting rights and right to use of the Recreational Facilities located in the Common Areas and Facilities by a Unit Owner, his or her tenants and guests, for any period of time during which an assessment against such Owner's Unit remains unpaid or for infraction of its Rules and Regulations.

(d) The right of the Condominium Association to charge reasonable admission fees, guest fees or other fees for use of Common Areas and Facilities or for special uses that might be made of certain parts of the Common Areas and Facilities by Members or by others.

(e) The right of the Condominium association to limit the number of guests of Members as to the use of any part of the Common Areas and Facilities.

(f) The right of the Condominium Association to regulate, locate and direct access routes on the Common Areas and the location of parking therein and to allocate parking spaces to each Unit, all to be done in a reasonable manner.

2. Maintenance and Repair. There shall be an easement in, over, under and through the Units and the Common Areas and Facilities for the installation, maintenance, repair and replacement of Units and the Common Areas and Facilities. Use of this easement shall be only during normal business hours, except that access may be had at any time in the case of emergency.

3. Structural Support. Every portion of a Unit or the Common Areas and Facilities which contributes to the structural support of a Unit or Units shall be burdened with an easement of structural support.

4. Encroachments. If any portion of the Common Areas and Facilities encroaches upon any Unit or if any unit encroaches upon any other Unit or upon any portion of the Common Areas and Facilities or the Limited Common Areas and Facilities as a result of settling or shifting of a building, or as the result of survey error or error in description, an easement for the encroachment and for the maintenance of the same so long as the building stands, shall exist. If any building, any Unit, any adjoining Unit, or any adjoining part of the Common Areas and Facilities or the Limited Common Areas and Facilities shall be partially or totally destroyed as a result of fire or other casualty or as a result of eminent domain proceedings, and then rebuilt upon the original site and upon the same Plans as the original building, encroachments of parts of the common areas and Facilities upon any Unit or of any Unit upon any other Unit or upon any portion of the Common Areas and Facilities resulting from such rebuilding shall be permitted, and valid easements for such encroachments and the maintenance thereof shall exist so long as the subject improvement shall stand.

5. Utilities. There shall be a general easement upon, across, above and under all of the Condominium Property for ingress, egress, installation, replacing, repairing and maintaining all utilities including, but not limited to, water, sewer, telephone, gas and electricity or other community service (e.g., master television antenna system, cable television installation or security system, if installed) which the Declarant or the Condominium Association has installed or might determine to install to serve the Condominium Property. By virtue of this easement, it shall be expressly permissible to erect and maintain the necessary poles and other necessary equipment on the Condominium Property and to affix and maintain wires, conduits, cables and the like on, above, across, under and through the roofs and exterior walls of the Units. Should any party furnishing any service covered by this general easement request a specific easement by separate recordable document, Declarant or the Condominium Association, as the case may be, shall have the right to grant such easement under the terms hereof.

6. Other. There shall be a general easement in favor of the Condominium Association, its directors, officers, agents and employees (including, but not limited to, any manager employed by the condominium Association) to enter upon the Condominium Property or any portion thereof in the performance of their respective duties. Except in the event of emergencies, this easement is to be exercised only during normal business hours and then, whenever practicable, only upon advance notice to and with the permission of any Unit Owner directly affected thereby.

ARTICLE VI.

ADMINISTRATION

1. General Provisions. The administration of the Condominium Property, including, but not limited to, the acts required of the Condominium Association, shall be performed by the Condominium Association, acting by and through its Board or as otherwise provided in this Declaration and the By-laws. The membership of the Condominium Association shall be limited to and consist of all of the Unit Owners. The Condominium Association's activities shall be limited to administration, including management and operation of Shepherd Lane Condominiums, consistent with the Act, this Declaration and the Bylaws.

2. Amendment of Bylaws. The Bylaws are subject to amendment as herein and in the Act and Bylaws provided.

3. Duties and Powers. The duties and powers of the Condominium Association shall be those, and shall be exercised as, set forth in the Act, this Declaration and the Bylaws, together with the duties and powers implied as reasonably necessary to effect the purposes of the Condominium Association and the administration of the condominium Property.

4. Agreements. All agreements and determinations lawfully authorized by the Condominium Association shall be binding upon all Unit Owners, their heirs, legal representatives, successors, assigns and others having an interest in the Condominium Property or the privilege of possession and the enjoyment of any part thereto. In furtherance of the foregoing and not in limitation thereof, the Condominium Association shall have the authority to approve and enter into such management agreements as the Board of Directors shall deem necessary or desirable for the administration and operation of the Condominium Property. Any such management agreement shall provide that the same may be terminated by the Board of Directors without cause at any time upon thirty (30) days' notice to the manager. No such contract shall bind the Condominium Association in excess of one (1) year from the date of its inception. All costs and expenses incident to the employment of a manager shall be Common Expenses. During his or her tenure, the manager may, if authorized by the Board of Directors, exercise all of the powers and shall be responsible for the performance of all the duties specifically and exclusively reserved to the directors, officers or Members of the Condominium Association by the Act, this Declaration or the Bylaws. The manager may be such individual, corporation or other legal entity as the Board of Directors shall determine and shall be bonded by a fidelity bond as provided in Section 2(c) of Article IX of this Declaration.

5. Restrictions and Contracts. Neither the Condominium Association nor Declarant shall enter into any contract, lease or other agreement, except contracts for the furnishing of utilities or the management agreement described in Section 4 of this Article VI, which shall bind the Unit Owners or Condominium Association for more than one (1) year after the date of the first annual meeting as required by the Bylaws. After the first annual meeting, the Board of Directors shall not enter into any contract, lease or other agreement which shall bind the Unit Owners or the Condominium Association for a period of more than one (1) year unless approved by Unit Owners holding a Majority of the total Percentage Interests.

6. Execution of Documents. When any agreement, contract, conveyance or other document is executed by the President and Secretary of the Condominium Association, a third party without knowledge or reason to know to the contrary may rely on such document as being duly authorized and executed.

7. Property. All funds received and titles of all properties acquired by the Condominium Association and the proceeds thereon, after deducting therefrom the costs incurred by the Condominium Association in acquiring the same, shall be held for the benefit of the Unit Owners as herein provided and for the purposes herein stated. The Condominium Association may acquire and hold, for the benefit of the Unit Owners, tangible and intangible personal property and may dispose of the same by sale or otherwise, and the beneficial interest in such personal property shall be held by the Unit Owners in the same proportions as their respective Percentage Interests in the Common Areas and Facilities. A transfer of a Unit shall vest in the transferee ownership of the transferor's beneficial interest in such personal property.

The Condominium Association shall not deposit, invest or reinvest any funds, unless such funds are invested in government securities, or deposited in banks which are members of the Federal Deposit Insurance Corporation, or savings and loan associations which are members of the Federal Savings and Loan Insurance Corporation.

8. Notices. Notices or demands, for any purpose, shall be given by the Condominium Association and Unit Owners in the manner provided for notices of meetings to Members of the Condominium Association by the Bylaws.

9. Enforcement. The failure of the Condominium Association or any Unit Owner to enforce any covenant or provision of the Act, Declaration, Bylaws or Rules and Regulations affecting the Condominium Property shall not constitute a waiver of the right to do so thereafter.

10. Rules and Regulations. Reasonable regulations concerning the use of the Units, appurtenances thereto and Common Areas and Facilities, not in derogation of this Declaration, may be made and amended from time to time by the Condominium Association; provided that copies of such regulations and amendments thereto shall be furnished to all Unit Owners. Such regulations shall be binding upon the Owners, their families, tenants, guests, invitees and agents, until and unless such regulation, rule or requirement be specifically overruled and cancelled in a regular or special meeting by the vote of a majority of the Unit Owners.

11. Violation of Rules and Regulations or of Restrictive Covenants. Failure to abide by any Rule or Regulation or of the restrictions set out in Article IV hereof shall be grounds for an action, brought by the Condominium Association or any aggrieved Unit Owner, to recover damages, or obtain injunctive and other equitable relief, or both. In addition to these remedies, in the event of any such violation by an Owner, such Owner's voting rights and rights to use the Recreational Facilities located in the Common Areas and Facilities may be suspended by the Board after a hearing at which the general requirements of due process shall be observed. Such hearing shall only be held by the Board after giving the Owner ten (10) days prior written notice which specifies each alleged violation and sets the time, place and date of the hearing. A determination of the violation and the time of suspension or other sanction shall be made by a majority vote of the Board. The Owner shall have the right to appeal any adverse ruling of the Board if, but only if, written notice of the appeal is provided to the Board not later than ten (10) days after Owner receives written notice of the adverse ruling, an appealing Owner shall be entitled to a hearing de novo before the membership of the Condominium Association, at which the general requirements of due process shall be observed. Upon an appeal by an Owner of a decision by the Board, a special meeting shall be held within sixty (60) days after the owner's request for a de novo hearing, but the decision of the Board shall remain in effect unless overruled by a majority vote of the Percentage Interests represented by the members present at the special meeting.

12. Liability. Each director and each officer of the Condominium Association shall be held harmless from expense, loss or liability by reason of having served as such Director or as such Officer and shall be indemnified by all the Unit Owners (as a common expense) against all expenses and liability, including reasonable attorney's fees, incurred by or imposed upon him in connection with any proceeding to which he may be a party or have become involved by reason of being such Director or such Officer, as provided in the Bylaws.

ARTICLE VII.

MAINTENANCE, ORDINARY REPAIRS AND ALTERATIONS TO COMMON AREAS

1. By the Condominium Association. The Condominium Association shall maintain, repair and replace all parts of the Common Areas and Facilities whether located within the perimeter walls of a Unit or not, the cost of which shall be charged to the Unit Owners as a Common Expense.

2. By the Unit Owners. Each Unit Owner shall maintain, repair and replace at his or her expense all portions of a Unit which become in need thereof, including all drywall, molding and paneling; bathroom and kitchen fixtures; light fixtures; wall, ceiling and floor covering materials; matting, carpeting and drapes; heating and air conditioning systems serving the Unit, wherever located; lighting fixtures and electrical receptacles serving the Unit, wherever located; nonstructural, nonload-bearing interior partition walls; pipes, wire, conduits and other facilities for the furnishing of utilities and other services located within the boundaries of the Unit; and other items within the Unit. Each Unit Owner shall maintain, repair and replace, when necessary, all damage to windows and doors and storm windows and doors which are a part of his or her Unit; except, however, damage caused by agents, employees or subcontractors employed by the Condominium Association shall be repaired by the Condominium Association. However, the Condominium Association shall be responsible for painting exterior doors, trim and any fences or patio fences appurtenant to Units, except that if painting is required for any reason other than normal wear and usage, the owner of that Unit shall be responsible for paying the Condominium Association for the cost of the required painting. All damages to the Common Areas and Facilities intentionally or negligently caused by a Unit Owner, his or her family, tenants, guests, invitees, agents, servants, employees or contractors shall be repaired promptly by such Unit Owner, except to the extent such damage is covered by hazard insurance required to be maintained by the Condominium Association, in which case the Condominium Association waives its right of indemnity to the extent of funds paid pursuant to said insurance policy. If the Unit Owner defaults in any obligations hereunder and such default is not cured within fifteen (15) days from written demand by the Condominium Association and the cost thereof, plus a charge equal to fifteen percent (15%) of the cost thereof which shall reimburse the Condominium Association for administration expenses in connection with such care, shall be assessed against the Unit owned by the defaulting Unit Owner.

Each Unit Owner shall be responsible for keeping the Limited Common Areas and Facilities under his or her control and dominion in a neat, sightly and proper manner. This shall not impose upon the Unit Owner the obligation to maintain or repair any structural or other similar item on property located within the Limited Common Areas and Facilities assigned to his or her Unit, unless the damage is caused intentionally or negligently by the Unit Owner, as provided above.

3. Restrictions on Unit Owners. No Unit Owner shall perform or cause to be performed any maintenance, repair or replacement work upon a Unit which disturbs the rights of other Unit Owners or jeopardizes the soundness or safety of the Condominium Property. If a Unit Owner shall cause any work so performed, which in the sole opinion of the Board violates the terms of this paragraph, it shall be immediately corrected and such Owner shall refrain from recommencing or continuing any such work without written consent of the Board. A Unit Owner shall not repair, alter, replace or move any of the Common Areas and Facilities located within a Unit without the prior written consent of the Board. A Unit Owner shall not paint or otherwise decorate or change the outside

appearance of the building in which a Unit is located, including doors and windows and storm doors and windows, or any appurtenance thereto or Limited Common Area serving a Unit without the written consent of the Board.

4. Duty to Report. Each Unit Owner shall promptly report to the Board or its agent any known defect or need for repairs to or replacement of, any Common Areas or Facilities.

5. Alterations to Common Areas and Facilities. The Condominium Association is authorized to make minor improvements to and alterations to the structures located in and on the Common Areas and Facilities, as a Common Expense; however, no major or structural improvements to or alterations of the Common Areas and Facilities, or improvements or alterations costing in excess of \$15,000.00, shall be made by the Condominium Association without first obtaining approval of unit Owners holding at least sixty percent (60%) of the Percentage Interests, except when such improvements are made pursuant to Article IX hereof. This Section does not apply to required repair and maintenance of Common Areas and Facilities.

ARTICLE VIII.

ASSESSMENTS

1. Assessments; Maximum Amounts. The Declarant shall fix the initial assessment which shall remain in effect until January 15, 1986. The monthly assessment for 1985 shall be \$38.00 per month per condominium unit. For the calendar year 1986, the annual assessment shall be set at such amount as the Board shall determine.

For the calendar years after 1986, the annual assessment shall be set as follows:

(a) The annual assessment may be increased by the Board each year, without a vote of the Members, to an amount not more than five percent (5%) in excess of the assessment for the previous year.

(b) The annual assessment may be increased above the increase allowed in subsection (a) of this Section 1 by a vote of a two-thirds vote of the Members who are voting in person or by proxy at a meeting called for this purpose (or at the annual meeting provided written notice of such proposed action is given to all members within the time periods set forth below), written notice of which shall be sent to all Members not less than thirty (30) days, nor more than sixty (60) days, in advance of the meeting setting forth the purpose of the meeting. Quorum requirements for such meeting will be those required at a Special Meeting of the membership, as set out in the Bylaws.

(c) The Board of Directors may fix the annual assessment at any amount not in excess of the maximum stated above.

2. Fixing of Assessment. Not later than January 15, 1986, and on or prior to the same date of each year thereafter, the Board shall determine and shall give written notice to the Unit Owners of the annual assessment affixed against each Unit for the immediately succeeding calendar year. In determining the annual assessment for each calendar year, the Board shall estimate the cash requirement, the Board shall include a reasonable reserve for contingencies, replacements and maintenance items not performed annually (including specifically, without limitations, reserves for exterior painting, for roof and gutter replacement, and street and parking area maintenance) and shall deduct any expected income and any surplus from the prior year's fund. The portion of the

estimated cash requirement assessed against each Unit shall be proportional to the percentage Interest for such Unit. The failure, however, of the Board to determine the amount of an annual assessment or to comply with the Requirement that written notice of the amount thereof be given on or prior to any _____ of any year, shall not alter or invalidate any assessment later established under Section 1 of this Article VIII, nor affect the obligation of any Unit Owner to pay same, nor the validity or enforceability of any lien against a Unit fixed by the Condominium Association.

3. Monthly Installments. The annual assessments shall be paid to the Condominium Association in equal monthly installments on or before the first day of each month during any assessment period. In the event of a Unit Owner's default in payment of assessments, not cured within thirty (30) days, the Condominium Association shall have the right to accelerate payment of the entire unpaid balance of the annual assessment, declaring same immediately due and payable.

4. Special Assessments. In addition to the annual assessments, the Condominium Association may levy, in any calendar year, special assessments for the purpose of supplementing the annual assessments if the same are deemed to be inadequate to pay the Common Expenses or for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, repair or replacement of the Common Areas and Facilities, including the necessary fixtures and personal property related thereto; provided that any such special assessment shall have the assent of two-thirds (2/3) of the Members represented, in person or by proxy, at a meeting (or at the annual meeting if written notice of such an express purpose is given within the time periods hereinafter provided), at which a quorum is present, duly called for the express purpose of approving such expenditure, written notice of which shall be sent to all Owners not less than ten (10) days nor more than sixty (60) days in advance of the meeting. Special Assessments shall be fixed against the units in proportion to their Percentage Interests. The period of the assessment and manner of payment shall be determined by the Board.

5. Purpose of Assessments, Common Expenses. The annual and special assessments fixed and collected pursuant to this Article VIII shall be used exclusively to pay the Common Expenses including, but not limited to, all expenses, costs, and charges incurred by the Condominium Association in connection with the administration, management and operation of the Condominium Property; the costs of maintenance, repair replacement and restoration of the Common Areas and Facilities, or any part thereof, and reasonable reserves for items not expensed on at least an annual basis; the cost of all insurance obtained by the Board pursuant to Article IX of this Declaration; the cost of operating and maintaining recreational facilities, if any, which shall become a part of the Common Areas and Facilities; any service fees or cable television if and when provided to all Units under a contract with the Condominium Association; and any and all other expenses, costs or charges agreed upon as Common Expenses by the Condominium Association or declared Common Expenses by the provisions of the Act or this Declaration. All assessments, replacement funds, accumulated income, insurance and other escrows and all other assets of the Condominium Association in excess of that needed for the purposes herein stated, determined yearly, either shall be applied to reduce the succeeding year's assessments or shall be returned to the Unit Owners in proportion to their Percentage Interests, as determined by the Board; provided, that the Board shall have the right to create and to maintain an escrow or trust fund for such reserves as it deems fit.

6. Lien and Personal Obligation. Each assessment provided for in this Article, together with interest from and after the due date of such assessment (specifically including the due date of any installment) at the rate of one and one-half percent (1-1/2%) per month or the highest lawful rate, if lower, and collection costs including reasonable attorneys' fees, shall be a charge on and continuing lien upon the Unit against which the assessment is made when a notice of such lien has been filed of record in the Office of the Clerk of Superior Court for Orange County, North Carolina, in the manner provided in Chapter 44 of the North Carolina General Statutes; provided, such notice of lien shall not be filed until such sums assessed remain unpaid for a period of thirty (30) days after the same shall become due. Such notice of lien shall also secure all assessments against the Unit becoming due thereafter until the lien has been satisfied. In addition, each Unit Owner shall be liable personally for any assessment which becomes due and payable with respect to such Owner's Unit while he or she is the Owner of such Unit. A grantee of a Unit shall be liable, jointly and severally, with the grantor for all unpaid assessments against the Unit which become due and owing at the time of the grant or conveyance, but this obligation shall be without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. Any Unit Owner or grantee of a Unit Owner shall be entitled to a statement from the Board setting forth an account of the unpaid assessments against a Unit and a grantee thereof shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid assessments in excess of the amount therein set forth.

7. Effect of Nonpayment of Assessments, Remedies of Condominium Association. In the event that any assessment installment is not paid within thirty (30) days after the due date thereof, the Board of the Condominium Association may, at its option, declare the entire unpaid annual assessment immediately due and payable, and such unpaid assessment shall bear interest from the date of acceleration, which shall be effective upon the sending of notice to the Owner of the Unit concerned, regardless of the receipt thereof, such interest to be at the rate of one and one-half percent (1-1/2%) per month or, if lower, the maximum allowed by law. In the event any assessment installment is not paid within thirty (30) days after its due date, there shall be a one-time late charge equal to four percent (4%) of the overdue installment or \$5.00, whichever is greater. The Condominium Association may bring an action at law against the owner personally obligated to pay the assessment, and interest, reasonable attorneys' fees and costs of such action shall be added to the amount of such assessment.

Notwithstanding anything hereinbefore stated in this Section, during any period in which an Owner shall be in default in payment of any installment of an annual, special or other assessment levied by the Condominium Association, the voting rights and the right to the use and enjoyment of the Recreational Facilities located in the Common Areas and Facilities may be suspended by the Condominium Association until such assessment is paid. Prior to the termination of voting rights, or use of the Recreational Facilities for failure to pay assessments, the procedure outlined in Section 11 of Article VI shall be followed.

8. Priority of Assessment Lien. The lien of the assessments provided for in this Section shall be prior and superior to all other liens except (a) ad valorem taxes and (b) the lien of all first deeds of trust held by Institutional Lenders. The sale or transfer of any Unit shall not affect the assessment against such Unit; provided, however, the sale of a Unit pursuant to the foreclosure sale or execution sale instituted by an Institutional Lender shall extinguish the assessment lien against the subject Unit, but no such sale or transfer shall relieve such Unit from liability for any assessments thereafter becoming due or for any

future lien in connection therewith. The Condominium Association shall share in the excess, if any, realized by the sale of any Unit pursuant to a foreclosure or action instituted by a superior lienholder in accordance with the provisions of Sections 45-21.31 of the North Carolina General Statutes; provided, that a mortgagee or other purchaser of a Unit at a foreclosure sale of such Unit, or a purchaser who obtains title to such Unit by deed in lieu of foreclosure, shall not be liable for and such Unit shall not be subjected to a lien for the payment of such assessment which accrued prior to the acquisition of title of such Unit by the mortgagee or other purchaser, and provided further that such unpaid assessment shall be deemed to be Common Expenses collectible from all of the Unit Owners including the mortgagee or other purchaser.

9. Owner's Nonuse. No Unit Owner may exempt himself from liability for contributions toward Common Expenses and other obligations to the Condominium Association by waiver of the use or enjoyment of any portion of the Common Areas and Facilities, or by the abandonment or sale of his or her Unit (except that Declarant may deduct from its assessment a reasonable amount for use-related items not consumed, such as water, sewer and cablevision, if and when available, for any Unit owned by it and not occupied).

ARTICLE IX.

INSURANCE

1. Authority to Purchase. The Board shall have the authority and obligation to obtain a master insurance policy upon the Condominium Property for the benefit of the Condominium Association, the Unit Owners and their mortgagees as their interests may appear, and provisions shall be made for the issuance of certificates of mortgagee endorsements to the mortgagees of the Unit Owners. The original of such policy and endorsements thereto shall be deposited with the Condominium Association, as insurance trustee, and Unit Owners may inspect such policy at any time during reasonable working hours and after reasonable notice to the Board.

2. Coverage.

(a) Master Casualty Policy. The buildings and all other improvements upon the land and all personal property included in the Common Areas and Facilities, and originally installed fixtures, cabinets, and wall and floor coverings of the Units shall be insured in an amount equal to the full replacement value (i.e., 100% of the "replacement costs"), exclusive of foundations and excavation. Such coverage shall afford protection against (i) loss or damage from all hazards and risks normally covered by a standard "all-risk" policy, including fire and lightning, and (ii) such other risks as from time to time shall customarily be covered with respect to improvements similar in construction, location and use, including but not limited to, vandalism, malicious mischief and windstorm damages. If necessary and available, insurance against water or flood damage shall also be obtained and kept in force. The Board of Directors shall review such insurance and its limits annually.

(b) Public Liability. The liabilities of the Condominium Association shall be insured in such amounts as shall be required by the Board and each Unit Owner and his or her immediate family, Declarant, its agents and employees shall be named as additional insureds, but only with respect to liability arising out of the ownership, maintenance, use or repair of the Common Areas and Facilities. Such insurance shall include endorsements covering cross-liability claims of one insured against another, including the liability of the Unit Owners as a group to a single Unit Owner. The Board of Directors shall review

such insurance and its limits annually. Such public liability insurance shall be in amounts not less than \$500,000.00 per person and not less than \$1 million per occurrence for liability for bodily injury, including death resulting therefrom, and \$500,000.00 per occurrence for liability for damage to property, including loss of use thereof.

(c) Fidelity Insurance. The Condominium Association shall procure and maintain, or cause to be maintained, a policy or policies of insurance coverage to protect against dishonest acts on the part of officers, directors, volunteers, managers and employees of the Condominium Association and any other persons who handle or are responsible for the handling of funds of the Condominium Association. Such fidelity insurance coverage shall, at least: (i) name the Condominium Association as an obligee thereunder; (ii) be written in an amount not less than one hundred fifty percent (150%) of the estimated annual operating expenses of the Condominium Association plus any reserves; and (iii) contain waivers of any defense bond upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

(d) Other. The Condominium Association may obtain such other insurance coverages as the Board determines from time to time to be desirable, including directors' and officers' liability insurance to protect such persons from liability for negligence while acting in their official capacities, as set out in the Bylaws.

3. Premiums. Premiums upon insurance policies purchased by the Condominium Association shall be paid by the Condominium Association as a Common Expense.

4. Content of Policies. The Board of Directors shall make every effort to secure insurance policies that will provide for the following:

(a) That the master casualty policy on the Condominium Property cannot be cancelled, invalidated or suspended on the account of the conduct of any one or more individual Unit Owners.

(b) That the master casualty policy on the Condominium Property cannot be cancelled, invalidated or suspended on account of the conduct of any officer or employee of the Board, or manager, without prior demand in writing that the Board of Directors or manager cure the defect.

(c) That any "no other insurance" clause in the master casualty policy on the Condominium Property exclude individual owner's policies from consideration.

(d) All insurance policies shall be written with a company or companies licensed to do business in the State of North Carolina and holding a rating of A or better in Best's Insurance Guide, provided that such insurance is available from a company with at least such a rating and that, in the event not so available, such insurance shall be obtained from a company with the highest rating available in Best's Insurance Guide. In no event shall the hazard insurance be written by a carrier which has a Financial Rating by Best's Insurance Reports of less than Class VI.

(e) Duplicate originals of all such policies shall be furnished to all Owners and their respective mortgagees, provided that in lieu of such duplicate original policies the Condominium Association may deliver certificates to the Owners and their respective mortgagees attesting the fact that such policies and such insurance are in force and effect. Furthermore, the Condominium Association shall furnish to the Owners and their respective mortgagees, upon written request therefor, evidence that premiums for such insurance have been paid on an annual basis.

5. Owners' Insurance. Any Owner and any holder of a mortgage with respect to any Unit may obtain such additional insurance with respect to the Unit, totally at the expense of such Owner or mortgagee, as is desired. Any such insurance shall either: (i) be written by the same insurer which carries the master casualty policy purchased by the Condominium Association pursuant to the provisions of Section 2(a) hereof; or (ii) shall provide that such policy or policies shall be without contribution with respect to the master policy or policies of casualty insurance maintained by the condominium Association. Any such Owner's or mortgagee's policy also shall contain waiver of subrogation provisions as required in Section 9 hereof.

Each Owner may obtain a "Homeowner's Policy" or its equivalent to insure against loss or damage to personal property used in or incidental to occupancy of said Owner's Unit, additional leasing (motel) expenses, vandalism or malicious mischief, theft, personal liability and the like. Such policy should include a "condominium unit owner's endorsement" or equivalent, covering losses to improvements and betterments to the Unit made or acquired at the expense of the Unit Owner. Duplicate copies of any such policy or policies procured by an Owner or his mortgagee shall be furnished to the Condominium Association upon request.

6. Receipt of Proceeds, Insurance Trustee. All insurance policies purchased by the Condominium Association shall be for the benefit of the Condominium Association, the Unit Owners and their mortgagees, and Declarant, as their interests may appear, and shall provide that all proceeds covering property losses shall be paid to the Condominium Association, as insurance trustee. The duty of the Condominium Association as insurance trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purposes hereinafter stated and for the benefit of Declarant, the Unit Owners and their mortgagees in the following shares:

(a) Common Areas and Facilities. An undivided share of the proceeds received by the Condominium Association on account of damage to the Common Areas and Facilities shall be held for each Unit Owner and such share shall be determined by the subject Unit Owner's Percentage Interest in the Common Areas and Facilities.

(b) Units. Proceeds received by the Condominium Association on account of damage to Units shall be held for the Unit Owners of the damaged Units in proportion to the cost of repairing the damage suffered by each Unit Owner, which cost shall be determined by the Board of Directors. When the building is not to be restored, as provided in Section 11 of this Article IX, an undivided share shall be held for each Unit Owner and his or her mortgagee, such share being determined in accordance with Section 11 of this Article IX.

8. Condominium Association as Agent. The Condominium Association hereby is irrevocably appointed agent for each Unit Owner and for each mortgagee or holder of a lien upon a Unit and for each owner of any other interest in the Condominium Property to adjust all claims arising under insurance policies purchased by the Condominium Association and to execute and deliver releases upon the payment of claims. The Board of Directors is authorized to carry out all such adjustments of claims and execution and delivery of documents for the Association.

9. Waivers of Subrogation and Cancellation Notices. All policies of physical damage insurance obtained by the Board pursuant to this Article shall contain waivers of subrogation against Unit Owners, their tenants, employees, guests and invitees, the Condominium Association, Declarant and others having an interest in the Condominium Property. Such policies shall provide that they may not be cancelled or substantially modified without at least thirty (30) days' prior written notice to any and all insured parties named therein.

10. Duty to Repair. In the event of damage to or destruction of any improvement on the Condominium Property as a result of fire or other casualty, unless the Condominium Property is partitioned as provided in Section 11, the Board shall arrange for the prompt repair and restoration of such improvement (including any damaged Unit, but not including any wall, ceiling or floor decoration or coverings or other furniture or furnishings, fixtures or equipment in the Unit, unless the subject insurance policy covers a portion of all of such loss to the Unit, in which event the Condominium Association shall repair or replace such damage), and the Board shall disburse the proceeds of all insurance policies to the contractors engaged in such repair or restoration in appropriate progress payments. Any cost of such repairs and restoration in excess of the insurance proceeds shall constitute a Common Expense.

11. Partition. If the improvements on the Condominium Property shall be more than two-thirds (2/3) destroyed by fire or other disaster and the Owners holding at least seventy-five percent (75%) of the total Percentage Interests duly resolve not to proceed with repair or restoration, then and in that event:

(a) The entire Condominium Property shall be deemed to be owned by the Unit Owners as tenants in common.

(b) The undivided interest in the Condominium Property owned by each Unit Owner shall be the same interest as his Percentage Interest in the Common Areas and Facilities previously appurtenant to his Unit or Units.

(c) Any liens or encumbrances affecting any Unit shall be deemed transferred in accordance with the existing priority to the percentage of undivided interest of the subject Unit Owner in the Condominium Property, as hereinabove provided.

(d) The Condominium Property shall be subject to an action for sale in lieu of partition at the suit of any Unit Owner, in which event the net proceeds of insurance policies, if any, shall be considered as one fund and shall be divided among the Unit Owners in proportion to their Percentage Interests in the Common Areas and Facilities previously appurtenant to their Units, after paying off, out of the respective shares of the Unit Owners, to the extent sufficient for that purpose, all liens on the Unit of each Unit Owner.

The determination of whether the improvements are "more than two-thirds (2/3) destroyed" for the purposes herein stated shall be made as follows: an appraisal of the value of the improvements (excluding land) as of the day immediately preceding the damage shall be obtained by the Board from two appraisers who are members of the American Institute of Real Estate Appraisers, the American Society of Appraisers, the Society of Real Estate Appraisers or a comparable professional association of appraisers. The cost of repairs and restoration shall then be determined by the Board of Directors by securing not less than three independent bids, in writing, from three reputable building contractors in the community of their proposed charges for making such repairs or restorations, the lowest of which shall be deemed to be the cost. If the costs so estimated shall exceed two-thirds (2/3) of the appraised value prior to the damage, the improvements shall be deemed more than two-thirds (2/3) destroyed.

The Unit Owners may "duly resolve" not to proceed with repair or restoration only when written instruments to that effect signed by Unit Owners holding at least seventy-five percent (75%) of the Percentage Interests have been delivered to the Secretary of the Association, who shall record such instrument in the records of the Condominium Association.

ARTICLE X.

ARCHITECTURAL CONTROL

1. Approval Required for Changes. To preserve the original architectural appearance of the Condominium Property, except as otherwise expressly specified in the Act or this Declaration, after the purchase of a condominium Unit from Declarant, its successors or assigns, no exterior construction of any nature whatsoever, shall be commenced or maintained by or on behalf of any Unit Owner upon any improvement, including without limitation the Limited Common Areas and Facilities; nor shall there be any change, modification or alteration of any nature whatsoever of the design and appearance of any of the exterior surfaces or facades; nor shall any Owner paint, decorate or change the color of any exterior surface, gate, fence, door or roof; nor shall any Owner change the design or color of the exterior lights; nor shall any Owner install, erect or attach to any part of the exterior any sign of any kind whatsoever; nor shall any exterior addition or change, including without limiting the generality of the foregoing, the erection or construction of any fence or wall, be made unless and until the plans and specifications showing the nature, kind, shape, height, materials, color and location of the same shall have been submitted to and approved in writing as to harmony of exterior design, color and location in relation to the surrounding structures by the Board. The Declarant shall be exempt from the provisions of this Article until ninety percent (90%) of the Units have been sold and conveyed or the date three years following the conveyance of the first Unit by Declarant, whichever shall occur first.

ARTICLE XI.

CONDEMNATION

1. General. Whenever all or any part of the Condominium Property shall be taken by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to notice thereof and to participate in the proceedings incident thereto unless otherwise prohibited by law. The award made for such taking shall be payable to the Condominium Association. Unless otherwise required by law at the time of such taking, any award made therefor shall be disbursed by the Condominium Association as hereinafter provided in this Article.

2. Common Areas. If the taking is confined to the Common Areas and Facilities on which improvements shall have been constructed and if Owners holding at least seventy-five percent (75%) of the total Percentage Interests shall decide within sixty (60) days after such taking (the date of the "taking" being defined as the date on which the condemning authority has paid the award and the same has been accepted by the Association, either voluntarily or as a result of exhaustion of appeal rights) to replace such improvements, or any part thereof, on the remaining land included in the Common Areas and Facilities and according to plans therefor to be approved by the Condominium Association, then the Board shall arrange for such replacement and the Condominium Association shall disburse the proceeds of such award in the same manner as they are required to disburse insurance proceeds where damage or destruction to the Condominium Property is to be repaired or reconstructed as provided in Article IX, hereof; subject, however, to the right hereby reserved to the Condominium Association, which may be exercised by a Majority of the Members, to provide for the disbursement by the Condominium Association of the remaining proceeds held by it (after payment of all costs

incident to such replacement) to the Owners or any one or more of them in amounts disproportionate to the Percentage Interests appurtenant to their Units established herein, which disproportionate amounts shall correspond with the disproportionate damages sustained by the Owners or any one or more of them as the Condominium Association may determine. If Owners holding at least seventy-five percent (75%) of the total Percentage Interests shall not decide within sixty (60) days after such taking to replace such improvements or if the taking is confined to the Common Areas and Facilities on which no improvements shall have been constructed, then the Condominium Association shall disburse the proceeds of the award in the manner hereinabove provided for the disbursement of the remaining proceeds of an award after payment of all costs incident to replacement of improvements taken, including the right reserved to the Condominium Association to provide for the disbursement of the remaining proceeds held by it to the Owners in disproportionate amounts.

3. Units. If the taking includes one or more Units, any part or parts thereof, or the Limited Common Areas and Facilities or parts thereof, to which a Unit has exclusive use, or parts thereof, then the award shall be disbursed and all related matters, including without limitation, alteration of the Percentage Interest appurtenant to each Unit, shall be handled pursuant to and in accordance with the consent of all Owners expressed in a duly recorded amendment to this Declaration. Such amendments, if any, shall re-align the Percentage Interests, establish the method of distributing the condemnation award and include such other provisions as all of the Unit Owners deem reasonable and appropriate. Further provided, such amendment shall be executed by the mortgagees of such Units and shall not prejudice the creditors or other third parties who have an interest in the condemnation award with respect to their rights, if any, in such award. In the event that such an amendment shall not be recorded within ninety (90) days after such taking, then such taking shall be deemed to be and shall be treated as damage or destruction which shall not be repaired or reconstructed and provided for in Section 11 of Article IX herein, whereupon the condominium will be terminated in the manner therein and in Section 3 of Article XII prescribed.

ARTICLE XII.

TERMINATION OF UNIT OWNERSHIP

1. Agreement.

(a) The Condominium Property may be removed from the provisions of this Declaration and the Unit Ownership Act by an instrument to that effect, duly recorded, approved by all Unit Owners; provided that the holders of all liens affecting any of the Units consent thereto or agree, in either case by instrument duly recorded, that their liens be transferred to the percentage of the undivided interest of the Unit Owners in the Condominium Property.

(b) Upon removal of the Condominium Property from the provisions of the Act and this Declaration, the Condominium Property shall be deemed to be owned by the Unit Owners as tenants in common. The undivided interest in the Condominium Property owned as tenants in common which shall appertain to each Unit Owner shall be the Percentage Interest previously owned by such Unit Owner in the Common Areas and Facilities.

(c) Notwithstanding provisions to the contrary in this Article XII, if the Unit Ownership Act is amended to allow termination of unit ownership by less than all of the Unit Owners

and all of the holders of liens, then said amendment of the statute shall control this Declaration; provided, that in no event shall the Condominium Property be removed from Unit Ownership unless approved by Unit Owners owning at least seventy-five percent (75%) of the total Percentage Interests in the Common Areas and Facilities, and the holders of seventy-five percent (75%) in number of the first lien mortgages affecting the Units.

2. Destruction. In the event it is determined, in the manner provided in Section 11 of Article IX of this Declaration, that the Condominium Property shall not be repaired or reconstructed after fire or other casualty, the condominium shall be terminated and this Declaration revoked. The determination not to repair or reconstruct after a fire or other casualty shall be evidenced by a certificate of the Condominium Association, signed by the President and the Secretary of the Condominium Association, certifying as to the facts effecting the termination, which certificate shall become effective upon being duly recorded in the Office of the Register of Deeds of Orange County.

3. Condemnation. In the event that one or more Units or any part thereof shall be taken in condemnation or by eminent domain, and the consent of all Owners as to distribution of condemnation and realignment of Percentage Interests shall not be expressed in amendments to this Declaration and the Bylaws, duly recorded within sixty (60) days after such taking, as provided in Section 3 of Article XI of this Declaration, the condominium shall be terminated and this Declaration revoked. Such taking shall be evidenced by certificate of the Condominium Association, certifying as to the facts effecting the termination, which termination shall become effective when the certificate is recorded in the Office of the Register of Deeds of Orange County which shall not occur earlier than ninety (90) days after the taking or later than one hundred twenty days thereafter.

ARTICLE XIII.

AMENDMENTS

1. By Owners. This Declaration may be amended by the vote of the Unit Owners owning at least seventy-five percent (75%) of the Percentage Interests; provided, that no such amendment shall be effective until placed in writing, executed and acknowledged by Unit Owners owning at least seventy-five percent (75%) of the Percentage Interests, and filed for registration in the Office of the Register of Deeds of Orange County; and provided, further, that if a larger vote is required to take or refrain from taking a specific action, as set forth in the Act or this Declaration, no amendment shall be made unless and until the Unit Owners holding such larger Percentage Interest in the Common Areas and Facilities execute such 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 this Declaration, upon the same being adopted as provided herein and duly set forth in an amended Declaration which is duly recorded as provided herein. Notwithstanding provisions to the contrary contained in this Declaration or the Bylaws attached hereto, no change or amendment to this Declaration or the Bylaws shall affect or change the Percentage Interests, or shall allow the partitioning of the Common Areas and Facilities, or shall limit the rights of Unit Owners with respect to leasing of Units as set out in Section 15 of Article IV hereof, unless all Unit Owners, and all holders of Institutional Mortgages upon the Units shall have given their written approval thereof.

2. Restriction on Amendments. No amendment to this Declaration or to the Bylaws shall or may be adopted or passed which shall impair or prejudice the rights and priorities of the holder of an Institutional Mortgage encumbering any Unit in the Condominium Property.

ARTICLE XIV.

GENERAL PROVISIONS

1. Covenants Running with the Land. All provisions of this Declaration shall be construed to be covenants running with the land, and with every part thereof and interest therein including, but not limited to, every Unit and the appurtenances thereto; and each and every provision of the Declaration shall bind and inure to the benefit of all Unit Owners and claimants of the land or any part thereof or interest therein and their heirs, executors, administrators, successors and assigns.

2. Duration. So long as North Carolina law limits the period during which covenants restricting lands to certain uses may run, it shall be the duty of the Board of Directors to cause the covenants contained herein, as amended from time to time, to be extended when necessary by filing a document bearing the signatures of a Majority of the then Owners reaffirming and newly adopting the Declaration and covenants then existing in order that the same may continue to be covenants running with the land. Such adoption by a Majority shall be binding on all, and each Owner of any Unit, by acceptance of a deed therefor, it is deemed to agree that the Declaration and covenants may be extended as provided in this Section 2.

3. Bylaws. A true copy of the Bylaws of the Condominium Association, which together with this Declaration shall govern the administration of the Condominium, is attached hereto as Exhibit B, and, by reference, made a part hereof.

4. Enforcement. Each Owner shall comply strictly with the Bylaws and with the administrative Rules and Regulations adopted pursuant thereto and to this Declaration, as either of the same may be lawfully amended from time to time, and with the covenants, conditions and restrictions set forth in this Declaration or in the deed of his or her Unit. Failure to comply with any of the same shall be grounds for an action to recover sums due, for damages or injunctive relief, or both, maintainable by the Board of Directors on behalf of the Condominium Association or by an aggrieved Owner. Failure of the Condominium Association or of any Owner to enforce any of the foregoing shall in no event be deemed waived of the right to do so thereafter.

5. Rule Against Perpetuities. If any covenant, condition, restriction or other provision of this Declaration shall be unlawful, void or voidable, for violation of the Rule Against Perpetuities, then such provisions shall continue only until 21 years after the death of the last person of the following group of persons living at the date of the recording of this Declaration:

G. Nick Angel and Connie T. Angel

6. Gender and Grammar. The singular, whenever used herein, shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

7. Interpretation. The provisions of this Declaration and the Bylaws shall be liberally construed to effectuate the purpose of creating a uniform plan for the development and operation of the Condominium Property.

8. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this Declaration or the intent of any of the provisions hereof.

9. Law Controlling. This Declaration and the Bylaws attached hereto shall be construed and controlled by and under the laws of the State of North Carolina; provided, that if there are conflicts or inconsistencies in the Act, this Declaration or the Bylaws, the terms and provisions of the Act and this Declaration (in that order) shall prevail and the Unit Owners covenant to vote in favor of such amendments as will remove such conflict or inconsistencies, except that where the Act, the Declaration or the Bylaws conflict and the provisions of the Act are merely enabling and not mandatory, the provisions of the Declaration or the Bylaws (in that order) shall control.

10. Rights Reserved Unto Mortgagees.

(a) None of the following may be effected unless each mortgagee owning a note or bond secured by a deed of trust encumbering a Unit or Units agrees in writing to the proposed action and any document or agreement which undertakes to accomplish any of the following shall be void and a nullity unless each such mortgagee agrees thereto, as evidenced by their execution of a written document specifically approving such action, to wit:

(i) Any change in the requirements of insurance coverage to be maintained by the Condominium Association as established by this Declaration.

(ii) Any amendment to the provisions of this Declaration with respect to reconstruction of improvements or termination of the Condominium Property in the event of casualty or condemnation.

(iii) Any amendment to the provisions of this Declaration with respect to entitlement to condemnation or insurance proceeds or with respect to the conditions under which the same shall be disbursed or the parties to whom such proceeds shall be disbursed.

(iv) Any amendment to the provisions of this Declaration with respect to partitioning or subdividing any Unit or the Common Areas and Facilities.

(v) Any amendment to the provisions of this Declaration with respect to a change in the percentage interests of Unit Owners in the Common Areas and Facilities.

(vi) Any other amendment which, if effected, will adversely alter or modify the rights and privileges granted or reserved hereunder in favor of, or with respect to, any mortgagee.

(b) In addition to the foregoing, the above defined and identified mortgagees shall also be entitled to the following:

(i) To be kept advised of the identity of all companies insuring the Condominium Property, the Condominium Association and the Unit Owners and to obtain the rejection of, or a change in the identity of, any company which is of insufficient financial strength or for other reasons is demonstrably unsatisfactory as an insurer.

(ii) To examine, upon request and at reasonable times and upon reasonable notice, the books and records of the Condominium Association and to be furnished a copy of an annual audited financial statement and operating statement of the

Condominium Association prepared by a Certified Public Accountant, which such statements to be furnished on or before April 1 of each calendar year.

(iii) To be given written notice by the Condominium Association of the call of any meeting of the membership and to designate a non-Unit Owner representative who shall be privileged to attend.

(iv) To be advised in writing in the event any Unit Owner indebted to the mortgagee defaults in the performance of such Unit Owner's agreements or obligations hereunder or under the other documents governing the Condominium Property.

(v) 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 and of any loss to a Unit exceeding \$1,000; provided, that only mortgagees owning deeds of trust encumbering damaged or condemned Units shall be entitled to notices of damage to or the taking of such Units.

It is provided, however, that mortgagees shall be entitled to the rights and privileges above granted and reserved only if and from the date and time that said mortgagees register with the Condominium Association by advising the Condominium Association, in writing, of their interest as mortgagees, by identifying the Unit or Units upon which such mortgagees hold mortgages, by providing sufficient facts to identify the mortgages and by designating the places to which notices are to be given by the Condominium Association to said mortgagees.

11. Severability. Invalidation of any covenant, condition, restriction or other provision of this Declaration or of the Bylaws shall not affect the validity or enforceability of the remaining portions thereof.

12. 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 following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration: Annexation of additional properties, mergers and consolidations, mortgaging of Common Area, dedication of Common Area, dissolution and amendment of the Articles of Incorporation.

ARTICLE XV.

SPECIAL PROVISIONS CONCERNING VETERAN'S ADMINISTRATION, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, FEDERAL HOME LOAN MORTGAGE CORPORATION AND FEDERAL NATIONAL MORTGAGE ASSOCIATION

In the event the Declarant shall seek to obtain approval of this Declaration and the plan of development of its property in order that the Units will be eligible for loans approved, guaranteed or insured by the Veteran's Administration ("VA"), the Department of Housing and Urban Development ("HUD"), the Federal Home Loan Mortgage Corporation ("FHLMC"), the Federal National Mortgage Association ("FNMA") or other governmental agency, it is possible that such agency or agencies will require changes in this Declaration in order to make the Units eligible for such loans. In such event, Declarant, without the consent or approval of any other Owner, shall have the right to amend this Declaration, and the amendment shall become effective upon recordation of the amendment, along with attached evidence of approval by the

appropriate governmental agency, in the Office of the Register of Deeds of Orange County, North Carolina. A letter from an official, or a current published regulation, guideline or a statement of policy, of the VA, HUD, FHLMC, FNMA or such other agency shall be deemed conclusive evidence for all purposes of such agency's requirement of changes. Each Owner and his respective mortgagees, by acceptance of a deed conveying a Unit or a mortgage encumbering such Unit, as the case may be, hereby irrevocably appoint Declarant his or their Attorney-in-Fact, such power of attorney being coupled with an interest, and authorize, direct and empower Declarant, in the event that Declarant exercises the rights reserved in this Article XV, to amend this Declaration as provided herein, to execute, acknowledge and record for and in the name of such Owner and any such mortgagee an amendment for such purpose, and for and in the name of such respective mortgagees to execute a consent and joinder to such amendment or amendments; provided, however, that all such amendments must uniformly affect all Units and all mortgagees.

ARTICLE XVI

NOTWITHSTANDING any of the provisions in this Declaration, the "Declarant" its successors and assigns, reserve the right to increase the number of units in the Shepherd Lane Condominiums on the same property described as Exhibit "A". In increasing the number of units, the "Declarant" may use any of the areas designated in Plat Book 42 at Page 53, Orange County Registry, labeled common areas; may build additional units on said areas; may use the roads and common areas for ingress and egress to build the new units; may reduce the size of the common areas; however, in reducing the size of the common areas and building additional units, the "Declarant" has the right to adjust the percentage share that each unit owns. This share 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.

In addition, the Declarant may place of record an amended Plat of the Shepherd Lane Condominiums relocating or changing streets, if necessary, adding number of units and reducing common areas.

If the Declarant obtains a special use permit from the Town of Chapel Hill to build additional units, the Declarant is authorized to make any changes required by the Town of Chapel Hill in its permit.

This reservation to the Declarant becomes null and void five (5) years after sale of last unit in Shepherd Lane Condominiums.

ARTICLE XVII

NOTWITHSTANDING, any of the provisions in this Declaration, the Declarant, its successors and assigns, as long as they are the *owners of Unit Numbers 1 through 16, will maintain separately from Units 1 through 6 Building A, Units 1 through 8 Building B, Units 1 through 8 Building C, and Units 1 through 8 Building D; and that the assessments per Unit Numbers 1 through 16 will be used solely for the maintenance of these units only and the balance of the units aforesaid (i.e. Buildings A, B, C, and D) will be maintained by the assessments paid by these units only.

*Units 1 through 16 are shown on recorded plat as follows:


Units 1 through 8 ----- 501 through 508
 Units 9 through 12 ----- 609 through 612
 Units 13 through 16 ----- 713 through 716

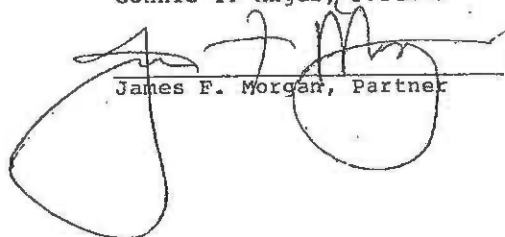
IN WITNESS WHEREOF, the Declarant has caused this Declaration to be signed and sealed as of the day and year above written.

CAM Associates

 (SEAL)
Barry L. Cook, Partner

 (SEAL)
G. Nick Angel, Partner

 (SEAL)
Connie T. Angel, Partner

 (SEAL)
James F. Morgan, Partner

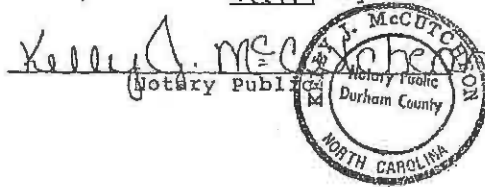
STATE OF NORTH CAROLINA
COUNTY OF Durham

BOOK 525 PAGE 557

I, the undersigned Notary Public hereby certify that BARRY L. COOK, AS PARTNER IN COOK ASSOCIATES personally appeared before me this day and acknowledged the execution of this document.

Witness my hand and official seal, this the 10th day of July, 1985.

My Commission Expires: 1/11/89

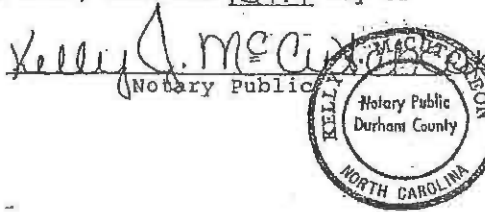


STATE OF NORTH CAROLINA
COUNTY OF ~~FORSYTH~~ DURHAM

I, the undersigned Notary Public hereby certify that G. NICK ANGEL AND CONNIE T. ANGEL, AS PARTNERS IN ANGEL ASSOCIATES personally appeared before me this day and acknowledged the execution of this document.

Witness my hand and official seal, this the 10th day of July, 1985.

My Commission Expires: 1/11/89

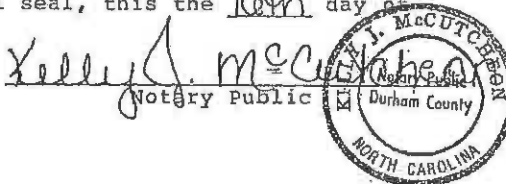


STATE OF NORTH CAROLINA
COUNTY OF DURHAM

I, the undersigned Notary Public hereby certify that JAMES F. MORGAN, AS PARTNER IN COOK ASSOCIATES personally appeared before me this day and acknowledged the execution of this document.

Witness my hand and official seal, this the 10th day of July, 1985.

My Commission Expires: 1/11/89



NORTH CAROLINA -- ORANGE COUNTY

The foregoing certificate(s) of Kelly J. McCutcheon,

A Notary Public of the designated Governmental units ~~xxx~~(are) certified to be correct. Filed for registration this the 23rd day of July, 1985, at 1:46 o'clock, ~~xxx~~pm in Record Book 525 Page 537.

Betty June Hayes, Register of Deeds

By: Billie B. Homan
Assistant/Deputy Register of Deeds

Return: _____

EXHIBIT "A"

BEGINNING at a stake, which is located at a point, measured South $21^{\circ} 33'$ West 454.50' and South $53^{\circ} 52' 30''$ West 72' from the Northwest corner of the property of Bolinwood Condominiums as shown in Plat Book 23 at Page 72, Orange County Registry, and the center line of Bolin Creek; running thence South $53^{\circ} 52' 30''$ West 334.28' to an iron stake, thence South $69^{\circ} 08'$ West 258' to a stake, thence South $20^{\circ} 59' 40''$ West 29.82' to an iron stake; thence North $67^{\circ} 07' 13''$ West 449.97' to an iron stake, thence North $19^{\circ} 40' 38''$ East 475' to a point; thence a new line South $72^{\circ} 06' 31''$ East 88.45' to a stake; thence South $73^{\circ} 08' 37''$ East 498.69' to an iron stake thence South $21^{\circ} 16' 14''$ East 48.74' to a stake, thence South $48^{\circ} 05' 49''$ East 57.60' to an iron stake; thence South $71^{\circ} 49' 19''$ East 66.93' to a stake; thence South $71^{\circ} 29' 16''$ East 94.06' to a point and place of BEGINNING and being 7.407 acres according to survey of Larry L. Callahan R. L. S. dated August 18, 1983, entitled "Shepherd Lane Condominiums".