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DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS

OAKLEAF CONDOMINIUM I

Filed: Tom Grady

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NORTH CAROLINA
CABARRUS COUNTY

DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS

THIS DECLARATION is made and executed this 28th day of October, 1980, by SIMMONS-MILES CORPORATION, a North Carolina corporation having its principal place of business in Cabarrus County, North Carolina, (hereinafter referred to as the "Declarant").

WITNESSETH:

WHEREAS, the Declarant is the fee simple owner of certain real property located in Number 12 Township, Cabarrus County, North Carolina, as described in Exhibit A hereto attached and made a part hereof (hereinafter referred to as the "Properties"), and whereas, the Declarant desires to develop therein in sections a residential community together with the common lands and facilities for the recreational purposes for the benefit of such community.

AND WHEREAS, at the time of the filing of this Declaration, the Declarant desires to submit a certain portion of the Properties together with the buildings and improvements thereon erected and owned by the Declarant in fee simple absolute, said property described in Exhibit B hereto attached, subject to the provisions of the Unit Ownership Act of the State of North Carolina (Chapter 47A, Section 47A-1 - 47A-28, General Statutes of North Carolina - 1966).

AND WHEREAS, the Declarant intends to complete the condominiums known as Oakleaf Condominiums by the erection of 200 Condominium Units upon that property described in Exhibit A, together with certain improvements as hereinafter referred to to be located upon the property, and at the time the Condominium Park with improvements is completed, that all Properties described in Exhibit A shall be conveyed unto the Oakleaf Homeowners Association, and said Properties shall be accepted by the Oakleaf Homeowners Association, subject to the provisions of the Unit Ownership Act of the State of North Carolina (Chapter 47A, Section 47A-1 - 47A-28, General Statutes of North Carolina - 1966).

AND WHEREAS, the Declarant desires to provide for the preservation of the values and amenities in said community and for the maintenance of said common lands and facilities, and to this end, desires to subject the Properties to the covenants, restrictions, easements, charges and liens (hereinafter referred to collectively as the "Restrictions") as hereinafter set forth, for the benefit of the Properties and each owner thereof.

AND WHEREAS, the Declarant has deemed it desirable, for the efficient preservation of the values and amenities in said community, to create an agency to which will be delegated and assigned the powers of maintaining and administering the community facilities, administering and enforcing the covenants and restrictions and levying, collecting and disbursing the assessments and charges hereinafter created.

AND WHEREAS, the Declarant has incorporated or intends to incorporate under the laws of the State of North Carolina, as a non-profit corporation, the OAKLEAF HOMEOWNERS ASSOCIATION, INC., for the purpose of exercising the functions aforesaid, and

NOW, THEREFORE, Declarant hereby declares that all of the properties described in Exhibit B shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which are for the purpose of protecting the value and desirability of, and which shall run with, the real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

STATUTORY PROVISIONS AND DEFINITIONS

A. 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.

B. 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 therein. The following words, when used in this Declaration or any Supplement or amendment hereto, unless the context requires otherwise, shall have the following meaning:

1. "Act" means the Unit Ownership Act of North Carolina, North Carolina General Statute Chapter 47A, as amended.

2. "Assessment" means an owner's share of the common expenses assessed against such owner and his unit from time to time by the Association in the manner hereinafter provided.

3. "Association" shall mean and refer to the Oakleaf Homeowners Association, Inc., its successors and assigns.

4. "Board" or "Board of Directors" means the Board of Directors of Oakleaf Homeowners Association, Inc. created hereunder and "Director" or "Directors" means a member or members of the Board.

5. "By-Laws" means the By-Laws for the administration of the Association contained in Exhibit C attached hereto and made a part hereof by this reference.

6. "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. Said areas are intended to be devoted to the common use and enjoyment of the members of the Association as herein defined and are not for use by the general public.

7. "Common Expenses" means all or any of:

(a) All expenses incident to the administration, maintenance and repair or replacement of the Common Areas and Facilities and the Limited Common Areas and Facilities.

(b) Expenses determined by the Association to be common expenses and which are lawfully assessed against the Unit Owners, including payment by the Association of costs and expenses of operation, maintenance and repair of all Common Areas and Facilities.

(c) Expenses declared to be common expenses by the Unit Ownership Act or the Condominium Documents.

(d) All sums lawfully assessed against the Unit Owners, by the Association.

8. "Condominium Documents" means and includes this Declaration, By-Laws attached as Exhibit C, and Rules and Regulations as may be created pursuant to Article IV, Section O, hereof, governing the use of the condominium property, and Supplementary Declarations adding property to the condominium, all as may be amended from time to time.

9. "Condominium Property" or "Property" means all of the property submitted to the Unit Ownership Act by this Declaration or by Supplementary Declarations, being the property described in Exhibit B of this Declaration, and so much of the property described in Exhibit A as shall be submitted from time to time; 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.

10. "Declarant" means Simmons-Miles Corporation, a North Carolina corporation; 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".

11. "Declaration" means this Declaration of Covenants, Conditions and Restrictions for Oakleaf Condominium I.

12. "Limited Common Areas and Facilities" or "Limited Common Area" means those areas so designated on the Plans attached hereto and incorporated herein and marked Exhibit D, identified in Sections D and E of Article III hereof.

13. "Majority" or "Majority of Unit Owners" means the owners of more than fifty per cent (50%) of the aggregate interest in the Common Areas and Facilities as established by the Declaration assembled at a duly called meeting of the Unit Owners. All percentage interests stated herein for voting purposes means the owners of that percent of the Common Areas and Facilities, as determined by the percentage interest stated in this Declaration.

14. "Member" means a Unit Owner.

15. "Mortgage" means any deed of trust, mortgage, security agreement and financing statement or any and all other similar instruments given to secure the payment of a debt, by granting a security interest in a unit, its fixtures or contents.

16. "Mortgagee" means any secured party under a security agreement or mortgage, and the beneficiary under or a holder of a deed of trust.

17. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Condominium Unit, but shall not mean or refer to any mortgagee or subsequent holder of a mortgage, unless such mortgagee or holder has acquired title pursuant to foreclosure or any proceedings in lieu of foreclosure.

18. "Percentage Interest" means the percentage of undivided interest each owner owns in the Common Areas and Facilities as set forth in Section D 2 of Article III and Section B of Article XV of this Declaration.

19. "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.

20. "Section I" means a part of the land described in Exhibit A and all of the lands described in Exhibit B and being that property shown upon a map entitled Map 2, which is the land and improvements submitted to the Act by this Declaration. It is anticipated that there will be subsequent Sections added to Oakleaf Condominiums and that the subsequent sections shall be comprised of tracts of land that make up the balance of 29.51 acres of the lands described in Exhibit A, after having first deducted that property described in Exhibit B. Subsequent Sections may be included within the Oakleaf Condominium I by Supplementary Declaration in the manner hereinafter provided and the boundaries of which are shown on Map 4 of the Plans.

21. "Plans" means the site plans designated Maps 1-4 by Thomas E. Montgomery, dated September 28, 1980, Surveyor, and the plans of the buildings and units by Johnny R. Graham designated Sheets 5-8, dated October 1, 1980, together with Revisions entitled Oakleaf Condominiums referred to in Article III of this Declaration, and attached to this Declaration as Exhibit D (Exhibit D shall consist of Maps 1-4 and Sheets 5-8).

22. "Supplementary Declaration" means the document filed by Declarant to include one or more subsequent sections and the Parking Area within the Condominium Property, in the manner provided hereinafter.

23. "Unit" means those parts of the condominium property described in Section C of Article III hereof which are subject to this Declaration from time to time and which are shown and designated on the Plans as Units.

24. "Unit Owner" means the record legal fee owner or owners of a unit, 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

A. Name and Address. The name of the property is Oakleaf Condominium 1, and it is located adjacent to and on the northern side of Brookwood Drive, Concord, North Carolina.

B. Registered Agent. Allan D. Miles, c/o Simmons-Miles Corporation, 476 Church Street North, Concord, North Carolina 28025, hereby is designated to receive service of process in any action which may be brought against or in relation to the Condominium. In the event of such agent's death, resignation or removal, his successors shall be appointed by the Board of Directors, and shall so indicate by recording an instrument to that effect with the Register of Deeds of Cabarrus County, North Carolina.

ARTICLE III

PROPERTY RIGHTS

A. Description of Land. It is the intent of Declarant to create hereby what is referred to as an "expandable condominium", with the maximum land that may be included in this Declaration being that tract lying and being in the City of Concord, Cabarrus County, North Carolina, and more fully described in Exhibit A, together with rights, easements and appurtenances thereunto belonging. 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 Concord, Cabarrus County, North Carolina, more fully described in Exhibit B, identified as Section 1, attached hereto and made a part hereof, together with rights, easements and appurtenances thereunto belonging. By Supplementary Declaration, in the manner hereinafter provided, Declarant may from time to time add additional property to the Condominium project. This land may be added in sections and will be limited to that portion of land remaining in Exhibit A after deducting that property as described in Exhibit B. The additional sections may be used for the construction of additional Condominium Units so that the maximum number of units to be constructed upon the property described in Exhibit A shall not exceed two hundred (200). The Declarant may also dedicate such remaining portion of the property as it deems necessary and appropriate for the construction of parking facilities, storage areas and recreational facilities. All such land and buildings and improvements thereon shall become and be subject to the Act and this Declaration as if included in the beginning. By acceptance of a Deed to a Condominium Unit created hereby or by Supplementary Declaration, each Unit Owner agrees that such additional Sections and the Units therein may be added to the condominium property and that the percentage interest of common elements will be reduced as set out in Article XV, Section B, hereof.

B. Description of Buildings. Section 1 of Oakleaf Condominiums shall contain two (2) non-contiguous, multi-unit buildings. Each building is designated by a number on Sheets 5 and 6 of the Plans, attached hereto as Exhibit D and made a part of this description by reference. Building No. 1 contains five (5) Type E townhouse style units and six (6) Type D townhouse style units and one (1) Type A-2 garden home. Building No. 2 contains one (1) Type A garden home, one (1) Type A-1 garden home, eight (8) Type B townhouse style units and two (2) Type C townhouse style units. Buildings will be not more than two stories in height, and none will have basements. Each of the buildings will be described

graphically in the Plans of such buildings, a copy of which is attached as Exhibit E. Sheets 7 and 8, that shows the particulars of each building, including the location, layout, number of rooms, dimensions, approximate area, building designations, unit numbers and location of the common areas, limited common areas and facilities affording access to each unit.

The buildings are principally constructed with wood frame having brick veneer, wood and stucco siding with gypsum dry walls and composition shingle roofs. The bottom floor of Building No. 1 is constructed upon wooden floors having crawl space underneath. The bottom floor of Building No. 2 is constructed of concrete slabs. Subject to permitted options, kitchens are equipped with drop-in range and oven combination, range hood with non-vented exhaust fan, sink, dishwasher, garbage disposal, trash compactor, and wall cabinets. The full bathrooms have vanities, sinks, tubs and water closets, and the one-half baths have vanities, sinks and water closets.

C. Description of Units.

1. Nature of Ownership. Every condominium unit, together with 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 and the unit owner thereof shall be entitled to the exclusive ownership and possession of his condominium unit, subject only to the covenants, restrictions and easements contained herein and the By-Laws, Rules and Regulations, Resolutions and decisions adopted pursuant hereto and as may be contained in the accompanying By-Laws and the minutes of the Board of Directors of the Association. The percentage undivided interest in the Common Areas and Facilities of each unit 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 even though such interest is not expressly mentioned or described in the conveyance or other instrument. A Unit Owner shall automatically become a member of the Homeowners Association, and shall remain a member thereof until such time as his ownership ceases for any reason, at which time his membership in the Homeowners 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 of Oakleaf Condominium I, and all duly adopted Rules and Regulations of the Association and the Board.

2. Nature, Type and Description of Unit. Each building in each Section contains or will contain several units connected to one another by common walls. Each unit is designated on the Plans attached hereto as Exhibit D, or to be submitted by Supplemental Declaration, by a numerical designation. There are five basic floor plans or types of units, with variations in Section 1, and such unit types are described as follows:

(a) Type A and Type A-1 and A-2 are single-story garden homes containing approximately 1200 square feet respectively of heated area. Type A and Type A-1 have a concrete patio. Type A-2 has a wooden deck. All Type A units contain at least two bedrooms and two full baths, a kitchen, dining room and a great room.

(b) Type B units are two-story townhouse units containing approximately 1675 square feet respectively of heated area with a concrete patio on ground level and wooden balcony on the second level. The units contain two bedrooms and two full baths on the second level, and a one-half bath, great room, dining room and kitchen on the first level.

(c) Type C units are two-story townhouse units containing approximately 1050 square feet respectively of heated area with a concrete patio on the ground level and a wooden balcony on the second floor. The units contain three bedrooms and two full baths on the second floor and a one-half bath, great room, dining room and kitchen on the first level.

(d) Type D units are two-story townhouse units containing approximately 1068 square feet of heated area and a wooden deck on ground level. The units contain two bedrooms and one full bath on the second level and a one-half bath, great room and kitchen and dining combination room on the first level.

(e) Type E units are two-story townhouse units containing approximately 1180 square feet of heated area and a wooden deck on ground level. The units contain two bedrooms and one full bath on the second level and a one-half bath, great room and kitchen and dining combination room on the first level.

All units contain an outside attached storage room of approximately 40 square feet or more.

3. Unit Dimensions. Each unit shall include all the space within the boundaries as shown upon the Exhibit which describes and names by number the particular condominium unit to which reference is hereby made for a metes and bounds description. The Condominium Unit, as the term is used herein, shall mean and comprise the two hundred (200) separately identified dwelling units constructed or to be constructed upon the property described in Exhibit A, a portion of which units are described on Exhibit D, Map 3, excluding, however, all spaces and improvements lying beneath the sub-flooring material of all floors. (Poured concrete shall be considered sub-flooring material.) However, all pipes, ducts, furnaces, air-conditioning units, conduits, wires, hot water heaters and other facilities for the furnishing of utilities and services to the individual condominium unit shall be considered and shall become a part of the respective unit which it services. All exterior surfaces, including walls, doors, window panes, window frames and screens shall be a part of the respective condominium units.

In interpreting this Declaration and its Plans, the actual physical boundaries of a unit as originally constructed, or of a unit reconstructed in substantial compliance with the original Plans thereof, shall be conclusively presumed to be its boundaries rather than the metes and bounds expressed in

this Declaration of its Plan, regardless of settling or lateral movement of the building, and regardless of minor variances between boundaries shown on the Plans, and those of the unit.

It is intended that a fire wall shall separate each of the respective condominium units and that the dividing line between the units shall be the center line of the fire wall, each condominium unit thereby owning one-half of the fire wall which divides it from the adjacent unit.

D. Common Areas and Facilities.

1. Description. The general Common Areas and Facilities consist of the entire property other than condominium units, including, without limitation:

(a) The land on which the buildings are erected and all the land surrounding the buildings that lies within the boundaries of the land from time to time subject to this Declaration,

(b) The yards, landscaping, fences, non-public roads and driveways, parking areas, walks, retaining walls, tennis courts, swimming pools, club house, nature trails, and all paved areas,

(c) All maintenance and recreational areas,

(d) Any portion of the property shown and designated on the Plans as Common Area or Limited Common Area.

2. 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 in said Common Areas and Facilities and Limited Common Areas and Facilities as set forth in Article XV hereof. Provided, however, the use of the Limited Common Areas and Facilities shall be restricted as set forth in Section D3 and Section E of this Article III. Each owner, at the time of accepting a Deed to the condominium unit, acknowledges, consents and agrees that his percentage ownership in the Common Areas shall be an amount equal to that determined by dividing the total number of units in the section or sections as have been made subject to this Declaration into 100, so that in the first section, each unit owner would own 4.17% undivided interest in the Common Areas. If, for example, when Section II of Oakleaf Condominiums is completed and made subject to this Declaration and there are twenty-four (24) additional units added, then those persons purchasing under Section I will have a diminished interest in the Common Areas and they will each own 2.00% undivided interest in the Common Areas and each person purchasing a unit in Section II will acquire 2.08% undivided interest in the Common Areas.

It is the intention of the Declarant to complete two hundred (200) condominium units upon the subject property and at completion, each unit owner will have a .5% undivided interest in the Common Areas. Owners, by their purchase of a condominium unit in Oakleaf Condominium I and subsequent units to be added, are

deemed to consent to said arrangement and do expressly waive any and all other rights which they may have to a greater or lesser percentage interest in the Common Areas, and do expressly waive the provisions of G. S. 47A-6.

3. Inseparability of Percentage Interest. The percentage interest in the Common Areas and Facilities and the Limited Common Areas and Facilities 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.

4. No Partition. The Common Areas and Facilities and the Limited 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 condominium unit by more than one person, either as tenants by the entirety, or as tenants in common, or in any other form by law permitted. Nothing contained herein, however, shall prevent the Board from creating additional Limited Areas and Facilities for a unit.

5. 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 a 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 and their guests as well as provide for the exclusive use of a part of the Common Areas and Facilities by a unit owner and his guests for special occasions, which 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 and the By-Laws and reasonable rules and regulations of the Board, 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 his condominium unit.

E. 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, if appropriate, all balconies, patios (concrete slabs), stairways and entrance areas, driveways, parking areas, and any area designated on the Plans as a Limited Common Area, or set out by the Board of Directors as Limited Common Area for a unit.

Exclusive use of the Limited Common Area may be delegated by an owner to the immediate members of his family, his guests, or tenants who reside in his 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 reasonable rules and regulations duly adopted by the Board with respect thereto. No owner shall build or construct any type storage or workshop facility or other similar type of structure within the Limited Common Areas and Facilities unless prior approval is obtained from the Board of Directors.

ARTICLE IV

RESTRICTIVE COVENANTS

A. Residential. Each of the units now constructed or to be constructed on the property shall be, and the same hereby are, 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 Association as incidental to the operation and organization of the Association.

B. Construction and Sale. Anything contained herein to the contrary notwithstanding, it shall be permissible for the Declarant to maintain during the period of construction and sale of units upon such portion of the 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 construction and sale of units, including, but without limitation, a business office, storage area, construction yard, signs, model units and sales offices. Declarant shall have access to all Common Areas and Facilities other than Limited Common Areas during the period of construction and sales of all sections of the condominium project.

C. Business Activities. No business activities shall be conducted on any portion of the property, provided, however, the foregoing restrictions shall not apply to the Declarant as provided above; provided further, 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 by the Board of Directors.

D. Alterations and Attachments by Unit Owner. No unit owner shall make structural alterations or modifications to his 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 of any alterations, decorations or modifications which would jeopardize or impair the soundness, safety or overall appearance of the condominium property.

E. Motor Vehicles. Only four-wheel passenger vehicles or approved vehicles shall be allowed to remain overnight in the parking areas provided for the condominium units. No motor vehicles (other than four-wheel private passenger vehicles), boat, boat trailer, mobile home, trailer, or any similar items shall be parked in or upon the Common Areas and Limited 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 of Directors for the storage of such items.

F. 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" signs, without written permission from the Board; except that the Declarant is exempt from this provision as provided above.

G. Outside Antennas. No outside radio or television antennas shall be erected on any Condominium Unit or dwelling unit within the Properties unless and until permission for the same has been granted by the Board of Directors of the Association or its architectural control committee.

H. Prohibitions in Use of Common Areas and Facilities. Except on specific approval of the Board, 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, except in common trash receptacles placed at the discretion of the Board, nor shall they 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. In general, 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 on the condominium property and is necessary for the protection of the unit owners and is enforceable by the Board or any one of more unit owners.

I. Animals. No animal shall be kept on the condominium property, except for 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 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 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 Association or the Board has given its permission therefor.

J. Access to Units. The Homeowners Association or its agent or property owners shall 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.

K. Subdividing. No unit may be divided or subdivided into smaller units, nor any portion thereof sold or otherwise transferred.

L. Nuisances. No nuisances shall be allowed upon the condominium property and no person shall engage in any use, practice or activity upon such 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 property by any unit owner. All parts of the property shall be kept in a clean and sanitary condition; and no rubbish, refuse or garbage shall be allowed to accumulate and no fire hazard shall be allowed to exist. Any unit owner (or his family, tenants, guests or agents) who shall dump or place any trash or debris upon any portion of the property shall be liable to the Homeowners Association for the actual cost of removal thereof or the sum of \$25.00 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 is subject. No unit owner shall permit any use of his unit or make any use of the Common Areas and Facilities which will increase the rate of insurance upon the condominium property.

M. Lawful Use. No immoral, improper or unlawful use shall be made of the condominium property nor any part thereof. All valid laws, zoning ordinances and regulations of governmental bodies having jurisdiction thereof shall be observed.

N. Restriction on Transfer of Common Areas. The Homeowners Association shall not seek to abandon, partition, subdivide, encumber, sell or transfer any portion of the Common Areas and Facilities, without the written approval of owners and mortgagees of units totalling 90% of the percentage interest in the Common Areas and Facilities, and all of those having use of Limited Common Areas 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.

O. Rules and Regulations. The Board may from time to time promulgate reasonable 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 thereto.

P. Leasing of Units. No unit owner shall be permitted to lease his unit for transient or hotel purposes. No unit owner may lease less than the entire unit. Any lease agreement shall be in writing and shall provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and the By-Laws and that any failure by the lessee to comply with the terms of such documents shall be in default under the Lease. A copy of said Lease shall be provided to the Homeowners Association.

ARTICLE V

EASEMENTS

A. Use and Enjoyment. Every unit owner, his family living in his unit, his tenants, and permitted guests, 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 unit over those portions of the 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:

1. The right of the Board of Directors to control the use and enjoyment thereof as provided in this Declaration, and in the duly-adopted Rules and Regulations of the Homeowners Association, which 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 family, tenants and guests.

2. The right of the Board of Directors to limit the number of guests of unit owners.

3. The right of the Board to suspend the voting rights and right to use of the recreational facilities by a unit owner, his tenants, and guests, for any period of time during which an

assessment against his unit remains unpaid or any separate charge incurred by such unit owner for use of the recreational facilities remains unpaid, or for infraction of its published Rules and Regulations.

B. Maintenance and Repair. There shall be an easement 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.

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

D. Encroachments. If any portion of the Common Areas and Facilities encroaches upon any unit or 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 or the Limited 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 or the Limited Common Areas and Facilities, due to such rebuilding, shall be permitted, and valid easements for such encroachments and the maintenance thereof shall exist so long as the subject building shall stand.

E. Utilities. There shall be a general easement upon, across, above and under all of the property for ingress, egress, installation, replacing, repairing and maintaining all utilities including, but not limited to, water, sewer, telephone and electricity or other community service, (i.e., master television antenna system or security system, if installed) which the Declarant, or the Homeowners Association, has installed or might determine to install to serve the property. By virtue of this easement, it shall be expressly permissible to erect and maintain the necessary poles and other necessary equipment on the 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 Homeowners Association, as the case may be, shall have the right to grant such easement under the terms hereof.

F. Other. There shall be a general easement to the Homeowners Association, its directors, officers, agents and employees (including, but not limited to, any manager employed by the Homeowners Association) to enter upon the 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 the unit owner directly affected thereby.

ARTICLE VI

ADMINISTRATION

A. General Provisions. The administration of the condominium property, including, but not limited to, the acts required of the Homeowners Association, shall be performed by the Homeowners Association, by and through its Board, or as otherwise provided in this Declaration or the By-Laws. The membership of the Homeowners Association shall be limited to and consist of all of the condominium unit owners and the Declarant. The Homeowners Association's activities shall be limited to administration, including management and operation of Oakleaf Condominium I, consistent with the Act, this Declaration and the By-Laws.

B. By-Laws. The By-Laws of the Homeowners Association are attached as Exhibit C, and by reference made a part hereof, subject however to Amendment as herein and in the Act and By-Laws provided.

C. Duties and Powers. The duties and powers of the Homeowners Association shall be those and shall be exercised as set forth in the Act, this Declaration and the By-Laws, together with those implied as reasonably necessary to effect the purposes of the Homeowners Association.

D. Agreements. All agreements and determinations lawfully authorized by the Board shall be binding upon all unit owners, their heirs, legal representatives, successors, assigns or others having an interest in the property or the privilege of possession and enjoyment of any part of the property. In furtherance of the foregoing and not in limitation thereof, the Board shall have the authority to authorize 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 for cause at any time upon thirty (30) days' notice to the manager. No such contract shall bind the Homeowners Association, unless terminated for cause, in excess of one year from the date of its inception. All costs and expenses incident to the employment of a manager shall be common expenses payable from the common expense fund. During his 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 of the Homeowners Association, excepting any of those powers and duties specifically and exclusively reserved to the Directors, officers or members of the Homeowners Association by the Act, this Declaration or the By-Laws. The manager may be an individual, corporation, or other legal entity, as the Board of Directors shall determine and shall be bonded in such amount as the Board of Directors may require. The cost of acquiring any such bond shall be an expense of administration, payable from the common expense fund.

E. Restrictions on Contracts. Neither the Homeowners Association or Declarant shall enter into any contract, lease or other agreement, except contracts for the furnishing of utilities or the management contract, which shall bind the unit owners or Homeowners Association for more than one (1) year after the date of the first annual meeting. 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 Homeowners Association for a period of more than three (3) years, unless approved by a majority of the unit owners.

F. Execution of Documents. When any agreement, contract, conveyance or other document is executed by the President and Secretary of the Homeowners Association, a third party without knowledge, or reason to know to the contrary, may rely on such document as being what it purports to be.

G. Property. All funds received and titles of all properties acquired by the Homeowners Association and the proceeds thereon after deducting therefrom the costs incurred by the Homeowners 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 Board of Directors 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 individual interest 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 Board shall not deposit, invest or reinvest any funds of the Homeowners Association, unless such funds are invested in government securities, or deposited in banks which are members of the Federal Deposit Insurance Corporation, or have assets exceeding One Hundred Million Dollars (\$100,000,000.00), or savings and loan associations which are members of the Federal Savings and Loan Insurance Corporation.

H. Notices. Notices or demands, for any purpose, shall be given by the Homeowners Association and other unit owners in the manner provided for notices to members of the Homeowners Association by the By-Laws of the Homeowners Association.

I. Enforcement. The failure of the Homeowners Association or any unit owner to enforce any covenant or provision of the Act, Declaration, By-Laws or regulations affecting the condominium property shall not constitute a waiver of the right to do so thereafter.

J. 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 Board; provided that copies of such regulations and amendments thereto shall be furnished by the Homeowners Association 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.

K. Violation of Rules and Regulations. Failure to abide by any such regulation, rule or requirement shall be grounds for an action to recover damages, or obtain injunctive and equitable relief, or both. In addition to these remedies, in the event of violation by an owner of any rules or regulations, such owner's voting and use rights 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 owner ten (10) days' prior written notice specifying each alleged violation and setting 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 and shall be entitled to a hearing de novo before the membership of the Homeowners 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 from the decision by the Board, but the decision of the Board shall remain in effect unless overruled by a majority vote of the members present at the special meeting.

L. Liability. Each Director and each Officer of the Homeowners 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, whether or not he is a Director or Officer at the time such expenses are incurred, except in such cases wherein the expenses and liability arise from a proceeding in which such Director or Officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties.

ARTICLE VII

MAINTENANCE, ORDINARY REPAIRS AND ALTERATIONS TO COMMON AREAS

A. By the Homeowners Association. The Homeowners Association, at its expense, shall be responsible for the maintenance, repair and replacement of all of the Common Property, and should any incidental damage be caused to any Condominium Unit by virtue of any work which may be done or caused to be done by the Homeowners Association in the maintenance, repair or replacement of any Common Property, the said Association shall, at its expense, repair such incidental damage. Whenever the maintenance, repair and replacement of any item for which Homeowners Association is obligated to maintain, replace or repair at its expense is occasioned by any act of a Condominium Unit Owner, his immediate family, guests or invitees, and such loss or damage may be covered by any insurance maintained in force by Homeowners Association, the proceeds of the insurance received by the Association, shall be used for the purpose of making such maintenance, repair or replacement, except that the Unit Owner who is responsible for the act causing the damage (whether done by himself or by his family, guests or invitees) shall be required to pay such portion of the cost of such maintenance, repair and replacement as shall, by reason of the applicability of any deductibility provisions of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement.

B. By the Unit Owners. Every Owner must perform promptly all maintenance and repair work within his Condominium Unit which, if omitted, would affect the Condominium either in its entirety or in a part belonging to other Owners, every Owner being expressly responsible for the damages and liability which his failure to do so may endanger. The Owner of each Condominium Unit shall be liable and responsible for the maintenance, repair and replacement, as the case may be, of all air conditioning and heating equipment, stoves, refrigerators, fans, or other appliances or equipment,

including any fixtures and/or their connections required to provide water, light, power, telephone, sewage and sanitary service to his Condominium Unit. Such Owner shall further be responsible and liable for maintenance, repair and replacement of any and all wall, ceiling and floor exterior surfaces, painting, decorating and furnishings, and all other accessories which such Owner may desire to place or maintain in his Condominium Unit. Whenever the maintenance, repair and replacement of any items for which the Owner of a Condominium Unit is obligated to maintain, replace or repair at his own expense is occasioned by any loss or damage which may be covered by any insurance maintained in force by Homeowners Association, the proceeds of the insurance received by such Association, shall be used for the purpose of making such maintenance, repair or replacement, except that the Owner of such Condominium Unit shall be, in this instance, required to pay such portion of the costs of such maintenance, repair and replacement as shall, by reason of the applicability of any deductibility provisions of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement.

All window frames, panes and screens are a part of the respective Condominium Units and shall be maintained by the respective Unit Owners.

The Owner of a Condominium Unit who has exclusive use of a porch, driveway, patio, balcony, yard, storage closet or compartment constituting Limited Common Area shall maintain such porch, patio, balcony, yard, storage closet or compartment, or driveway at his own expense.

In the event that the Owner fails to maintain or repair the exterior portion of his Condominium Unit as set forth above, then the Board of Directors shall have the right to provide such maintenance, repair and replacement, and the costs of such maintenance, repair and replacement shall be added to and become a part of the assessment to which such Condominium Unit is subject.

All damages to the Common Areas and Facilities and Limited Common Areas and Facilities intentionally or negligently caused by the Unit Owner, his family, guests, invitees, agents, servants, lessees, 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 Homeowners Association, in which case, the Homeowners Association waives its right of indemnity to the extent of funds received paid pursuant to said insurance policy. If the Unit Owner defaults in his obligations herein and such default is not cured by him within fifteen (15) days from written demand by the Homeowners Association, the same may be cured by the Homeowners Association and the cost thereof shall be assessed against the Unit owned by the subject Unit Owner.

Each Unit Owner shall be responsible for keeping the Limited Common Areas and Facilities under his 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 Unit, unless the damage is caused intentionally or negligently by the Unit Owner, as provided above.

C. Restrictions on Unit Owners. No Unit Owner shall perform or cause to be performed any maintenance, repair or replacement work upon his Unit which disturbs the rights of the other Unit Owners or jeopardizes the soundness or the safety of the Condominium Property. If the Unit Owner shall cause any work so performed on the Unit, which in the sole

opinion of the Board violates the terms of this paragraph, it shall be immediately corrected and he 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 his 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 his unit is located, including doors or windows, or any appurtenance thereto or Limited Common Area serving his Unit without the written consent of the Board.

D. Duty to Report. Each Unit Owner promptly shall report to the Board or its agent any defect or need for repairs or replacement, the responsibility for which is that of the Homeowners Association.

E. Alterations to Common Areas and Facilities. The Homeowners Association is authorized to make minor improvements to and alterations to the structures located 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 in excess of \$500.00 shall be made by the Homeowners Association without first obtaining approval of the membership by at least a fifty-one percent (51%) vote of the total membership.

F. Approval of Payment Vouchers. All vouchers for payment of expenses incurred by the Homeowners Association in the maintenance, repair, alteration and replacement of the Common Areas and Facilities shall be approved in writing, jointly by the President and Treasurer. In the absence or disability of the President, the Vice-President may perform the duties herein of the President, and the Assistant Treasurer may perform the duties of the Treasurer herein in the absence or disability of the Treasurer. Notwithstanding the foregoing, the Board may authorize any officer, member, committee or independent manager to approve or disapprove all vouchers for payment of routine expenses incident to the maintenance, repair, alteration or replacement of the Common Areas and Facilities, so long as the resolution granting such authority specifically limits the maximum amount which may be authorized on each occasion and so long as the subject resolution describes the items which may be so authorized.

ARTICLE VIII

COVENANT FOR MAINTENANCE ASSESSMENTS

A. Creation of the Lien and Personal Obligation of Assessments. Each owner of any Condominium Unit, by acceptance of a Deed therefor, whether or not it shall be so expressed in such Deed, is deemed to covenant and agree to pay to the Association: (1) Annual assessments or charges, and (2) special assessments for capital improvements, and (3) assessments for the costs of exterior repairs to improvements on the Owner's Condominium Unit occasioned by insurable damages from fire or other casualties or occasioned by the willful or negligent act of the owners or by their guests; provided, however, the Declarant shall not be obligated to pay any such annual or special assessments. The annual and special assessments, together with interest, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall pass to his successors in title.

B. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Properties and in particular for the acquisition, improvement and maintenance of properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Area situated upon the Property, including, but not limited to, the cost of repair, replacement and additions thereto, the cost of labor, equipment, materials, management and supervision thereof, the payment of taxes assessed against the Common Area, the procurement and maintenance of insurance in accordance with the By-Laws, the employment of attorneys to represent the Association when necessary, and such other needs as may arise.

C. Maximum Annual Assessment. Until June 30, 1981, the maximum annual assessment shall be \$348.00 per Condominium Unit. From and after June 30, 1981, the maximum annual assessment may only be increased upon a majority vote of the membership, voting in person or by proxy, at a meeting duly called for this purpose.

D. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purposes of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of a majority of the votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose.

E. Notice and Quorum for any Action Authorized Under Paragraphs C and D. Written notice of any meeting called for the purpose of taking any action authorized under Paragraphs C or D shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast sixty percent (60%) of all the votes of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

F. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Condominium Units. The said assessments may be collected on a monthly basis.

G. Date of Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence as to all Condominium Units on the first day of the month following the conveyance of the Common Area. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Condominium Unit at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every owner subject thereto. The Association shall, upon request, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Condominium Unit have been paid. The annual assessments shall be payable in twelve (12) equal monthly installments, payable in advance on the 1st day of each month.

H. Enforceability of Assessments. The payment of any assessment or installment thereof due to the Homeowners Association shall be in default if such assessment, or any installment thereof, is not paid unto the Homeowners Association within fifteen (15) days of the due date for such payment. When in default, the delinquent assessment or delinquent installment thereof due to the Homeowners Association shall bear interest at the rate of eight percent (8%) per annum until such delinquent assessment or installment thereof, and all interest due thereon, has been paid in full to the Homeowners Association. All monies owing to the Homeowners Association shall be due and payable at the main office of the Homeowners Association in the State of North Carolina. Failure to pay assessments within 30 days of the due date shall cause the Unit Owner or Owners to forfeit any and all rights to the use of the Common Areas.

I. Personal Liability for Assessments. The Owner or Owners of each Condominium Unit shall be personally liable, jointly and severally, as the case may be, to the Homeowners Association for the payment of all assessments, regular or special, which may be levied by the Homeowners Association against such Condominium Unit while such party or parties are Owner or Owners of a Condominium Unit. In the event that any Owner or Owners are in default in payment of any assessment or installment thereof owed to the Homeowners Association, such Owner or Owners of any Condominium Unit shall be personally liable, jointly and severally, for interest on such delinquent assessment or installment thereof as above provided, and for all costs of collecting such assessment or installment thereof and interest thereon, including a reasonable attorney's fee, whether suit be brought or not.

J. Exemption from Assessments. No Owner of a Condominium Unit may exempt himself from liability for any assessment levied against such Owner and his Condominium Unit by waiver of the use or enjoyment of any of the Common Property, or by abandonment of the Condominium Unit or in any other way.

K. Lien for Assessments. Recognizing that the necessity for providing proper operation and management of the Condominium entails the continuing payment of costs and expenses therefor, which results in benefit to all of the Owners of Condominium Units, and that the payment of such common expenses represented by the assessments levied and collected by the Homeowners Association is necessary in order to preserve and protect the investment of the Owner of each Condominium Unit, the Homeowners Association is hereby granted a lien upon such Condominium Unit and its appurtenant undivided interest in Common Property, which lien shall secure and does secure the monies due for all assessments now or hereafter levied against the Owner of each Condominium Unit, which lien shall also secure interest, if any, which may be due on the amount of any delinquent assessments owing to the Homeowners Association, and which lien shall also secure all costs expenses, including a reasonable attorney's fee, which may be incurred by the Homeowners Association in enforcing this lien upon said Condominium Unit and its appurtenant undivided interest in Common Property. The lien granted to the Homeowners Association may be foreclosed in the same manner as real estate deeds of trust and mortgages may be foreclosed in the State of North Carolina, and in any suit for the foreclosure of said lien, the Homeowners Association shall be entitled to a reasonable rental from the Owner of any Condominium Unit from the date on which the payment of any assessment or installment thereof became delinquent, and shall be entitled to the appointment of a Receiver for said Condominium Unit. The lien granted to the Homeowners Association shall further secure such advances for taxes, and payments on account of superior mortgages, liens or encumbrances which may be required to be advanced by the Homeowners Association in order to preserve and protect its lien, and the Homeowners

Association shall further be entitled to interest at the rate of eight percent (8%) per annum on any such advances made for such purpose. All persons, firms or corporations who shall acquire, by whatever means, any interest in the ownership of any Condominium Unit, or who may be given or acquire a mortgage, lien or other encumbrance thereon, are hereby placed on notice of the lien rights granted to the Homeowners Association, and shall acquire such interest in any Condominium Unit expressly subject to such lien rights.

L. Recording of Lien for Assessments. The lien herein granted unto the Homeowners Association shall be enforceable from and after the time of recording in the Public Records of Cabarrus County, North Carolina, a claim of lien stating the description of the Condominium Unit encumbered thereby, the name of the record owner, the amount due and the date when due. The claim of lien shall be recordable any time after default and the lien shall continue in effect until all sums secured by said lien as herein provided shall have been fully paid. Such claims of lien shall include only assessments which are due and payable when the claim of lien is recorded, plus interest, costs, attorney's fees, advances to pay taxes and prior encumbrances and interest thereon, all as above provided. Such claims of lien shall be signed and verified by an officer or agent of the Homeowners Association. Upon full payment of all sums secured by such claim of lien, the same shall be satisfied of record.

The lien provided for herein shall not be subordinate to the lien of any mortgage or deeds of trust and any person, firm or corporation acquiring title to any Condominium Unit and its appurtenant undivided interest in Common Property by virtue of any foreclosure, deed in lieu of foreclosure or judicial sale, shall be liable and obligated for assessments as shall be due and payable for said Condominium Unit and its appurtenant undivided interest in Common Property on the date of acquisition of such title, and shall be liable for the payment of any assessments which were in default and delinquent at the time it acquired such title.

M. Payment of Assessments Upon Transfer of Unit. Whenever any Condominium Unit may be leased, sold or mortgaged by the Owner thereof, the Homeowners Association, upon written request of the Owner of such Condominium Unit, shall furnish to the proposed lessee, purchaser or mortgagee, a statement verifying the status of payment of any assessment which shall be due and payable to the Homeowners Association by the Owner of such Condominium Unit. Such statement shall be executed by any officer of the Homeowners Association, and any lessee, purchaser or mortgagee may rely upon such statement in concluding the proposed lease, purchase or mortgage transaction, and the Homeowners Association shall be bound by such statement.

In the event that a Condominium Unit is to be leased, sold or mortgaged at the time when payment of any assessment against the Owner of said Condominium Unit and such Condominium Unit due to the Homeowners Association shall be in default (whether or not a claim of lien has been recorded by the Homeowners Association), then the rent, proceeds of such purchase or mortgage proceeds, shall be applied by the lessee, purchaser or mortgagee first to payment of any then delinquent assessment or installments thereof due to the Homeowners Association before the payment of any rent, proceeds of purchase or mortgage proceeds to the Owner of any Condominium Unit who is responsible for payment of such delinquent assessment.

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In any voluntary conveyance of a Condominium Unit, the Grantee shall be jointly and severally liable with Grantor for all unpaid assessments against Grantor made prior to the time of such voluntary conveyance, without prejudice to the rights of Grantee to recover from Grantor the amounts paid by Grantee therefor.

Institution of a suit at law to attempt to effect collection of the payment of any delinquent assessment shall not be deemed to be an election by the Homeowners Association which shall prevent its thereafter seeking enforcement of the collection of any sums remaining owing to it by foreclosure, nor shall proceeding by foreclosure to attempt to effect such collection be deemed to be an election precluding the institution of suit at law to attempt to effect collection of any sum then remaining owing to it.

N. Exempt Property. The following properties subject to this Declaration shall be exempted from the assessments, charge and lien created herein: (a) all Common Areas, and (b) all properties owned by the Declarant except any Units held by the Declarant for lease or rental purposes.

ARTICLE IX

INSURANCE

A. By Association. The Board of Directors shall procure and maintain such insurance coverages as it deems necessary and appropriate to carry out the obligations of the Association as set forth in this Declaration. Provided, no individual Director shall be personally liable for failure of the Association to maintain such insurance so long as said Director has exercised reasonable care in the procurement and maintenance of same.

B. By Owners. Each Owner shall procure and maintain fire and extended coverage insurance (Form HO2, Homeowners Insurance or Better) insuring their individual Condominium Unit to at least eighty per cent (80%) of the replacement costs or to such amounts as is deemed reasonable and necessary by the Board of Directors of the Association. All such policies shall name the Association as one of the named insured as its interests appear and copies of said policies and renewals thereof shall be furnished to the Association. Upon failure by any Owner to promptly pay the premiums due on the policy insuring the Owner's improvements, the Association may pay the delinquent premium(s) and add the same to the annual assessment against the subject Condominium Unit which shall be due and payable on or before the first day of the calendar month following payment of same by the Association.

C. Coverage.

1. Casualty. 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 (1) loss or damage by fire with extended coverage endorsement; and (2) such other risks as from time to time shall customarily be covered with respect to buildings similar in construction, location and use as the buildings, including, but not limited to, vandalism and malicious mischief.

2. Public Liability. The liabilities of the Association shall be insured in such amounts as shall be required by the Board and each Unit Owner shall be named as an additional insured but only with respect to his liability arising out of the ownership, maintenance 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 \$250,000.00/\$1,000,000.00 for claims for bodily injury and \$25,000.00 for claims for property damage.

D. Premiums. Premiums upon insurance policies purchased by the Homeowners Association shall be paid by the Association as a common expense.

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

1. The policy on the property cannot be cancelled, invalidated or suspended on the account of the conduct of any one or more individual owners.

2. The policy on the 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.

3. That any "no other insurance" clause in the policy on the property exclude individual owner's policies from consideration.

F. Receipt of Proceeds, Insurance Trustee. All insurance policies purchased by the Board shall be for the benefit of the Association, the Unit Owners and their mortgagees as their interests may appear, and shall provide that all proceeds covering property losses shall be paid to the Association, as Insurance Trustee. The duty of the 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 the Unit Owners and their mortgagees in the following shares:

1. **Common Areas and Facilities.** An undivided share of the proceeds received by the 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.

2. **Units.** Proceeds received by the 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 Homeowners Association. When the building is not to be restored, an undivided share for each Unit Owner, such share being the same as his percentage interest in the Common Areas and Facilities.

3. Mortgagees. In the event a mortgagee endorsement has been issued for a unit, the share of the Unit Owner shall be held in trust for the mortgagee and the Unit Owner as their interests may appear; provided, that no mortgagee shall have the right to determine or participate in the determination as to whether any damaged property shall be reconstructed or repaired.

G. Distribution of Proceeds. Proceeds of insurance policies received by the Insurance Trustee shall be distributed to or for the benefit of the beneficial owners in the following manner:

1. Reconstruction or Repair. If the damage for which the proceeds are paid is to be repaired or reconstructed, the proceeds shall be paid to defray the cost thereof as provided above. All proceeds remaining after defraying such costs shall be distributed to the Homeowners Association. This is a covenant for the benefit of any mortgagee of a unit and may be enforced by such mortgagee.

2. Failure to Reconstruct or Repair. If it is determined that the damage for which the proceeds are paid shall not be reconstructed or repaired, the proceeds shall be distributed to the beneficial owners. Any remittances to Unit Owners and their mortgagees shall be paid jointly to them. This is a covenant for the benefit of any mortgagee of a unit and may be enforced by such mortgagee.

H. Homeowners Association as Agent. The Homeowners 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 Homeowners Association and to execute and deliver releases upon the payment of claims.

I. Waivers. 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, invitees, the Association and others having an interest in the Condominium Property. Such policies shall provide that the same may not be cancelled or substantially modified without at least thirty (30) days' prior written notice to the Association.

J. Duty to Repair - Use of Insurance Proceeds. Except as herein specifically stated, all casualty damages shall be promptly repaired and all insurance proceeds (Association's and Owner's) shall be used for such purpose. In case of duplicate coverages by the Association and the subject Owner where proceeds are payable under both policies for the same damages and the total amount of said proceeds exceed the cost of repair, the Association's policies shall be deemed "excessive coverages" and used only to the extent proceeds payable under the Owner's policies are not sufficient.

Except as otherwise stated herein, all casualty damages shall be promptly repaired unless, via a one hundred per cent (100%) vote appurtenant to the Condominium Unit on which the damages occurred plus a fifty per cent (50%) vote of all remaining votes of the Association, a resolution is duly adopted by the Association not to make said repairs. Said resolution shall be adopted at a special membership meeting called for the purpose of considering said resolution. Upon the adoption of said resolution, all insurance

proceeds received for said damages shall be delivered to the Owners of the damaged properties in proportion to the damages sustained by each Owner thereof but limited to the cost of repairing said damage. In the case of duplicate insurance coverages where the proceeds received are in excess of the damages sustained, the Association's proceeds received under its policy or policies shall be deemed "excess coverages" for the purpose stated herein and shall be paid to the subject Owner only to the extent the proceeds received by the Owner of his mortgage or both under the Owner's policy or policies are less than the cost of making repairs to that Owner's improvements.

ARTICLE X

ARCHITECTURAL CONTROL

A. Approval Required for Changes. To preserve the original architectural appearance of the Oakleaf Condominium, after the purchase of a Condominium Unit from Declarant, its successors or assigns, no exterior construction of any nature whatsoever, except as specified in the Act or this Declaration, shall be commenced or maintained upon any building, including with 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 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 limitation, 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. It is provided, however, that nothing herein contained shall be construed to permit interference with the development of the properties by the Declarant or its assigns in accordance with its general plan of development.

ARTICLE XI

CONDEMNATION

A. General. Whenever all or any part of the 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 Association. Unless otherwise required by law at the time of such taking, any award made therefor shall be disbursed by the Homeowners Association as hereinafter provided in this Article.

B. Common Areas. If the taking is confined to the Common Areas and Facilities on which improvements shall have been constructed and if at least seventy-five percent (75%) of the total vote of the Homeowners Association shall decide within sixty (60) days after such taking 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 Homeowners Association, then the Board shall arrange for such replacement and the Homeowners 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 property is to be repaired or reconstructed as provided for in Article IX hereof; subject, however, to the right hereby reserved to the Homeowners Association which may be exercised by a majority of the total vote thereof to provide for the disbursement by the Homeowners 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 Homeowners Association may determine. If at least seventy-five per cent (75%) of the total vote of the Homeowners Association 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 Homeowners 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 Homeowners Association to provide for the disbursement of the remaining proceeds held by it to the owners in disproportionate amounts.

C. 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 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 realign 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 mortgagee 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 as provided for in Section J of Article IX herein, whereupon the development will be terminated in the manner therein prescribed.

ARTICLE XII

TERMINATION OF UNIT OWNERSHIP

A. Agreement.

1. The 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 owner in the property.

2. Upon removal of the property from the provisions of the Act, and this Declaration, the property shall be deemed to be owned as tenants in common by the Unit Owners. The undivided interest

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in the property owned as tenants in common which shall appertain to each Unit Owner shall be the percentage of the undivided interest previously owned by such Unit Owner in the Common Areas and Facilities.

3. Notwithstanding anything 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 property be removed from Unit Ownership unless approved by the Unit Owners owning at least ninety per cent (90%) of the percentage interest in the Common Areas and Facilities, and the holders of ninety percent (90%) of the indebtedness of mortgage liens affecting the property.

B. Destruction. In the event it is determined in the manner provided in Article IX of this Declaration, that the property shall not be repaired or reconstructed after fire or other casualty, the condominium shall be terminated and the condominium documents revoked. The determination not to repair or reconstruct after a fire or other casualty shall be evidenced by a certificate of the Association certifying as to the facts affecting the termination, which certificate shall become effective upon being duly recorded in the Cabarrus County Registry.

C. 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 shall not be expressed in amendments to this Declaration, and by By-Laws, duly recorded within sixty (60) days after such taking as provided in Article XI of this Declaration, the condominium shall be terminated and the condominium documents revoked. Such taking shall be evidenced by certificate of the Homeowners Association certifying as to the facts effecting the termination, which certificate shall become effective sixty (60) days following the taking, upon the certificate being duly recorded in the Cabarrus County Registry.

ARTICLE XIII

AMENDMENTS

A. By Owners. This Declaration may be amended by the vote of the Unit Owners owning at least a majority of the interest in the Common Areas and Facilities, provided that no such amendment shall be effective until placed in writing, executed and acknowledged by Unit Owners owning at least a majority of the Common Areas and Facilities, and filed for registration in the Cabarrus County Registry; provided, however, 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 passed as provided herein and duly set forth in an amended Declaration, and duly recorded as provided herein. Notwithstanding anything to the contrary contained in this Declaration or the By-Laws attached hereto, no change or amendment to this Declaration or the By-Laws shall affect or change the percentages of the undivided interest of each Unit Owner in the Common Areas and Facilities, except the change of percentage interest

resulting from expansion of the condominium as set out in Article XV hereof; nor provide for the subdividing of any unit unless all Unit Owners and all holders of mortgages upon individual units shall have given their written approval thereof. Except as provided in this Declaration, no amendment to this Declaration or the By-Laws shall allow the partitioning of the Common Areas and Facilities, unless all Unit Owners and all first mortgage lien holders upon the individual units shall have given their written approval thereof. No amendment made by the Unit Owners shall be effective without the consent of the Declarant, so long as the Declarant owns any unit.

B. Restriction on Amendments. No amendment to this Declaration or to the By-Laws shall be adopted or passed which shall impair or prejudice the rights and priorities of a mortgagee as holder or owner of a mortgage or deed of trust or other type security agreement encumbering any of the units in the Condominium Property, nor shall any amendment be adopted or passed which shall impair or prevent the Declarant from completing two hundred (200) units upon the property described in Exhibit A.

ARTICLE XIV

TRANSFER OF UNITS

A. Right of First Refusal of Homeowners Association. In the event that any person, firm or corporation who owns a unit shall desire to sell such unit, then the said unit which such owner shall desire to sell shall first be offered for sale to the Board of Directors at the same price and on the same terms under which the highest bona fide offer has been made to the owner for said unit. The owner desiring to sell a unit shall give the Board of Directors written notice of the owner's desire to sell such unit and shall further advise the Board of Directors in said offer of the name and address of the person, firm or corporation making said highest bona fide offer as well as the amount and terms of said offer. The Board of Directors shall have a period of five days after receipt of said written notice within which to exercise its option to purchase such unit at the same price and on the same terms as the highest bona fide offer and shall have an additional period of not less than five (5) days within which to close the said transaction. The Board of Directors may elect to purchase such unit on behalf of all of the remaining unit owners as a group, or, if the remaining unit owners as a group do not wish to purchase such unit, then on behalf of any one or more individual unit owners. In the event the Board of Directors shall elect to purchase a unit offered for sale on behalf of the remaining unit owners, the cost thereof shall be shared by the remaining unit owners; and any profit or loss realized upon the sale by the Board of a unit so acquired shall likewise be shared by the remaining unit owners. In the event that the Board of Directors shall elect to purchase a unit offered for sale on behalf of any one or more individual unit owners, then the cost thereof shall be shared by such purchasing unit owners in such proportion as they shall agree upon.

Should the Board of Directors not elect to exercise its option to purchase the said unit at the offered price and terms, then the owner of said unit shall have the right to sell said unit to the person, firm or corporation making such bona fide offer whose identity was revealed to the Board of Directors. Any sale of any unit by the owner to the person, firm or corporation making such offer shall be subject to all the terms, covenants, limitations and provisions of this Declaration.

The Board of Directors, upon the request of a selling unit owner, shall execute in recordable form an instrument indicating compliance with the terms and provisions of this Declaration by the selling owner.

B. Encumbering of Units. Any sale which is not authorized by the terms of this Declaration or for which authorization has not been obtained pursuant to the terms hereof is voidable and may be voided by certificate of the Board of Directors duly recorded in the office of the Register of Deeds for Cabarrus County, North Carolina. However, Declarant may sell any units which it constructs upon the property described in Exhibit A without being subject to this restriction and without the necessity of such authorization.

Nothing contained in this Article shall in any way prevent Declarant from selling any unit or units to such party or parties as it may desire.

ARTICLE XV

ADDITION OF LAND AND UNITS - PERCENTAGE INTEREST OF COMMON ELEMENTS

A. Supplementary Declaration. Within the Declarant's discretion, there may from time to time be supplementary sections added to the condominium project. These sections will be located upon that tract of land as described in Exhibit B, Map 4, same being the remainder of the land in Exhibit A after deducting that property described in Exhibit B. At such time as an additional section or sections are added to the Condominium Property, the Declarant shall file a Supplementary Declaration which shall describe or identify the property to be added and shall specifically incorporate the terms and conditions of this Declaration and shall make the property described therein subject to this Declaration. In addition, such Supplementary Declaration shall have attached thereto the site survey of the Condominium and certificates required by the Act, together with such other provisions as deemed necessary by Declarant. Upon such recording, the property described in the Supplementary Declaration shall become a part of the Condominium Property as if such property has been included in this Declaration, and by accepting a Deed subject to this Declaration and any applicable Supplementary Declaration, Unit Owners agree to such additions to the Condominium.

B. Percentage Interest. As the result of recording of this Declaration, the percentage interest of each unit owner in Section I is established at 4.17%. This interest is established by and with the express consent of all Unit Owners accepting a Deed to said property, and the owners and purchasers of units herein described expressly waive the provisions of G. S. 47A-6(a) as to the relation that the fair market value of the unit at the date of this Declaration bears to the aggregate fair market value of all units having an interest in said Common Areas and Facilities. As each one or more sections are added to the Condominium, the percentage interest of each Unit Owner in the common elements of the Condominium may be reduced, depending on the section or sections added and the total combination of sections subject to this Declaration. To determine the applicable percentage interest of each unit that is or may become part of the Condominium, determine the aggregate number of units of all sections that will become subject to this Declaration by virtue of recording of this Declaration and Supplemental Declarations and divide that number into 100. For example, if the total number of units in Section I is 24 units and the total number of units in Section II is 24 units, then add both sections together and divide 48 into 100. Thus, each unit in Sections I and II will own a 2.08% undivided interest in the Common Areas and Facilities.

By acceptance of a Deed to a Condominium Unit in Oakleaf Condominium I, each owner, for himself, his heirs, successors and assigns, agrees and consents that Declarant, without need for further consent or joinder of any Unit Owner, may add one or more sections to the Condominium upon the property described in Exhibit A and upon the recording by Declarant of the Supplemental Declaration, the percentage interests shall be automatically changed to the appropriate percentage interests as above determined, subject to the limitation that there shall never be more than two hundred (200) units. No Supplemental Declaration may change the percentage interest other than as set forth above, unless the Supplemental Declaration is joined by one hundred percent (100%) of Unit Owners in the manner required for amendment of the Declaration to change percentage interests of ownership in common elements.

ARTICLE XVI

GENERAL PROVISIONS

A. 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.

B. 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, is deemed to agree that the Declaration and covenants may be extended as provided in this Section B.

C. By-Laws. A true copy of the By-Laws of the Homeowners Association, which together with this Declaration shall govern the administration of the Condominium, is attached hereto as Exhibit C, and, by reference, made a part hereof.

D. Enforcement. Each owner shall comply strictly with the By-Laws and with the administrative rules and regulations adopted pursuant thereto, as either of the same may be lawfully amended from time to time, and with the covenants, conditions and restrictions set forth in this Declaration or in the Deed to his unit. Failure to comply with any of the same shall be grounds for an action to recover sums due, for damages or injunctive relief, or both maintainable by the Board of Directors on behalf of the Homeowners Association or by an aggrieved owner. Failure by the Homeowners Association or by any owner to enforce any of the foregoing shall in no event be deemed a waiver of the right to do so thereafter.

E. Severability. Invalidation of any covenant, condition, restriction or other provision of this Declaration or the By-Laws, shall not affect the validity of the remaining portions thereof which shall remain in full force and effect.

F. Gender and Grammar. The singular, wherever 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, and shall in all cases be assumed as though in each case fully expressed.

G. Interpretation. The provisions of this Declaration and the By-Laws shall be liberally construed to effectuate its purpose in creating a uniform plan for the development and operation of the Condominium Property.

H. Voting and Percentages. Unless expressly stated to the contrary, all percentages for voting purposes means the owners of that percentage of the interest in the Common Areas and Facilities, by adding the percentage interests as set forth in this Declaration.

I. 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.

J. Law Controlling. This Declaration and the By-Laws attached hereto shall be construed and controlled by and under the laws of the State of North Carolina, provided, however, that if there are conflicts or inconsistencies between the Act, this Declaration or the By-Laws, 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, this Declaration or the By-Laws conflict and the provisions of the Act are merely enabling and not mandatory, the provisions of the Declaration or the By-Laws shall control.

IN WITNESS WHEREOF, Simmons-Miles Corporation has caused these presents to be executed in its name, by its President and its Corporate Seal to be hereunto affixed, attested by its Secretary, this 28th day of October, 1980.

SIMMONS-MILES CORPORATION

By:

William M. Miles
President

ATTEST:

Wanda M. Miles
Assistant Secretary

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NORTH CAROLINA
CABARRUS COUNTY

This 28th day of October, 1980, personally appeared before me, Jo Ann L. Foster, a Notary Public in and for said County and State, Wanda M. Miles, who, being by me duly sworn, says that she knows the common seal of Simmons-Milos Corporation, and is acquainted with Allan D. Miles, who is the President of said corporation, and that she, the said Wanda M. Miles, is the Secretary of the said corporation, and saw the President sign the foregoing instrument; that she, the said Wanda M. Miles, Secretary as aforesaid, affixed said seal to said instrument, and that she, the said Wanda M. Miles, signed her name in attestation of the execution of said instrument in the presence of said President of said corporation.

Witness my hand and Notarial Seal.

Jo Ann L. Foster (SEAL)
Notary Public

My Commission Expires:

1/16/82

NORTH CAROLINA - Cabarrus County

The foregoing certificate(s) of

Jo Ann L. Foster

a Notary Public of Cabarrus County, N.C.

is (are) certified to be correct. This instrument was presented for registration and recorded in this office at Book 526,
Page 205, This 29th day of October, 1980 at 10:41 o'clock A.M.

James O. Bonds, Register of Deeds

Pauline C. Leigh, Asst. Register of Deeds

EXHIBIT A

Lying and being in No. 12 Township, Cabarrus County, North Carolina, on the western side of Brookwood Drive, and being that property as shown upon a survey for OAKLEAF CONDOMINIUM PARK, the property of Allan D. Miles and Jim Simmons, as surveyed September 28, 1980, by Thomas E. Montgomery, and being more particularly described as follows:

BEGINNING at a new iron pipe in the western edge of a 80 foot paved right-of-way of Brookwood Drive, in the line of R. B. Lee, Jr., and runs thence with the western edge of Brookwood Drive S. 17-40-30 W. 96.69 feet to a new iron pipe; thence in a clockwise direction, an arc having a radius of 900.39 feet for a distance of 667.09 feet to a new iron pin; thence S. 29-52-30 E. 20 feet to a new iron pin in the western edge of a 60 foot right-of-way for Brookwood Drive; thence continuing with Brookwood Drive S. 60-07-30 W. 150.47 feet to a new iron pin, a corner of Brookwood Estates; thence N. 30-07-23 W. 191.59 feet to an existing iron pipe; thence S. 49-05-06 W. 255.0 feet to an existing iron pipe; thence N. 79-34-10 W. 125.0 feet to an existing iron pin; thence S. 09-30-29 W. 140.67 feet to an existing iron pin; thence N. 79-42-29 W. crossing an existing iron pin at 346.76 feet for a distance of 546.0 feet to an existing iron pin; thence N. 09-52-08 E. 195.35 feet to an existing iron pin, a corner of Rockwood Estates; thence N. 10-15-53 E. 128.08 feet to an existing iron pin; thence N. 20-15-02 W. 523.21 feet to an existing iron pin; thence N. 20-23-10 W. 151.18 feet to an existing iron pin; thence N. 20-11-55 W. 74.98 feet to an existing iron pin; thence N. 20-20-29 W. 166.99 feet to an existing iron pin, a corner of Mrs. Nora Ramantanin; thence with the line of Ramantanin S. 85-00 E. 1328.65 feet to an existing iron pin; thence N. 84-00 E. 260.40 feet to an existing iron pin in the line of R. B. Lee, Jr.; thence with the line of R. B. Lee, Jr. S. 33-26-50 E. 409.53 feet to the point of Beginning.

EXHIBIT B

Lying and being in No. 12 Township, Cabarrus County, North Carolina, on the western side of Brookwood Drive, and being a portion of that property as shown upon a survey for OAKLEAF CONDOMINIUM PARK, SECTION 1, the property of Allan D. Miles and Jim Simmons, as surveyed September 26, 1980, by Thomas E. Montgomery, and being more particularly described as follows:

BEGINNING at a new iron pipe in the western edge of a 80 foot paved right-of-way of Brookwood Drive, in the line of R. B. Lee, Jr., and runs thence with the western edge of Brookwood Drive S. 17-40-30 W. 98.69 feet to a new iron pipe; thence in a clockwise direction, an arc having a radius of 900.39 feet for a distance of 313.17 feet to a point in the western edge of Brookwood Drive; thence in a counterclockwise direction, an arc having a radius of 20 feet for a distance of 27.48 feet; thence N. 41-07 W. 94.16 feet; thence in a counterclockwise direction, an arc having a radius of 14.97 feet for a distance of 28.97 feet; thence N. 62-00 W. 442.21 feet to a point; thence N. 15-38-30 E. 139.39 feet to a point; thence S. 76-35 E. 98.83 feet; thence N. 00-00-50 E. 116.0 feet to a point; thence N. 03-56-30 E. 50.0 feet; thence in a counterclockwise direction, an arc having a radius of 494.27 feet for a distance of 407.56 feet; thence N. 01-35-35 W. 108.39 feet to an existing iron pin, a corner of Nota Ramantanin; thence with the line of Ramantanin, N. 84-00 E. 260.40 feet to an existing iron pin in the line of R. B. Lee, Jr.; thence with the line of R. B. Lee, Jr. S. 33-26-50 E. 409.53 feet to the point of Beginning.

BY-LAWS OF
OAKLEAF HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

NAME, PURPOSE AND APPLICABILITY

1.1 Name. The name of this condominium association shall be OAKLEAF HOMEOWNERS ASSOCIATION, INC. The association shall herein be called the Association.

1.2 Purpose. The purpose of the Association shall be to administer, manage and operate the condominium property in accordance with the Unit Ownership Act, the Declaration and these By-Laws, as each may be amended from time to time. The Association shall not engage in any activities other than those directly related to administration of the condominium property and the unit owners' responsibilities with respect to the same.

1.3 Applicability. These By-Laws are applicable to so much of the property known as OAKLEAF CONDOMINIUM PARK, as such property is described on Exhibit A attached to that certain Declaration of Covenants, Conditions and Restrictions for Oakleaf Condominium I, (the "Declaration") as shall be submitted to such Declaration from time to time. These By-Laws are binding on all present or future owners, tenants, guests, residents or other persons occupying or using the facilities of such condominium property. The mere acquisition, rental, or act of occupancy of any part of the condominium property will signify that these By-Laws are accepted, ratified and will be complied with. The provisions of the Declaration regarding the governing and administration of the Association are incorporated herein by reference.

ARTICLE II

DEFINITIONS

The definition of words contained in the Declaration, Article I, shall apply to those words and terms as used in these By-Laws.

ARTICLE III

OFFICES, REGISTERED AGENT, SEAL, FISCAL YEAR

3.1 Principal Office, Registered Office. The principal office of the Association shall be located at 476 Church Street, North, Concord, North Carolina 28025, Cabarrus County, and the initial registered office of the Association shall be located at 476 Church Street, North, Concord, Cabarrus County, North Carolina 28025.

3.2 Registered Agent. The initial Registered Agent for the unit owners for matters incident to the Condominium Property and the initial Registered Agent for the Association is Allan D. Miles, 476 Church Street, North, Concord, Cabarrus County, North Carolina 28025. The individual serving as Registered Agent may be removed from office and replaced at any time by vote of the Board of Directors of the Association.

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

3.4 Seal. The seal of the Association shall contain the name of the Association, the word "Seal", and such other words and figures as desired by the Board of Directors. When obtained, the seal shall be impressed in the margin of the minutes of the initial meeting of the Board of Directors.

3.5 Fiscal Year. The fiscal year of the Association shall be the calendar year.

ARTICLE II

MEMBERSHIP AND VOTING RIGHTS

4.1 Qualification. Membership in the Association shall be confined to and consist of the Condominium Owners and the Declarant. Membership shall be appurtenant to and may not be separated from ownership of any condominium which is subject to assessment, except that the Declarant shall be considered a member of the Association as hereinafter provided. Provided, however, when a corporation, a partnership (whether limited or general), joint venture, or any other entity holds an interest in any Condominium, there shall be one (1) and only one (1) membership in the Association which is appurtenant to any such Condominium. Further, provided, where two or more persons are the joint owners of a Condominium, one (1) and only one (1) shall be entitled to membership in the Association.

The Association shall have two (2) classes of voting membership:

(a) Class A. Class A members shall be all Condominium Unit owners, with the exception of the Developer, and shall be entitled to one vote for each condominium unit owned. When more than one person holds an interest in any condominium unit, the vote for such condominium unit shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Condominium Unit. There shall be a maximum of 200 Class A members entitled to vote.

(b) Class B. The Class B member shall be the Developer, and shall be entitled to a total number of votes equal to the total number of votes of all Class A members plus one, so that the Developer will have a number of votes equal to a majority of the total votes of all members of the Association. The Class B membership shall cease and terminate at such time as there are 100 Class A members.

It is the express intent of the Developer, Simmons-Miles Corporation, to develop 200 Condominium Units as defined in Article I D. As each Condominium Unit is conveyed to an Owner by Simmons-Miles Corporation, then the Owner shall acquire membership in the Oakleaf Homeowners Association, to the end that there shall be at the completion of Oakleaf Condominiums 200 Class A members in the Oakleaf Homeowners Association, each member having one (1) vote.

Ownership in a condominium unit shall entitle the owner or owners of that unit to a percentage undivided interest in the common areas. The amount of such interest shall be determined by the total number of condominium units in all sections which have been dedicated to or which have been made subject to the Declaration. For instance, Section One of Oakleaf I shall contain twenty-four (24) units. Thus, until such time as subsequent sections are dedicated or made subject to the Declaration, then each unit shall entitle the owner thereof to 4.17% undivided interest. At such time as an additional section is made subject to the Declaration, then the ownership in the common areas shall be diminished. For example, if Section II shall also contain twenty-four (24) units, then at such time as these units are made subject to the Declaration, then each unit owner in Section I and Section II shall be entitled to 2.07% undivided interest in the common areas. No unit owner shall be required to pay any consideration whatsoever for his membership. Membership in the Association shall ensue ordinarily to unit owners upon acquisition of the fee simple title, whether encumbered or not, to any one or more units. The date of registration of the conveyance in the Cabarrus County Registry of the unit in question shall govern the date of ownership of each particular unit.

4.2 Place of Meetings. All meetings of the membership shall be held in the County of Cabarrus, North Carolina, at such place as is convenient to the members as may be designated by the Board of Directors.

4.3 Annual Meetings. The first Annual Meeting of the unit owners shall be held either (a) at the date and hour designated by the Declarant, or (b) at 8:00 P.M. on the first Wednesday next following or coincidental with the expiration of thirty (30) days from the day the eighteenth (18th) unit is conveyed by Declarant, or (c) at 8:00 P.M. on the 13th day of November, 1980, whichever shall occur first. Thereafter, the Annual Meetings shall be held on the second (2nd) Wednesday in October of each year at 8:00 P.M. in the principal office of the Association, or at such place designated by the Directors.

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

4.5 Special Meetings. After the first Annual meeting of the Members, Special Meetings of the Members may be called at any time by the President, Board of Directors, or pursuant to the written request of the owners of not less than twenty per cent (20%) of the votes of the Membership, by written notice of all unit owners. Business to be acted upon at all Special Meetings shall be confined to the objects stated in the notice of such meeting.

4.6 Notices of Meetings, Waiver. Written or printed notice stating the time and place of the meeting shall be delivered not less than ten (10) nor more than fifty (50) days before the date of any Membership meeting, either personally or by mail, by or at the direction of the President, the Secretary, or other person calling the meeting, to each

Member entitled to vote at such meeting. Notice shall be deemed given upon deposit in an official depository of the United States Postal Service in an envelope properly addressed to each unit owner at the address of such unit or at any other address supplied to the Association by the owner, with sufficient postage affixed thereto. Notice given to any one tenant in common or tenant by entirety of a unit shall be deemed notice to all co-owners of the subject unit. In the case of a Special Meeting, the notice of the meeting shall state specifically the purpose or purposes for which the meeting is called; however, in the case of an Annual or Substitute Annual Meeting, the notice of meeting need not state specifically the business to be transacted thereat. Any member may waive the necessity of formal notice to him by signing a written waiver either before or after the meeting and upon execution of such waiver, the Member shall not be entitled thereafter to object to the meeting being held or matters being passed upon at the meeting because of lack of notice thereof.

4.7 Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of Members holding fifty per cent (50%) of the total vote of the Membership shall constitute a quorum at all meetings of the Members. If a quorum is not present or represented at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than the announcement at the meeting, until a quorum is present or is represented. The Members at any meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

4.8 Proxies. Members may vote either in person or by agents duly authorized by written proxy executed by the subject Member or by his duly authorized attorney-in-fact. A proxy is not valid after the expiration of eleven (11) months after the date of its execution, unless the person executing it specifies therein the length of time for which it is to continue in force, or limits its use to a particular meeting, but no proxy shall be valid after ten (10) years from the date of its execution. Unless a proxy otherwise provides, any proxy holder may appoint in writing a substitute to act in his place. In order to be effective, all proxies must be filed with the Secretary or duly acting Secretary either during or prior to the meeting in question. All of the above provisions concerning the voting by co-owners shall apply to votes cast for any one unit by two or more proxy holders.

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

4.10 Actions Without Meeting. Any action which may be taken at a meeting of the Membership may be taken without a meeting if a consent or ratification, in writing, setting forth the action so taken or to be taken shall be signed by persons who would be entitled to vote one hundred (100) votes upon such action at a meeting and such consent is filed with the Secretary of the Association and inserted in the minute book of the Association.

ARTICLE V

BOARD OF DIRECTORS

5.1 General Powers. The business and affairs of the Association shall be managed by the Board of Directors or by such committees as the Board may establish pursuant to Section 6 of these By-Laws.

5.2 Number, Term, and Qualification. The initial Board of Directors shall consist of the four (4) individuals named by the Declarant. From and after the date of the first Annual Membership Meeting, there shall be seven (7) Directors. The initial Board shall serve until their successors are elected at the first Annual Membership Meeting. Except for the initial Directors and thereafter except for up to seven (7) Directors who may be employees of or designated by Declarant, all of the Directors shall be at least twenty-one (21) years of age. Any qualified Director may be re-elected in office. Each Director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualified.

5.3 Nominations. Nominations for election to the Board of Directors shall be made by a Nominating Committee consisting of a Chairman, who shall be a member of the Board, and at least two (2) members of the Association. The Nominating Committee shall be appointed by the Board prior to each Annual Meeting of the Members to serve from the close of such Annual Meeting until the close of the next Annual Meeting, and such appointment shall be announced at each Annual Meeting. The nominating Committee shall make as many nominations for election to the Board as it shall, in its discretion, determine; however, in no event shall the nominations be less than the number of vacancies. Nominations may be made also from the floor at the Annual Meeting.

5.4 Election of Directors. At the first Annual Membership Meeting, the Members shall elect seven (7) Directors. Three (3) of such directors shall serve for a term of three (3) years, two (2) of such Directors shall serve for a term of two (2) years, and the remaining two (2) directors shall serve for a term of one (1) year. The three (3) directors receiving the largest number of votes shall serve for the three-year period, and the two (2) directors receiving the fourth and fifth largest number of votes shall serve for the two-year period. The two (2) directors receiving the sixth and seventh largest number of votes shall serve for the one-year period. Thereafter, at the second Annual Meeting and each Annual Meeting thereafter, directors shall be elected to serve for a term of three (3) years. All directors shall serve until their successors are elected and qualified. If any Member so demands or if the presiding officer so directs, the election of Directors shall be by ballot. Otherwise, the election shall be by voice vote. Persons receiving the highest number of votes shall be elected. Cumulative voting shall not be permitted.

5.5 Removal. Any Director may be removed from the Board, with or without cause by a majority vote of the Members of the Association at any Special Meeting of the Membership, provided, the notice of the meeting must state that the question of such removal will be acted upon at the subject meeting. If any Directors are so removed, their successors as Directors may be elected by the Membership at the same meeting to fill the unexpired terms of the Directors so removed.

5.6 Vacancies. A vacancy occurring in the Board may be filled by a majority of the remaining Directors, though less than a quorum, or by the sole remaining Director; however, a

vacancy created by an increase in the authorized number of Directors shall be filled only by election at an annual or substitute Annual Meeting, or at a Special Meeting of Members called for that purpose, or by unanimous consent of the Members without meeting. The Members may elect a Director at any time to fill any vacancy not filled by the Directors.

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

5.8 Compensation. No member of the Board shall receive any compensation from the Association for acting as such; provided, however, each Director, upon approval of the Board, shall be reimbursed for reasonable out-of-pocket expenses incurred and paid by him on behalf of the Association, and nothing herein shall prohibit the Board compensating a Director for unusual and extraordinary services rendered; further provided, each Director, by assuming office, waives his right to institute suit against or make claim upon the Association for compensation.

5.9 Loans to Directors and Officers. No loans shall be made by the Association to its Directors or officers.

5.10 Liability of Directors. To the extent permitted by law, each Director shall be indemnified by the Association with respect to any liability and expenses of litigation arising out of his lawful activities within the scope of his duties as a Director.

5.11 Meetings of Directors.

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

(b) Special Meetings. Special Meetings shall be held when called by the President of the Association, or by any Director after not less than three (3) nor more than thirty (30) days' written notice to each Director.

(c) Notices of Special Meetings. The notice provided for herein may be waived by written instrument signed by those Directors who do not receive such notice. Except to the extent otherwise required by law, the purpose of a Directors' Special Meeting need not be stated in the notice. Attendance by a Director at a meeting shall constitute a waiver of notice of such meeting unless subject Director gives written statement at the meeting to the person presiding objecting to the transaction of any business because the meeting is not called lawfully.

(d) Approved Meeting Place. All Directors' meetings shall be held in the County of Cabarrus, State of North Carolina, unless a majority of the Directors then in office agree in writing to hold a meeting or meetings at another location.

(e) Quorum. A majority of the Directors then holding office shall constitute a quorum for the transaction of business and every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act or decision of the Board.

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

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

5.14 Powers and Duties. The Board shall have all of the powers and duties necessary for the administration of the affairs of Oakleaf Condominium Park except such powers and duties as by law or by the Condominium Documents may not be delegated by the unit owners to the Board. The powers and duties to be exercised by the Board shall include, but shall not be limited to, the following:

- (a) Operation, care, upkeep and maintenance of the Common Areas and Facilities;
- (b) Determination of the funds required for operation, administration, maintenance and other affairs of Oakleaf Condominium Park and collection of the Common Expenses from the unit owners, as provided in the Declaration;
- (c) Employment and dismissal of personnel necessary for the efficient operation and maintenance of Oakleaf Condominium Park;
- (d) Adoption of Rules and Regulations covering the details of the operation and use of the Condominium Property;
- (e) Opening of bank accounts on behalf of the Association and designating the signatures required therefor;
- (f) Purchasing units at foreclosure or other judicial sales in the name of the Association, or its designee;
- (g) Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of Directors) or otherwise dealing with units acquired by the Association or its designee;
- (h) Obtaining insurance for Oakleaf Condominium Park pursuant to the Declaration;

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

(j) Keeping a complete record of the minutes of all meetings of the Directors and Membership in a minute book in which shall be inserted written records of actions taken by the Directors and Members by consent without meeting; and

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

5.15 Independent Manager. The Board may employ or enter into a management contract with any individual or firm it deems appropriate and in the best interest of the Association concerning the routine management of the Condominium Property. The Board may delegate to such person or firm (herein referred to in these By-Laws as "Independent Manager") such duties and responsibilities in the management of the Condominium Property as the Board deems appropriate. Nevertheless, the Board may not delegate to the Independent Manager the complete and total responsibilities and duties of the Association in violation of the Act. The Independent Manager's contract always shall be subject to the conditions set out in the Declaration. The Board shall have authority to fix reasonable compensation for the Independent Manager. The Independent Manager shall at all times be answerable to the Board and subject to its direction.

ARTICLE VI

COMMITTEES

6.1 Creation. The Board, by resolutions adopted by a majority of the number of Directors then holding office, may create such committees as it deems necessary and appropriate in aiding the Board to carry out its duties and responsibilities with respect to the management of the Condominium Property. Each committee so created shall have such authorities and responsibilities as the Board deems appropriate and as set forth in the resolutions creating such committee. The Board shall elect the members of such committee. Each committee shall have in its membership at least one (1) member of the Board.

6.2 Vacancy. Any vacancy occurring on a committee shall be filled by a majority of the number of Directors then holding office at a regular or special meeting of the Board.

6.3 Removal. Any member of a committee may be removed at any time with or without cause by a majority of the number of Directors then holding office.

6.4 Minutes. Each committee shall keep regular minutes of its proceedings and report the same to the Board when required.

7.9 Treasurer. The Treasurer shall have the responsibility for keeping full and accurate, financial records in books of account showing all receipts and disbursements, and for the preparation of all required financial statements. He shall cause an annual audit of the Association's books to be made by a public accountant at the completion of each fiscal year; shall prepare or cause to be prepared an annual budget and a statement of income and expenditures to be presented to the Membership at its Annual Meeting; and shall deliver a copy of each to the Members. He shall perform all duties and have such powers as the Board shall prescribe.

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

ARTICLE VIII

RECORDS

8.1 Inspection. The books, records and papers of the Association shall at all times during reasonable business hours be subject to inspection by any member of the Association. The Declaration, Articles of Incorporation and the By-Laws of the Association shall be available for inspection by any member at the principal office of the Association, and copies may be purchased at a reasonable cost.

ARTICLE IX

ASSESSMENTS

9.1 Liability. As more fully provided in the Declaration, each Class A member is obligated to pay to the Association annual and/or special assessments which are secured by a continuing lien upon the property against which the assessment is made. Both annual and special assessments shall be fixed at a uniform rate for all single family condominium units. The assessments may be collected on a monthly basis. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the Association may bring an action at law against the owner personally obligated to pay the same or foreclose the lien against the property and including interest, costs and reasonable attorney's fee of any such action which shall be added to the amount of the assessment. No owner may waive or otherwise escape liability for the assessments provided for herein by the non-use of the common area or by the abandonment of his condominium unit.

ARTICLE X

GENERAL PROVISIONS

10.1 Parliamentary Rules. Robert's Rules of Order (latest edition) shall govern the conduct of the Association proceedings when not in conflict with North Carolina law, the Declaration, or these By-Laws.

10.2 Fidelity Bonds. The Board of Directors may require that all employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premium on such bonds shall be paid by the Association as a common expense.

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10.3 Conflicts. If there are conflicts or inconsistencies between the provisions of North Carolina law or the Declaration and these By-Laws, the provisions of North Carolina law and the Declaration (in that order) shall prevail.

10.4 Amendments. These By-Laws may be amended at a regular or special meeting of the members by a vote of a majority of a quorum of members present in person or by proxy.

In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

OFFICE REGISTER OF DEEDS
CARROLL COUNTY, N. C.

Filed for Registration on
29th day of October 1980

at 10:41 o'clock A.M.

as registered in record of
Deeds No. 526 Page 253

Pauline C. Long, Asst.
Register of Deeds