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CUMBERLAND COUNTY

DECLARATION OF PRESTON WOODS  
CONDOMINIUMS

GEORGE E. TAYLOR  
REGISTER OF DEEDS  
CUMBERLAND CO., N.C.

Biltwell Inc., a North Carolina corporation with its principal place of business in the County of Cumberland, State of North Carolina, (herein "Developer"), does hereby make, declare establish this Declaration of Condominium as and for the plan of dwelling ownership of Preston Woods Condominiums, being the property and improvements hereinafter described.

I

ESTABLISHMENT OF CONDOMINIUM

Developer is the owner of the fee simple title to that certain real property situated in Fayetteville, Cumberland County, North Carolina, which property is more particularly described in Exhibit "A", Phase I, attached hereto and incorporated herein by reference, and on which property there are to be constructed 6 buildings containing a total of 72 condominium living units and their supporting facilities, areas designated for at least 24 parking spaces and other appurtenant improvements. There are no basements. The buildings are of wood frame construction. Developer does hereby submit the above described property and improvements to condominium ownership under the provisions of Chapter 47C of the General Statutes of North Carolina (North Carolina Condominium Act), and Chapter 27 of the city code of Fayetteville, North Carolina, said statute and said ordinance being hereby incorporated herein by reference, and hereby declares the same to be a condominium to be known and identified as "Preston Woods Condominiums". Hereinafter in this Declaration, "Preston Woods Condominiums" is sometimes referred to as "Condominium."

Developer presently intends, but is not obligated, to expand Preston Woods Condominiums beyond the 72 units, Phase I, described above include up to 6 additional phases with a presently contemplated maximum of 72 additional Units. The additional phases, if constructed, would contain the number of Units indicated.

<u>Phase No.</u>	<u>No. of Units</u>
Phase II	12
Phase III	12
Phase IV	12
Phase V	12
Phase VI	12

It is presently contemplated that the total number of Units in all phases would not exceed seventy-two (72). Phases II through VI, if constructed, will be located on the land described in Exhibit "A", Phase VI, attached hereto and incorporated herein by reference. The methods and procedures for expanding the Condominium to include these additional phases and the effects of such expansion are described in Articles IV and XXVII of this Declaration.

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## II

SURVEY AND DESCRIPTION OF IMPROVEMENTS

Referenced hereto and expressly made a part hereof as Exhibit "B" consisting of 6 pages, as recorded in Condominium Book 3, Pages 87 through 92, Cumberland County Registry, is a survey of the land and graphic descriptions and plans of the improvements constituting the Condominium, identifying the Condominium Units and Common Areas and Facilities, as said terms are hereinafter defined, and their respective locations, approximate dimensions and principal building materials. Each Condominium Unit is identified by specific numerical designation on Exhibit "B", and no Unit bears the same designation as any other Condominium Unit.

## III

DEFINITIONS

The Condominium consists of Condominium Units and Common Area and Facilities as said terms are hereinafter defined:

A. "Condominium Units" (alternately referred to as "Unit") as defined herein shall comprise the separate numerically identified. Dwelling Units which are designated in Joint Unit Ownership File (and any subsequent additions), excluding all spaces and improvements lying:

- (1) Beneath the wood subflooring material of all floors;
- (2) Behind the interior sheetrock, wallboard or panel surfacing material of all perimeter walls, interior boaring walls and/or boaring partitions;
- (3) Above the interior sheetrock, wallboard or panel surfacing material of the ceilings;

and further, excluding all pipes, ducts, wires, conduits and other facilities for the furnishing of utilities and other services to Condominium Units and Common Areas and Facilities up to and including the point of entry of such pipes, ducts, wires, and conduits through the interior sheetrock, wallboard or panel surfacing material for walls and coilings and subflooring surfacing material for floors. All pipes, ducts, wires, conduits and other such facilities within the referenced interior surfacing materials shall become a part of the respective Condominium Units at such point of entry. All exterior doors, window frames, panes and screens shall be part of the respective Condominium Units, provided, however, that the exterior decoration and painting of the exterior surface of such doors and window frames shall be the responsibility of the Association, as hereinafter defined.

B. Common Areas and Facilities, sometimes referred to herein as "Common Property" shall mean and comprise all of the real property, improvements and facilities of the Condominium other than the Condominium Units and all personal property held and maintained for the use and enjoyment of all Owners of Condominium Units.

C. Certain portions of the Common Areas and Facilities are reserved for the use of a particular Condominium Unit or Units to exclusion of the other Units and are designated as Limited Common Areas and Facilities.

Limited Common Areas and Facilities and the Condominium Units to which they are reserved are as follows:

As shown on Exhibit "B" the walks, halls, and balconies located in each building are reserved for the use of the Owners of Units in those buildings, their families, guests, invitees and lessees.

The terms "Association of Unit Owners," "Buildings," "Common Areas and Facilities," "Common Expenses," "Common Profit," "Condominium," "Declaration," "Majority" or "Majority of Unit Owners," "Person," "Property," "Unit" or "Condominium Unit," "Unit Designation," and "Unit Owner," unless it is plainly evident from the context of this Declaration that a different meaning is intended, shall have the meaning set out in Sections 1-103 of Chapter 47C of the General Statutes of North Carolina, known as the North Carolina Condominium Act, as that statute exists as of the date of filing of this Declaration.

IV

**OWNERSHIP OF CONDOMINIUM UNITS AND  
APPURTENANT INTEREST IN COMMON PROPERTY**

A. Each Condominium Unit shall be conveyed and treated as an individual property capable of independent use and fee simple ownership, and the Owner of each shall also own, as an appurtenance to the ownership of each said Condominium Unit, an undivided interest in the Common Property. The undivided interest appurtenant to each Condominium Unit as of the date of this Declaration is set out in Column I of Exhibit "C" attached hereto and made a part hereof. The proportional interest in the Common Property that is appurtenant to each Condominium Unit as shown in Exhibit has been determined by a ratio formulated upon the relation that the approximate fair market value of each Unit at the date of the Declaration bears to the then aggregate fair market value of all of the Units having an interest in the Common Property.

B. In the event the Developer and all of the Condominium Unit Owners, acting through the Developer as their Attorney-in-Fact as provided in Article XXVII-B hereof, elect to add additional phases to the Condominium, then the percentage undivided interest in the Common Property appurtenant to each Condominium Unit will change and shall be as set forth in the appropriate Column of Exhibit "C". The proportional interest in the Common Property appurtenant to each Condominium Unit shown in Exhibit "C" has been determined by a ratio formulated upon the relation that the approximate fair market value of each Unit in the Condominium will bear to the then aggregate fair market value of all of the Units in all phases having an interest in Common Property. From the purposes of this Declaration, the approximate fair market value of each unit and the aggregate fair market value of all the Units has been determined by the Developer, and this determination shall be binding upon all Unit Owners. In the event the Developer elects to add additional phases to the Condominium, the Developer shall, in each instance, file an amendment to this Declaration stating that the percentage undivided interest in the Common Area appurtenant to each Unit then a part of the Condominium at the time of such filing is as shown in the appropriate column of Exhibit "C." Each Unit Owner shall be deemed by the acceptance of the deed to a Condominium Unit to have consented to the powers of amendment herein reserved by Developer and to any amendments previously or thereafter executed by Developer pursuant to this Article IV and to Article XXVII-B hereof.

Further, each Unit Owner and each Institutional Lender, as hereinafter defined, shall be deemed by the Owner's acceptance of a deed to a Condominium Unit to have appointed Developer their Attorney-in-Fact to give, execute and record the consent of said Owner and Institutional Lender to any and all amendment executed pursuant to this Article and to Article XXVII-B. Except as provided herein, the percentage of undivided interest in the Common Property assigned to each Condominium Unit shall not be changed except when the unanimous consent of all of the Owners of all of the Condominium Units and with the consent of all of the Condominium Units and with the consent of all of the Institutional Lenders, as defined in Article XXIX hereof, holding first mortgages of first deeds of trust on the Condominium Units.

## V

**RESTRICTION AGAINST FURTHER SUBDIVISION OF CONDOMINIUM UNITS; SEPARATE CONVEYANCE OF APPURTENANT COMMON PROPERTY PROHIBITED**

No Condominium Unit may be divided or subdivided into smaller Unit or Units than as shown on Exhibit "B" hereto nor shall any Condominium Unit or portion thereof be added to or incorporated into any other Condominium Unit. The undivided interest in the Common Property declared to be an appurtenance to each Condominium Unit shall not be conveyed, devised, encumbered or otherwise dealt with separately from said Condominium Unit, and the undivided interest in Common Property appurtenant to each Condominium Unit shall be deemed conveyed, devised, encumbered or otherwise included with the Condominium Unit even though such undivided interest is not expressly mentioned or described in the instrument conveying, devising, encumbering or otherwise dealing with such Condominium Unit. Any conveyance, mortgage or other instrument with purports to grant any right, interest or lien in, to or upon a Condominium Unit, shall be null, void and of no effect insofar as the same purports to affect any interest in a Condominium Unit and its appurtenant undivided interest in Common Property, unless the same purports to convey, devise, encumber or otherwise trade or deal with the entire Condominium Unit. Any instrument conveying, devising, or encumbering any Condominium Unit, which describes said Condominium Unit by the numerical designation assigned thereto in Exhibit "B" without limitation or exception, shall be deemed and construed to affect the entire Condominium Unit and its appurtenant undivided interest in the Common Property. Nothing herein contained shall be construed as limiting or preventing ownership of any Condominium Unit and its appurtenant undivided interest in the Common Property by more than one person or entity as tenants in common, joint tenants, or as tenants by the entirety.

## VI

**THE CONDOMINIUM SUBJECT TO RESTRICTIONS**

The Condominium Units, Common Property and Limited Common Areas shall be, and the same are hereby declared to be subject to the restrictions, easements, conditions and covenants prescribed and established herein governing the use of said Condominium Units, Common Property and Limited Common Areas and setting forth the obligations and responsibilities incident to ownership of each Condominium Unit and its appurtenant undivided interest in the Common Property, and said Condominium Units, Common Property and Limited Common Areas are further declared to be subject to

the restrictions, easements, conditions, and limitations now of record affecting the land and improvements of the Condominium.

## VII

PERPETUAL NON-EXCLUSIVE EASEMENT IN COMMON PROPERTY

The Common Property shall be, and the same is hereby declared to be, subject to a perpetual non-exclusive easement in favor of all of the Owners of Condominium Units in the Condominium for their use and the use of their immediate families, guests and invitees, for all proper and normal purposes, and for the furnishing of services and facilities for which the same are reasonably intended, for the enjoyment of said Owners of Condominium Units. The Common Property shall be subject, also, to an easement of ingress, egress, and regress in favor of Developer, its representatives, employees, and designees for the purpose of construction of succeeding phases, as further defined in Article XI hereof. Notwithstanding anything above provided in this Article, Preston Woods Association, hereinafter, shall have the exclusive right to establish the rules and regulations pursuant to which the Owner of any Condominium Unit, his family, guests and invitees, may be entitled to use the Common Property, including the right to make permanent and temporary assignments of parking spaces, and to establish regulations concerning the use thereof.

## VIII-A

EASEMENT FOR UNINTENTIONAL AND NON-NEGLIGENT ENCROACHMENTS

In the event that any Condominium Unit shall encroach upon any Common Property, or any other Condominium Unit for any reason not caused by the purposeful or negligent act of the Condominium Unit Owner, or agents of such Owners, then an easement appurtenant to such Condominium Unit shall exist for the continuance of such encroachment upon the Common Property or upon a Condominium Unit for as long as such encroachment shall naturally exist; and in the event that any portion of the Common Property shall encroach upon any Condominium Unit, then an easement shall exist for the continuance of such encroachment of the Common Property upon any Condominium Unit for as long as such encroachment shall naturally exist. If any Condominium Unit or Common Property shall be partially or totally destroyed as a result of fire or other casualty, or as a result of condemnation or eminent domain proceedings, and if upon reconstruction of such Unit and/or Common Property in accordance with Article XXII hereof, there exists encroachments of portions of the Common Property upon any Condominium Unit, or of any Condominium Unit upon any other Condominium Unit or upon any portion of the Common Property, then such encroachments shall be permitted and a valid easement for the maintenance thereof shall exist so long as such encroachments shall naturally remain.

## VIII-B

EASEMENT AND INDEMNITY TO CITY OF FAYETTEVILLE AND PUBLIC WORKS COMMISSION

The City of Fayetteville and its Publics Works Commission shall not be responsible for damages which may result in the event of a rupture in water lines placed areas within ten (10) feet of or beneath existing building improvements or from the exercise of rights contained in the easement duly recorded in Book \_\_\_\_\_, page \_\_\_\_\_,

Cumberland County Registry, as applied to water lines within ten (10) feet of improvements. Such rights shall include, but not be limited to, excavation in or near the building foundations for the purpose of repairing or replacing the water lines and/or laterals. It is further understood that the Public Works Commission will not be responsible for additional cost required to relocate the facilities.

IX

RESTRAINT UPON SEPARATION AND PARTITION OF COMMON PROPERTY

Recognizing that the proper use of a Condominium Unit by an Owner or Owners is dependent upon the use and enjoyment of the Common Property in common with the Owners of all other Condominium Units, and that it is in the interest of all owners that the ownership of the Common Property be retained in common by the Owners, it is hereby declared that the proportional undivided interest in the Common Property appurtenant to each Condominium Unit shall remain undivided and no Unit Owner shall bring or have any right to bring any action for partition or division.

X

ADMINISTRATION OF THE CONDOMINIUM BY  
PRESTON WOODS ASSOCIATION

To provide efficiently and effectively for the administration of the Condominium by the Owners of the Condominium Units, a non-profit North Carolina Corporation known as designated as Preston Woods Association (herein "Association") has been organized, and said corporation shall administer the operation and management of the Condominium and undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation and By-laws. A true copy of said By-laws and Articles of Incorporation are annexed hereto and expressly made a part hereof as Exhibits "D" and "E", respectively. The Owner or Owners of each Condominium Unit shall automatically become members of the Association upon acquiring an ownership interest in title to any Condominium Unit and its appurtenant undivided interest in Common Property, such membership shall terminate automatically upon the Owner or Owners being divested of such ownership interest in the title to such Condominium Unit, regardless of how such ownership may be divested. No person, firm or corporation holding any lien, mortgage or other encumbrance upon any Condominium Unit shall be entitled, by virtue of such lien, mortgage or other encumbrance, to membership in the Association or to any of the rights or privileges of such membership. In the administration of the operation and management of the Condominium, the Association is hereby granted the authority and power to enforce the provisions of this Declaration, to levy and to collect assessments in the manner hereinafter provided, and to adopt, promulgate and enforce such rules and regulations governing the use of the Condominium Units and Common Property as its Board of Directors may deem to be in its best interest.

XI

RESIDENTIAL USE RESTRICTIONS APPLICABLE TO  
CONDOMINIUM UNITS

Each Condominium Unit is hereby restricted to residential use by its Owner, his immediate family, guests, invitees and lessees. No Unit Owner may lease less than the

entire Unit. Any lease or rental agreement for a Unit shall be writing and for a period of at least thirty (30) days. Such leases shall provide that the terms of the lease are subject to the provisions of this Declaration, the Articles of Incorporation and By-laws of the Association, and that any failure by the lessee to comply with the terms of such documents shall be a default under the terms of the lease. No Owner of any Condominium Unit shall permit the use of his Unit for transient hotel or commercial purposes. Corporate or partnership members, other than the Developer, shall permit the use of a Condominium Unit owned by it only by its principal officers directors or partners, or other guests or lessees. Such corporate or partnership member shall annually sign and deliver to the Association a written statement designating the name of the party (or parties) entitled to use such Condominium Unit, together with a written covenant of such party in favor of the Association whereby the party agrees to comply with the terms and provisions of this Declaration of Condominium and with the rules and regulations which may be promulgated by the Association from time to time and acknowledging that the party's right to use such Condominium Unit shall exist only so long as the corporation or partnership shall continue to be a member of the Association. Upon demand by the Association to any corporate or partnership member to remove a party for failure to comply with the partnership member to remove a party for failure to comply with the terms and provisions of the Declaration of Condominium and/or the rules and regulations of the Association or for any other reason the corporate or partnership member shall forthwith cause such party to be removed, failing which, the Association, as agent of the Owner, make take such action as it may deem appropriate to accomplish such removal, and all such action by the Association shall be at the cost and expense of the Owner who shall reimburse the Association therefor upon demand, together with such attorneys' fees as the Association may have incurred in the process of removal.

Anything in this Declaration to the contrary notwithstanding, Developer shall have the right to maintain a sales office and model units and to display advertising signs upon the Common Property during the period of Unit Sales. Such right shall terminate when all Units in all phases of the Condominium are sold. Developer, its representatives, employees and designees shall have an easement of ingress, egress and regress upon across the Common Property for construction of succeeding phases, as described in Article VII hereof, which easement shall terminate when all Units in all phases are completed and sold.

## XII

### USE OF COMMON PROPERTY SUBJECT TO RULES OF ASSOCIATION

The use of Common Property, including the Limited Common Areas and Facilities, by the Owner of Owners of all Condominium Units and all other parties authorized to use the same, shall be subject to such rules and regulations as may be prescribed and established governing such use, or which may be hereafter prescribed and established by the Association.

## XIII

### THE CONDOMINIUM TO BE USED FOR LAWFUL PURPOSES: RESTRICTION AGAINST NUISANCES

No immoral, improper offensive or unlawful use shall be made of any Condominium Unit or of the Common Property, and all laws zoning ordinance and regulations of all governmental authorities having jurisdiction of the Condominium shall be observed. No owner of any Condominium Unit shall permit anything to be done or kept in his Condominium Unit, or on the Common Property, which will increase the rate of insurance on the Condominium, or which will interfere with the rights of other occupants of the Condominium or enjoy them by unreasonable noises, nor shall any Owner undertake any use which shall constitute a nuisance to any other Owner of a Condominium Unit, or which interferes with the peaceful possession and proper use of any other Condominium Unit or the Common Property.

XIV

RIGHT OF ENTRY INTO CONDOMINIUM UNITS IN EMERGENCIES

In case of any emergency originating in or threatening any Condominium Unit, regardless of whether the Owner is present at the time of such emergency, the Board of Directors of Association, or any other person authorized by it, or the Managing Agent shall have the right to enter such Condominium Unit for the purpose of remedying or abating the cause of such emergency, and such emergency, and such right of entry shall be immediate.

XV

RIGHT OF ENTRY FOR MAINTENANCE OF COMMON PROPERTY

Whenever it may be necessary to enter any Condominium Unit in order to perform any maintenance, alteration or repair to any portion of the Common Property, the Owner of each Condominium Unit shall permit an agent of Association to enter such Condominium Unit for such purpose, provided that the entry shall be made only at reasonable times and with reasonable advance notice.



## XVI

**LIMITATION UPON RIGHT OF OWNERS TO ALTER AND MODIFY  
CONDOMINIUM UNITS: NO RIGHT TO ALTER COMMON PROPERTY**

No owner of a Condominium Unit shall permit any structural modification or alteration to such Condominium Unit without first obtaining the written consent of the Association, may consent may be withheld in the event that a majority of the Board of Directors of the Association shall determine, in their sole discretion at such structural modifications or alterations would adversely affect or in any manner endanger the Condominium in part or in its entirety.

The Association, through the Board of Directors (or its Architectural control committee), shall regulate the external design, appearance, use, location and maintenance of the Condominium and of improvements therein in such a manner so as to preserve and enhance values and to maintain a harmonious relationship among structures and the natural vegetation and topography. No owner shall cause any improvements, alteration, repairs or changes to be made on the exterior of the Condominium (including painting or other decoration, the installation of electrical wiring, television or radio antennae or any other objects or devices which may protrude through the walls or roof of the Condominium) or in any manner alter the other appearance of the exterior portion of any building without the written consent of the association being first had and obtained. No Unit Owner shall cause any object to be fixed to the Common Property or to any Limited Common Area (including the location or construction of fences and the planting or growing of flowers, trees, shrubs or any other vegetation) or in any manner change the appearance of the Common Property or Limited Common Area without the written consent of the Association being first had and obtained.

Any Unit Owner desiring to make improvements, alteration or change described above shall submit the plans and specifications therefor, showing the nature, kind, shape, height, materials and location of the same, to the Board of Directors which shall evaluate such plans and specifications in light of the purpose of this Article as set forth above. As a condition to the granting of approval of any request made under this Article, the Association may require that the Unit Owner requesting such change be liable for any cost of maintaining, repairing and insuring the approved alteration. If such condition is imposed, the Owner shall evidence his consent thereto by a written document in recordable form satisfactory to the Association. Thereafter, the Unit Owner, and any subsequent Owner of the Unit, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree that the cost of maintaining, repairing and insuring such alteration shall be apart of the annual assessment or charge set forth in Article XXIV subject to the lien rights described in said Article.

## XVII

**RIGHT OF ASSOCIATION TO ALTER AND IMPROVE  
COMMON PROPERTY AND ASSESSMENT THEREFOR.**

The association shall have the right to make or cause to be made such alterations or improvements to Common

Property (including the right to grant and establish upon, over and across the Common Property such easements as are necessary or desirable for providing service or utilities to the Units and the Common Property) which do not materially prejudice the rights of the Owner of any Condominium Unit in the use and enjoyment of his Condominium Unit, provided the making of such alterations and improvements are approved by the Board of Directors of the Association, and the cost of such alterations and improvements shall be common expenses to assessed and collected from all of the Owners of Condominium Units. However, where any alterations and improvements are exclusively or substantially for the benefit of the Owner or Owners of certain Condominium Unit or Units requesting the same, then the cost of making, maintaining, repairing and insuring such alterations or improvements shall be assessed against and collected solely from the Owner or Owners of the Condominium Unit or Units exclusively or substantially beneficial, the assessment to be levied in such proportion as may be determined by the Board of Directors of the Association.

XVIII

MAINTENANCE AND REPAIR BY OWNERS OF CONDOMINIUM UNITS

Every Owner shall 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 engender. The Owner of such Condominium Unit shall be liable and responsible for the maintenance, repair and replacement of all heating and air conditioning equipment, regardless of where located, stoves, refrigerators, fans, or other appliances or equipment, including and 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 the maintenance, repair, and replacement of the exterior surfaces of any and all walls, ceilings and floors within his Condominium Unit including painting, decorating and furnishing, and all other accessories which such Owner may desire to place or maintain in his Condominium Unit. Whenever the maintenance, repair any replacement of any item for which the Owner is obligated to maintain, replace at his own expense is occasioned by any loss or damage which may be covered by any insurance maintained in force by the 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 Owner of such Condominium Unit shall be, in said 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 provision of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement. The Owner of a Condominium Unit who has exclusive use of any Limited Common Area shall maintain such at his own expense. All doors, window frames, panes and screens are a part of the respective Condominium Units and shall be maintained by the respective Unit Owners.

XIX

MAINTENANCE AND REPAIR OF COMMON PROPERTY BY THE ASSOCIATION

The Association, at its expense, shall be responsible for the maintenance, repair and replacement of all the Common Property; including those portions thereof which contribute to the support of the buildings, and all conduits, ducts, plumbing, wiring and other facilities located in the Common Property for the furnishing of utility, heating and other services to the Condominium Units and said 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 Association in the maintenance, repair or replacement of any Common Property, the Association shall, at its expense, repair such incidental damage. Whenever the maintenance, repair and replacement of any item for which the Association is obligated to maintain, replace or repair at its expense is occasioned by an 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 the 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 provision of such insurance, or by reason of any deductibility provision of such insurance proceeds, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement.

XX

AUTHORITY TO PURCHASE INSURANCE

Insurance policies upon the Common Property, including Limited Common Areas and Facilities, (except title insurance) shall be purchased by the Association, as Trustees for the Condominium Unit Owners, for the benefit of the Condominium Unit Owners and their respective mortgages as their interests may appear, and shall provide for the issuance of certificates or mortgage endorsements to the holders of first mortgages on the Condominium Units or any of them, and it the companies writing such policies will agree, the policies shall provide that the insurer waives its rights of subrogation as to any claims against Condominium Unit Owners, the Association and their respective servants, agents and guests. Each Condominium Unit Owner may obtain insurance, at his own expense, affording coverage upon his Condominium Unit, his personal property and for his personal liability as may be permitted or required by law, but all such insurance shall contain the same waiver of subrogation as that referred to above if the same is available.

XXI

INSURANCE COVERAGE TO BE MAINTAINED: USE AND DISTRIBUTION OF INSURANCE AND CONDEMNATION PROCEEDS.

A. The following insurance coverage shall be maintained in full force and effect by the Association covering the operation and management of the Condominium Units and Common Property:

- (1) Casualty insurance covering the building and

all improvements upon the land and all improvements upon the land and all personal property included within the Property described in Exhibit "A" hereto or as it may be amended from time to time, except such personal property as may be owned by the Condominium Unit Owners, shall be procured in an amount equal to 100 % of the current replacement cost (exclusive of excavation, foundations, streets and parking facilities) as determined annually by the insurance company affording such coverage. Such policy shall contain an Agreed Amount Endorsement or an Inflation Guard Endorsement, if available. By the way of illustration and not of limitation, such casualty insurance shall cover fixtures, installations or additions, or equal replacements thereof, comprising a part of the building within each individual Condominium Unit (as that term is defined in Article III hereof) in accordance with the original condominium plans and specification. In determining the amount of coverage for such fixtures, installations or additions, the Board of Directors of the Association shall annually set the standard allowance for such items as carpeting, bathroom and kitchen cabinets, wall covering, vinyl floor covering, ceramic tile, kitchen appliances, bookshelves, etc., which were included in the original condominium plans and specifications. By the way of illustration and not of limitation such casualty insurance shall not cover furniture, furnishings or other household or personal property owned by, used by or in the care, custody, or control of a Condominium Unit Owner (whether located within or without the Unit), or fixtures, installations or additions that are placed in an individual Condominium Unit by the Owner thereof at his expense. Such coverage shall afford protection against: (a) loss or damage by fire and other hazards covered by the standard extended coverage endorsement; (b) such other risks as from time to time customarily shall be covered with respect to buildings similar in construction, location and use, including but not limited to vandalism and malicious mischief.

(2) A comprehensive policy of public liability insurance insuring the Association in an amount not less than One Million Dollars (\$1,000,000.00) for claims for personal injury and/or property damage arising out of a single occurrence, such coverage to include protections against liability for non-owned and hired automobiles and liability for property of others, and, if available, may include coverage for water damage.

(3) The Board of Directors shall maintain fidelity coverage against dishonest acts by the Association's Officers, directors, trustees and employees, and all others who are responsible for handling funds of the Association. If the Association employs a professional property management person or firm to manage the Association and to receive and disburse the monies of the Association, then such professional management person or firm shall have adequate fidelity coverage against dishonest acts and the existence of such coverage shall satisfy the requirement of the paragraph XXI-A-(3). If the Association elects to manage its own affairs and directly receive and disburse its own funds (or, if in addition to professional management, the officers or directors of the Association can and do directly receive or disburse the monies of the Association), then the Board of Directors shall provide the coverage set forth in this paragraph.

Any such fidelity bonds shall name the Association as obligee; shall be written in an amount equal to at least 150% of the estimated annual operating expenses of the

Association, including reserves and accumulated reserves; shall contain waivers of any defense based on the exclusion of person who serve without compensation from any definition of "employee" or similar expression; and shall provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to the Association and to any Institutional Lender who has given the notice required under Article XXIX of this Declaration.

(4) All liability insurance shall contain cross-liability endorsements to cover liabilities of the Condominium Unit Owners as a group to a condominium Unit Owner.

B. Premiums upon insurance policies purchased by the Association shall be paid by the Association as Common Expenses to be assessed and collected from all of the Owners of Condominium Units.

C. All insurance policies purchased by the Association and all condemnation awards attributable to the Common Property shall be for the benefit of the Association and the Condominium Unit Owners and their mortgagees, as their respective interests may appear, and shall provide that all proceeds payable as a result of casualty losses and condemnation shall be paid to the Association. The Association shall hold such proceeds in trust for the benefit of Association, the Condominium Unit Owners and their respective mortgagees in the following shares:

(1) Proceeds on account of damage to Common Property: in undivided shares for each Condominium Unit Owner and his mortgagee, if any, which shares as to each Condominium Unit are shown on Exhibit "C" attached hereto.

(2) Proceeds on account of damages to Condominium Units shall be held in the following undivided shares.

(a) Partial destruction when the Condominium is to be restored: for the Owners of damaged Condominium Units in proportion to the costs of repairing the damage suffered by each damaged Condominium Unit.

(b) Total destruction of the Condominium or where the Condominium is not to be restored: for all Condominium Unit Owners, the share of each being set forth in Exhibit "C."

D. In the event a mortgagee endorsement has been issued as to a Condominium Unit, the share of the Condominium Unit Owner shall be held for the mortgagee and the Condominium Unit Owner as their interests may appear.

E. Proceeds of insurance policies received by the Association shall be distributed to or for the benefit of the beneficial Condominium Unit Owners in the following manner:

(1) If the damage for which the proceeds were paid is to be repaired or reconstructed, the proceeds shall be paid to defray the costs thereof as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial Condominium Unit Owners, all remittances to Condominium Unit Owners and their mortgages being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Condominium Unit and may be enforced by him.

XXII

RECONSTRUCTION OR REPAIR OF CASUALTY DAMAGE;

DAMAGE TO COMMON PROPERTY: DAMAGE

TO CONDOMINIUM UNITS.

A. If any part of the Common Property shall be damaged by casualty, the determination of whether or not to reconstruct or repair it shall be made as follows:

(1) Partial destruction shall be deemed to mean destruction which renders less than two-thirds (2/3) of the Condominium Units untenable. In the event of partial destruction, the Common Property shall be reconstructed or repaired unless this Declaration is terminated by the unanimous vote of all of the Condominium Unit Owners at a meeting of the members of the Association called and held prior to commencement of such reconstruction or repair.

(2) Total destruction shall be deemed to mean destruction which renders two-thirds (2/3) or more of the Condominium Units untenable. In the event of total destruction, the Common Property shall not be reconstructed or repaired if, at a meeting which shall be called within thirty (30) days after the occurrence of the casualty, or if by such date the insurance loss has not been finally adjusted, then within thirty (30) days after such adjustment, Condominium Unit Owners who in the aggregate own three-fourths (3/4) or more of the Condominium Units vote against reconstruction or repair.

(3) Any such reconstruction or repair shall be substantially in accordance with the plans and specifications contained herein and on file with approved by the City of Fayetteville, North Carolina.

B. If the damage is only to those parts of one or more Condominium Units for which the responsibility for maintenance and repair is that of Condominium Unit Owner shall be responsible for reconstruction and repair after casualty or condemnation. In all other instances, the responsibility of reconstruction and repair after casualty or condemnation shall be that of Association as follows:

(1) Immediately after the casualty or condemnation causing damage to property for which the Association has the responsibility for maintenance and repair, the Association shall obtain reliable and detailed estimates of the cost to place the damaged property in conditions good as that before the casualty or condemnation. Such costs may include professional fees and premiums for such bonds as the Board of Directors deems necessary or appropriate.

(2) When the damage is to both Common Property and Condominium Units or to Common Property only, the insurance or condemnation proceeds shall be payable to the Association and shall be applied first to the cost of repairing the Common Property and the balance to the Condominium Units.

C. Each Condominium Unit Owner shall be deemed to have

delegated to the Board of Directors of the Association his right to adjust with insurance companies all losses under policies purchased by the Association and to negotiate with governmental authorities any condemnation claims.

## XXII

ASSOCIATION TO MAINTAIN REGISTER  
OF OWNERS AND MORTGAGEES

The Association shall at all times maintain a Register setting forth the names of the Owners of all of the Condominium Units. In the event of the sale or transfer of any Condominium Unit to a third party, the purchaser or transferee shall notify the Association in writing of his interest in such Condominium Unit, together with such recording information as shall be pertinent to identify the instrument by which such purchaser or transferee has acquired his interest in any Condominium Unit. Further, the Owner of each Condominium Unit shall notify the Association of the names of the parties holding any mortgagee or mortgages on any Condominium Unit, the amount of such mortgage or mortgagee and the recording information which shall be pertinent to identify the mortgage or mortgages. The holder of any mortgage or mortgages upon any Condominium Unit may, if he so desires, notify the Association of the existence of any mortgage or mortgages held by such party on any Condominium Unit and, upon receipt of such notice, the Association shall register in its records all pertinent information relating thereto.

## XXIV

ASSESSMENTS: LIABILITY, LIEN AND ENFORCEMENT

The Association is given the authority to administer the operation and management of the Condominium, it being recognized that the delegation of such duties to one entity is in the best interest of the Owners of all Condominium Units. To administer properly the operation and management of the Condominium, the Association will incur for the mutual benefit of all of the Owners of Condominium Units, costs and expenses which are sometimes herein referred to as "Common Expense." To provide the funds necessary for such proper operation, management and capital improvement, the Association has heretofore been granted the right to make, levy and collect assessments against the Unit Owners and their Condominium Units. In furtherance of this grant of authority to Association to make, levy and collect assessments to pay the costs and expenses for the operation, management of and capital improvements to the Condominium, the following provisions shall be operative and binding upon the Owners of all Condominium Units.

A. Unless specifically otherwise provided for in this Declaration of Condominium, all assessments made by the Association shall be in such an amount that any assessment levied against a Unit Owner and his Condominium Unit shall bear the same ratio to the total assessment made against all Unit Owners and their Condominium Units as the individual interest in Common Property appurtenant to each Condominium Unit bears to the total undivided interest in Common Property appurtenant to all Condominium Units as shown on Exhibit "C" attached hereto.

B. Assessments provided for herein shall be payable in monthly installments as determined by the Board of Directors of the Association. Such assessments shall

commence for each Unit on the first day of the first month following the recordation of this Declaration in the Cumberland County Public Registry.

C. In addition to the annual assessment authorized above, the Board of Directors may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of the Common Areas, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of Unit Owners owning two-thirds (2/3rds) of the Common Areas and Facilities who are voting in person or by proxy at a meeting duly called for such purposes.

D. In order to insure that the Association will have sufficient monies available to meet operational needs during the initial months of the Condominium's existence, the Association had established a Working Capital Fund. At the time of the closing of the first sale of each Unit, the purchaser thereof shall pay into such Fund an amount equal to two-twelfths (2/12ths) of the current annual assessment established by the Association. No such payments made into the Working Capital Fund shall be considered advance or current payment of regular assessments. All monies paid into the Working Capital Fund shall be held and administered by the Association in accordance with the terms of this Declaration and the By-Laws.

E. The Board of Directors of the Association shall establish an Annual Budget in advance for each fiscal year (which shall correspond to the calendar year, except that in the initial year of operation of the Condominium, the fiscal year shall commence with the closing of the sale of the first Condominium Unit). Such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the Condominium, including a reasonable allowance for contingencies and reserves, and the budget shall take into account projected anticipated income which is to be applied in reduction of the amounts required to be collected as an assessment each year. The Board of Directors shall keep separate, in accordance with paragraph "G" hereof, items relating to operation and maintenance from items relating to capital improvements. Upon adoption of such Annual Budget by the Board of Directors of the Association, copies of said Budget shall be delivered to each Owner of a Condominium Unit and the assessment for said year shall be established based upon such Budget, although the delivery of a copy of said Budget to each Owner shall not affect the liability of any Owner for such assessment.

F. Until December 31st of the year in which the first Unit is conveyed to an Owner, the maximum annual assessment shall be Six hundred and 00/100 (\$600.00) dollars per Unit. From and after January 1 of the year immediately following the conveyance of the first Unit to an Owner, the Maximum annual assessment may be increased each year not more than five (5%) percent by the Board of Directors. Any increase of more than five (5%) percent over the previous year's assessment requires a vote of the Unit Owners owning two-thirds (2/3rds) of the Common Areas and Facilities who are voting in person or by proxy, at a meeting duly called for such purpose.

G. The Board of Directors of the Association, in establishing the Annual Budget for operation, management and maintenance of the Condominium, shall designate therein a



sum to be collected and maintained as a reserve fund for replacement of and capital improvements to the Common Property (Capital Improvement Fund). This Fund shall be for the purpose of enabling the Association to replace structural elements and mechanical equipment constituting a part of the Common Property, as well as the replacement of portions of the Common Property. The amount to be allocated to the Capital Improvement Fund shall be established by said Board of Directors so as to collect and maintain a sum reasonably necessary to anticipate the need for replacement of Common Property. The amount collected for the Capital Improvement Fund may be maintained in a separate account by the Association and such monies shall be used only to make capital improvements to Common Property. Any interest earned on monies in the Capital Improvement Fund may, in the discretion of the Board of Directors of the Association, be expended for current operation and maintenance. Each Unit Owner shall be deemed to own a portion of the Capital Improvement Fund equal to his proportionate interest in the Common Property as shown on Exhibit "C" and the Association shall annually notify each Unit Owner of the amount of his balance in the Capital Improvement Account; however, such balance shall not be subject to withdrawal by a Unit Owner.

H. All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense of operating and managing the Condominium, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration of Condominium, the Articles of Incorporation and the By-Laws of the Association. As monies for any assessment are paid unto the Association by any Owner of a Condominium Unit, the same may be commingled with monies paid to the Association by the other Owners of Condominium Units. Although all funds and common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom or from the leasing or use of Common Property, shall be held for the benefit of the members of the Association, no member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Condominium Unit. When the Owner of a Condominium Unit shall cease to be a member of the Association by reason of his divestment of ownership of such Condominium Unit, by whatever means, the Association shall not be required to account to such Owner for any share of the funds or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Condominium.

I. The payment of any assessment or installment thereof shall be in default if such assessment or installment is not paid to the Association within thirty (30) days of the due date for such payment. When in default, the delinquent assessment or delinquent installment thereof due to the Association shall bear interest at six (6%) percent per annum allowed by VA until such delinquent assessment or installment thereof, and all interest due thereon, has been paid in full to the Association. All monies owing to the Association shall be due and payable at the main office of the Association in the State of North Carolina.

J. The Owner or Owners of each Condominium Unit shall be personally liable, jointly and severally, to the Association for the payment of all assessments, regular or special, which may be levied by the Association against such Condominium Unit while such party or parties are Owner or Owners of a Condominium Unit. In the event that any Unit Owner or Owners are in default in payment of any assessment or installment thereof owed to the Association, such Unit Owner or Owners 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.

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

L. Recognizing that proper operation and management of the Condominium requires the continuing payment of costs and expenses therefor, and that such proper operation and management 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 Association is necessary in order to preserve and protect the investment of each Unit Owner, the Association is hereby granted a lien upon each 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 such Condominium Unit, which lien shall also secure interest if any, which may be due on the amount of any delinquent assessments owing to the Association and, which lien shall also secure all costs and expenses, including a reasonable attorney's fee, which may be incurred by the Association in enforcing this lien upon said 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 such Condominium Unit, which lien shall also secure interest if any, which may be due on the amount of any delinquent assessments owing to the Association and, which lien shall also secure all costs and expenses, including a reasonable attorney's fee, which may be incurred by the Association in enforcing this lien upon said Condominium Unit and its appurtenant undivided interest in Common Property. The lien granted to the Association may be foreclosed in the same manner that 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 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 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 Association in order to preserve and protect its lien, and the Association shall further be entitled to interest at six (6%) percent per annum allowed by VA 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 thereof, are hereby placed on notice of the lien rights granted to the Association, and shall acquire such interest in any Condominium Unit expressly subject to such lien rights.

M. The lien herein granted unto the Association shall be enforceable from and after the time of recording a claim of lien in the Public Records of Cumberland County, North Carolina, which claim shall state 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 the lien is recorded, plus interest, costs, attorneys 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 Association. Upon full payment of all sums secured by such claim of lien, the same shall be satisfied of recorded.

The lien provided for herein shall be subordinate to the lien of any first mortgage or deed 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 of a first deed of trust, deed in lieu of foreclosure of a first deed of trust or judicial sale relating to a first deed of trust, shall be liable and obligated only for assessments as shall accrue and become due and payable for said Condominium unit and its appurtenant undivided interest in Common Property subsequent to the date of acquisition of such title, and it shall not be liable for the payment of any assessments which were in default and delinquent at the time it acquired such title. In the event of the acquisition of title to a Condominium Unit by foreclosure, deed in lieu of foreclosure or judicial sale, any assessment or assessments as to which the party so acquiring title shall not be liable shall be absorbed and paid by all Owners of all Condominium Units as a part of the Common Expense, although nothing herein contained shall be construed as releasing the party liable for such delinquent assessment from the payment thereof or the enforcement of collection of such payment by means other than foreclosure.

N. Whenever any Condominium Unit may be leased, sold or mortgaged by the Owner thereof, the Association, upon written request of the Unit Owner, 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 Association by such Unit. Such statement shall be executed by any officer of the Association, and any lessee, purchaser or mortgagee may rely upon such statement in concluding the proposed lease,

purchase or mortgage transaction, and the 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 Association shall be in default (whether or not a claim of lien has been recorded by the Association), then the rent, proceeds of such purchase or mortgage proceeds shall be applied by the lessee or purchaser first to payment of any then delinquent assessment or installments thereof due to the Association before the payment of any rent, proceeds of purchase to the Owner of any Condominium Unit who is responsible for payment of such delinquent assessment.

In any voluntary conveyance of a Condominium Unit, the Purchaser thereof shall be jointly and severally liable with Seller for all unpaid assessments against Seller made prior to the time of such voluntary conveyance, without prejudice to the rights of the Purchaser to recover from Seller the amounts paid by Purchaser 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 Association which shall prevent it from thereafter seeking, by foreclosure action, enforcement of the collection of any sums remaining owing to it, nor shall proceeding by foreclosure to attempt such collection be deemed to be an election precluding the institution of a suit at law to collect any sum then remaining owing to Association.

O. As an additional annual assessment, the Association shall levy against the Owners equally an amount sufficient to pay the annual cost of liability insurance premiums for such insurance on the Common Area and the amount of ad valorem property taxes and/or special assessments levied by any lawful governmental authority on the Common Area. It shall be the duty of the Association to pay all such premiums and taxes promptly when they shall become due. Upon default by the owners Association in the payment to the governmental authority entitled thereto of any ad valorem taxes levied against the common areas or assessments for public improvements to the common areas, which default shall continue for a period of six (6) months, each owner of a building site in the development shall become personally obligated to pay to the tax assessing governmental authority a portion of such taxes or assessments in an amount determined by dividing the total taxes and/or assessments due by the total number of building sites in the development. If such sum is not paid by the owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the building site of the then owner, his heirs, devisees, personal representatives and assigns, and the taxing or assessing governmental authority may either bring an action at law against the owner personally obligated to pay the same or may elect to foreclose the lien against the property of the owner.

XXV

COMMON SURPLUS

"Common Surplus," meaning all funds and other assets of the Association (including excess of receipts of the Association, including but not limited to assessments,

rents, profits and revenues from whatever source) over amount of the Common Expense, shall be owned by the Owners of all Condominium Units in the same proportion that the undivided interest in Common Property appurtenant to each Owners' Condominium Unit bears to the total of all undivided interest in Common Property appurtenant to all Condominium Units; provided, however, that said Common Surplus shall be held by the Association in the manner prescribed in, and subject to, the terms, provisions and conditions of this Declaration, imposing certain limitations and restrictions upon the use and distribution thereof. Except for distribution of any insurance indemnity herein provided, or upon termination of the Condominium, any attribution or distribution or Common Surplus which may be made from time to time shall be made to the then Owners of Condominium Units in accordance with their percentage interest in Common Surplus as declared herein.

## XXVI

TERMINATION

The Condominium shall be terminated, if at all, in the following manner:

A. The termination of the Condominium may be effected only by the unanimous agreement of all Condominium Unit Owners expressed in an instrument to that effect duly recorded; and provided, that the holders of all liens affecting any of the Condominium 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 Condominium Unit Owner in the Property as provided in subparagraph "C" below. The termination shall become effective when such Agreement has been recorded in the public records of Cumberland County, North Carolina.

B. If it is determined in the manner elsewhere provided that the Condominium shall not be reconstructed after casualty, the Condominium plan of ownership shall be terminated and the Declaration of Condominium revoked. The determination not to reconstruct after casualty shall be evidenced by a Certificate of the Association certifying as to the facts effecting the termination, which Certificate shall become effective upon being recorded in the public records of Cumberland County, North Carolina.

C. After termination of the Condominium, the Condominium Unit Owners shall own the Property as tenants in common in undivided shares and the holders of mortgages and liens against the Condominium Unit or Units formerly owned by such Condominium Unit Owners shall have mortgages and liens upon the respective undivided shares of the Condominium Unit Owners. The undivided share or interest owned as tenants in common shall be that percentage of the undivided interest in the Common Area and Facilities previously owned by each Unit Owner. All funds held by the Association and insurance proceeds, if any, shall be and continue to be held for the Unit Owners in the same proportion. The costs incurred by the Association in connection with the termination shall be a Common Expense.

D. Following termination, the property shall be subject to an action for sale for partition at the suit of any Condominium Unit Owner and upon the express agreement of all Unit Owners affected. If the Board of Directors determines by not less than a three-fourths (3/4ths) vote to

accept an offer for the sale of the property, and each Unit Owner affected expressly agrees to the sale, each Condominium Unit Owner shall execute such deeds and other documents reasonably required to effect such sale at such times and in such form as the Board of Directors directs. In such event, any action for partition or other division of the property shall be held in abeyance pending such other sale, and upon the consummation thereof shall be discontinued by all parties thereof.

## XXVII

AMENDMENT OF DECLARATION OF CONDOMINIUM

This Declaration of Condominium may be amended in the following manner:

A. An Amendment or Amendments to this Declaration of Condominium may be proposed by the Board of Directors of the Association acting upon a vote of a majority of the Directors, or by the members of the Association owning a majority of the Condominium Units, whether meeting as members or by instrument in writing signed by them. Upon any Amendment or Amendments to this Declaration of Condominium being proposed by said Board of Directors or members, such proposed Amendment or Amendments shall be transmitted to the President of the Association, or other officer of the Association in the absence of the President, who shall thereupon call a Special Meeting of the Members of the Association for a date not sooner than twenty (20) days nor later than sixty (60) days from receipt by him of the proposed Amendment or Amendments. It shall be the duty of the Secretary to give to each member written or printed notice of such Special Meeting, stating the time and place thereof, and reciting the proposed Amendment or Amendments in reasonably detailed form, which notice shall be mailed not less than ten (10) days nor more than thirty (30) days before the date set for such Special Meeting. If mailed, such notice shall be deemed to be properly given when deposited in the United States Mail addressed to the member at his Post Office address as it appears on the records of the Association, the postage thereon prepaid. Any member may, by written waiver of notice signed by such member, waive such notice, and such waiver, when filed in the records of the Association, whether before or after the holding of the meeting, shall be deemed equivalent to the giving of notice to such member. At the meeting, the Amendment or Amendments proposed must be approved by an affirmative vote of the members owning Units in the Condominium in order for such Amendment or Amendments to become effective. During the twenty-year period beginning with the date of this Declaration, an affirmative vote of Unit Owners owning ninety (90%) percent of the undivided interest in the Common Areas and Facilities shall be required to amend this Declaration. From and after the expiration of said twenty-year period, an affirmative vote of Unit Owners owning seventy-five percent (75%) of the undivided interest in the Common Areas and Facilities shall be required. Upon adoption such Amendment or Amendments of this Declaration of Condominium shall be transcribed and certified by the President and Secretary of the Association as having been duly adopted. The original or an executed copy of such Amendment or Amendments, so certified and executed with the same formalities as a Deed, shall be recorded in the Public Records of Cumberland County, North Carolina, within ten (10) days from the date on which the same became effective, such Amendment or Amendments to specifically refer to the recording date identifying the

Declaration of Condominium. Thereafter, a copy of said Amendment or Amendments in the form in which the same were placed of record by the officers of the Association shall be delivered to the Owners of all Condominium Units, but delivery of a copy thereof shall not be a condition precedent to the effectiveness of such Amendment or Amendments. At any meeting held to consider such Amendment or Amendments, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written notice is delivered to the Secretary of the Association prior to such meeting or at such meeting.

B. Developer shall have the right to file an amendment to this Declaration at any time and from time to time prior to December 31, 1991, without the further consent of the Unit Owners, to incorporate into the Condominium (1) any or all of the additional land described in Exhibit "A," Phases II through VI, and (2) the sixty additional condominium units to be constructed on the land described in Exhibit "A," Phases II through VI, respectively. In the event this Declaration is so amended, the terms "Condominium" and "Property" as used herein shall be deemed to mean and include the property described in Exhibit "A," Phases II through VI, as the case may be, and all improvements and structures now or hereafter placed by Developer thereon, all easements, rights and appurtenances thereto, and all articles of personal property provided by Developer and intended for use in connection therewith. Upon any such amendment that includes the land and additional Units in Phases II through VI, the undivided interest appurtenant to each Condominium Unit will change and shall be as set out in the appropriate column of Exhibit "C." The materials used in the construction of any additional Units in Phases II through VI shall be of comparable quality as those used in the original twelve (12) Units, the layout, size and architectural style of the additional Units shall be substantially the same as and compatible with, the original Units, and the units will be substantially completed prior to being incorporated into the Condominium. No amendment made by Developer in accordance with this paragraph shall divest an Owner of any portion of his dwelling Unit without the consent of such Owner and no such amendment shall materially alter the plan of development set forth herein without the consent of all Owners affected thereby. Each Unit Owner shall be deemed, by his acceptance of a deed to a Condominium Unit, to have consented to the powers of amendment herein reserved by Developer and to any amendments previously or thereafter executed by Developer pursuant thereto. Each Unit Owner and each Institutional Lender shall further be deemed by the Owner's acceptance of a deed to a Condominium Unit to have appointed Developer their respective Attorney-in-Fact to give, execute and record the consent of said Owner and said Institutional Lender to any and all amendments to this Declaration which Developer may wish to execute pursuant to the powers herein reserved.

C. Except as expressly set forth in this Declaration, no alteration in the percentage of ownership in Common Property appurtenant to each Condominium Unit, or alteration of the basis for sharing Common Expenses and other apportionment of assessment which may be levied by the Association in accordance with the provisions hereof, or alteration of basis of ownership of Common Surplus, shall be made without the prior written consent of all of the Owners of all Condominium Units and all of the Institutional Lenders holding first mortgages or first deeds of trust on

the Condominium Units.

D. No material alteration, amendment or modification of this Declaration, the Articles of Incorporation or By-Laws of the Association shall become effective without the prior written consent of Institutional Lenders (as defined in Article XXIX) holding first mortgage loans on Units representing at least fifty-one (51%) percent of the votes in the Association being first had and obtained. Any change to the provisions of this Declaration, the Articles of Incorporation or By-Laws that affects any of the following shall be deemed material: voting rights, assessments, assessment liens, or subordination or assessment liens; reserves for maintenance, repair and replacement of Common Areas; responsibility for maintenance and repairs; reallocation of interests in the Common Areas or Limited Common Areas, or rights to their use; boundaries of any Unit; convertibility of Units into Common Areas or vice versa; expansion or contraction of the Condominium, or the addition, annexation or withdrawal of property to or from the Condominium; insurance or fidelity bonds; leasing of Units; imposition of any restrictions on a Unit Owner's right to sell or transfer his or her Unit; a decision by the Owners' association to establish self management; restoration or repair of the Condominium; any provisions that expressly benefit Institutional Lenders.

E. No alteration, amendment or modification of the rights and privileges granted and reserved herein in favor of Developer shall be made without the written consent of said party being first had and obtained.

F. The Condominium Regime may not be amended or merged with a successor regime without the prior approval of the Department of Veterans Affairs.

#### XXVIII

#### REMEDIES IN EVENT OF DEFAULT

The Owner of Owners of each Condominium Unit shall be governed by and shall comply with the provisions of this Declaration of Condominium, and the Articles of Incorporation and By-Laws of the Association, as any of the same are now constituted or as they may be amended from time to time. A default by the Owner of any Condominium Unit shall entitle the Association or the Owner of other Condominium Units to the following relief:

A. Failure to comply with any of the terms of the Declaration of Condominium or other restrictions and regulations contained in the Articles of Incorporation or By-Laws of the Association, or which may be adopted pursuant thereto, shall be grounds for relief including without limitation an action to recover sums due for damages, injunction relief, foreclosure of lien, or any combination thereof. Such relief may be sought by the Association or, if appropriate, by an aggrieved Unit Owner.

B. Each Unit Owner shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, or by that of any member of his family, or his or their guests, employees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of a Condominium Unit or its appurtenances. Nothing herein



contained, however, shall be construed so as to modify any waiver by insurance companies of rights of subrogation.

C. In any proceeding arising because of an alleged default by a Unit Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees as may be determined by the Court, but in no event shall any Unit Owner be entitled to such attorney's fees.

D. The failure of the Association or any Unit Owner to enforce any right, provision, covenant or condition which may be granted by this Declaration of Condominium or the other above-mentioned documents shall not constitute a waiver of the right of the Association or of the Unit Owner to enforce such right, provision, covenant or condition in the future.

E. All rights, remedies and privileges granted to the Association or the Owner or Owners of a Condominium Unit, pursuant to any terms, provisions, covenants or conditions of the Declaration of Condominium or other above-mentioned documents, shall be deemed to be cumulative, and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies or privileges as may be available to such party at law or in equity.

F. The failure of Developer to enforce any right, privilege, covenant or condition which may be granted to it by this Declaration of Condominium or other above-mentioned document shall not constitute a waiver of the right of Developer to thereafter enforce such right, provision, covenant or condition in the future.

G. The failure of an Institutional Lender or Institutional Lenders, as said term is herein defined, to enforce any right, provision, privilege, covenant or condition which may be granted to it or them by this Declaration of Condominium or other above mentioned documents, shall not constitute a waiver of the right of said party or parties to thereafter enforce such right, privilege, covenant or condition in the future.

#### XXIX

#### RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS: RIGHTS RESERVED UNTO THE VETERANS ADMINISTRATION

A. "Institutional Lender" or "Institutional Lenders," as the terms are used herein, shall mean and refer to banks, savings and loan associations, insurance companies, other firms or entities customarily affording loans secured by first liens on residences, the Veterans Administration, the Federal Housing Administration and eligible insurers and governmental guarantors. In addition to any other rights set forth in this Declaration, so long as any Institutional Lender or Institutional Lenders shall hold any first mortgage upon any Condominium Unit or units, or shall be the owner of any Condominium Unit or Units, such Institutional Lender or Institutional Lenders shall have the following rights:

1. To approve the company or companies with whom casualty insurance is placed, and to be notified of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the

Association.

2. To examine, at reasonable times and upon reasonable notice, the books and records of the Association and to be furnished at least one copy of the annual financial statement and report of the Association, prepared by a certified public accountant designated by the Association, such financial statement and report to be furnished by May 15 of each calendar year.

3. To be given notice by the Association of the call of any meeting of the membership to be held for the purpose of considering: (1) any proposed Amendment to this Declaration of Condominium, or the Articles of Incorporation and By-Laws of the Association; (2) the proposed termination or abandonment of the Condominium; (3) the effectuation of any decision to terminate professional management of the Association and assume self-management by the Association. Such notice shall state the nature of the Amendment or action being proposed.

4. To be given notice of any delinquency in the payment of any assessment or charge (which delinquency remains uncured for a period of sixty (60) days) by any Owner owning a Condominium Unit encumbered by a mortgage held by the Institutional Lender or Institutional Lenders, such notice to be given in writing and to be sent to the principal office of such Institutional Lender or Institutional Lenders, or to the place which it or they may designate in writing.

5. To be given notice of any condemnation loss or casualty loss which affects a material portion of the Common Areas or a material portion of any Unit.

Whenever any Institutional Lender or Institutional Lenders desire the provisions of this Article to be applicable to it, it shall serve or cause to be served written notice of such fact upon the Association by Registered Mail or Certified Mail addressed to the Association and sent to its address stated herein, identifying the Condominium Unit or Units upon which any such Institutional Lender or Institutional Lenders hold any mortgage or mortgages, or identifying any Condominium Units owed by them, or any of them, together with sufficient pertinent facts to identify any mortgage or mortgages which may be held by it or them, and which notice shall designate the place to which notices are to be given by the Association to such Institutional Lender or Institutional Lenders.

B. So long as Developer retains the right to appoint a majority of the Board of Directors of the Association as set forth in Article XXX hereof, the following actions will require the prior approval of the Veterans Administration: amendment of the Declaration, including amendments under Article XXVII-B to add additional phases to the Condominium; and dedication of any Common Areas and Facilities.

**XXX**

**RIGHT OF DEVELOPER TO REPRESENTATION  
ON BOARD OF DIRECTORS OF THE ASSOCIATION**

For a period ending one hundred twenty (120) days after Developer ceases to own twenty-five percent (25%) or more of the Units in the Condominium, but in any event, no longer than five (5) years from the date of recording of the first

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conveyance of a Unit sold in Phase I of the Condominium, Developer shall have the right to designate and select a majority of the persons who shall serve as members of each Board of Directors of the Association.

In the event of dissolution of Developer at a time when it is the Owner of a Condominium Unit, then the rights of the Developer shall pass to and may be exercised by its successor receiving ownership of any such Condominium Unit in dissolution.

Whenever Developer shall be entitled to designate and select any person or persons to serve on any Board of Directors of the Association, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or By-Laws of the Association, and Developer shall have the right to remove any person or persons selected by it to act and serve on said Board of Directors and to replace such person or persons with another person or other persons to act and serve in the place of any Director or Directors so removed for the remainder of the unexpired term of any Director or Directors so removed. Any Director designated and selected by Developer need not be a resident in the Condominium. However, Developer shall be responsible for the payment of any assessments which may be levied by the Association against any Condominium Unit or Units owned by the said Developer, and for complying with the remaining terms and provisions hereof in the same manner as any other Owner of a Condominium Unit or Units.

XXXI

SEVERABILITY

In the event that any of the terms, provisions or covenants of this Declaration of Condominium are held to be partially or wholly invalid or unenforceable for any reason whatsoever, such holding shall not affect, alter, modify or impair in any manner whatsoever any of the other terms, provisions or covenants hereof or the remaining portions of any terms, provisions or covenants held to be partially invalid or unenforceable.

XXXII

LIBERAL CONSTRUCTION

The provisions of this Declaration of Condominium shall be liberally construed to effectuate its purpose of creating a uniform plan of Condominium ownership. Throughout this Declaration wherever appropriate the singular shall include the plural and the masculine gender shall include the feminine or neuter. The article headings are for convenience of reference only and shall not be considered terms of this Declaration.

XXXIII

DECLARATION OF CONDOMINIUM BINDING  
ON ASSIGNS AND SUBSEQUENT OWNERS

The restrictions and burdens imposed by the covenants of this Declaration of Condominium are intended to and shall constitute covenants running with the land, and shall constitute an equitable servitude upon each Condominium Unit and its appurtenant undivided interest in Common Property. This Declaration of Condominiums shall be binding upon Developer, its successors and assigns, and upon all parties who may subsequently become Owners of Condominiums uncured for a period of sixty (60) days by any Owner owning a Condominium Unit in the Condominium, and their respective heirs, legal representatives, successors and assigns.

XXXIV

AGENT FOR SERVICE OF PROCESS

Book 3623 page 222A

The following named individual is designated as the person to receive service of process for the Association:

Joseph P. Riddle III  
238 North McPherson Church Road  
Fayetteville, North Carolina 28303

XXXV

CONFLICTING PROVISIONS

To the extent the provisions of this Declaration conflict with any applicable provisions of the Fayetteville City Code or Chapter 47C of the General Statutes of North Carolina, the conflicting provision of the City Code or the North Carolina Statute shall control. In the event of a conflict between the North Carolina Statute and the City Code, then in that event, the North Carolina General Statute shall control.

IN WITNESS WHEREOF, BILTWELL, INC. has caused these presents to be executed in its name by its \_\_\_\_\_ President, attested by its \_\_\_\_\_ Secretary, and its corporate seal to be hereunto affixed, this the 24th day of October, 1990.

BILTWELL, INC.

By: Joseph P. Riddle III  
President



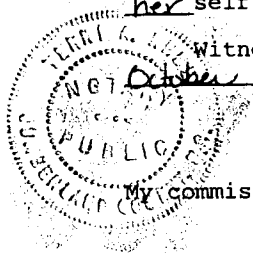
Sharlene R. Williams  
Secretary

(CORPORATE SEAL)

STATE OF NORTH CAROLINA

COUNTY OF CUMBERLAND

I, TERRI A. RHUE, a Notary Public, do hereby certify that Sharlene R. Williams personally appeared before me this day and acknowledged that she is the Secretary of Biltwell, Inc., and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal, and attested by her self as its Secretary.



Witness my hand and official seal, this the 24th day of October, 1990.

TERRI A. RHUE  
Notary Public

My commission expires: 9-11-95

The foregoing Certificate(s) of TERRI A. RHUE

is/are certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

By Michelle Washington Deputy/Assistant - Register of Deeds  
GEORGE E. TATUM REGISTER OF DEEDS FOR CUMBERLAND COUNTY,

EXHIBIT "A"

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PRESTON WOODS CONDOMINIUMS

PHASE ONE

Beginning at a point in the eastern right of margin of Marlborough Road, said point also being the northwest corner of Lot 28, Block "J", Section Three, Glendale Acres Subdivision as recorded in Plat Book 29, Page 58, Cumberland County Registry. Thence running 146.22 feet along the arc of a curve to the left having a radius of 466.47 feet to a point in the eastern right of way margin of Marlborough Road, thence leaving Marlborough Road North 45 degrees 23 minutes 55 seconds East 217.25 feet to a point; thence North 09 degrees 31 minutes 00 seconds West 212.81 feet to a point; thence North 80 degrees 29 minutes 00 seconds East 137.50 feet to a point; thence South 09 degrees 31 minutes 00 seconds East 169.66 feet to a point; thence North 79 degrees 50 minutes 00 seconds West 43.07 feet to a point; thence South 80 degrees 29 minutes 00 seconds West 47.59 feet to a point; thence South 10 degrees 44 minutes 00 seconds East 261.03 feet to a point; thence South 63 degrees 13 minutes 13 seconds West 176.94 feet to the point and place of Beginning and containing 1.454 acres, by D.M.D., more or less.

LE/le  
6/13/90

BOOK ~~3623~~ PAGE 223

EXHIBIT "B"

Condominium Book 3, Pages 87 through, 92, Cumberland County, North Carolina Registry.

EXHIBIT "C"

PERCENTAGE INTEREST FOR EACH POSSIBLE COMBINATION OF DEVELOPED PHASES SUBJECT TO DECLARATION

<u>Unit Numbers</u>	<u>Phase</u>	I	I-II	II-III	III-IV	IV-V	V-VI
1,2,3,4,5,6,7,8,9,10,11,12	I	8.333	4.166	2.777	2.083	1.666	1.388
1,2,3,4,5,6,7,8,9,10,11,12	II		4.166	2.777	2.083	1.666	1.388
1,2,3,4,5,6,7,8,9,10,11,12	III			2.777	2.083	1.666	1.388
1,2,3,4,5,6,7,8,9,10,11,12	IV				2.083	1.666	1.388
1,2,3,4,5,6,7,8,9,10,11,12	V					1.666	1.388
1,2,3,4,5,6,7,8,9,10,11,12	VI						1.388



EXHIBIT "D" TO PRESTON WOODS CONDOMINIUM DECLARATION

BY-LAWS  
OF  
PRESTON WOODS CONDOMINIUM ASSOCIATION, INC.

A Corporation not for profit under the laws of the State of North Carolina

1. **IDENTITY.** These are the By-Laws of Preston Woods Association, Inc., a non-profit corporation under the laws of the State of North Carolina, the Articles of Incorporation of which were filed in the Office of the Secretary of State (herein "Association"). It has been organized for the purpose of administering the operation and management of Preston Woods Condominiums, a condominium to be established in accordance with the laws of the State of North Carolina upon the property situate, lying and being in Cumberland County, North Carolina, and described in Exhibit "A" of the Declaration of Condominium and each subsequent amendment thereto, and incorporated herein by reference (herein "Condominium").

A. The provisions of these By-Laws are applicable to the Condominium, and the terms and provisions hereof are expressly subject to the terms, provisions, conditions and authorizations contained in the Articles of Incorporation and in the Declaration of Condominium which will be recorded in the Cumberland County Public Registry, North Carolina, at the time said property and the improvements now situated thereon are submitted to the plan of condominium ownership, the terms and provisions of said Articles of Incorporation and Declaration of Condominium to be controlling wherever they may be in conflict herewith.

B. All present or future owners, tenants, future tenants, or their employees, or any other person that might use the Condominium or any of the facilities thereof in any manner, are subject to the regulations set forth in these By-Laws and in said Articles of Incorporation and Declaration of Condominium.

C. The office of the Association shall be at such place in Cumberland County, North Carolina, as the Board of Directors shall designate from time to time.

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

2. **MEMBERSHIP, VOTING, QUORUM, PROXIES.**

A. The qualification of members, the manner of their admission to membership and termination of such membership, and voting by members, shall be as set forth in Article VI of the Articles of Incorporation of the Association, the provisions of which said Article VI of the Articles of Incorporation are incorporated herein by reference.

B. A quorum at members' meetings shall consist of persons entitled to cast a majority of the votes of the entire membership. The joinder of a member in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purpose of determining a quorum.

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

D. Votes may be cast in person or by proxy. Proxies shall be valid only for the particular meeting designated thereon and must be filed with the Secretary before the appointed time of the meeting.

E. Approval or disapproval of a Unit Owner upon any matter, whether or not the subject of an Association meeting, shall be by the same person who would cast the vote of such Owner if in an Association meeting.

F. The terms "75% of the members" or "75% of the membership," (or "3/4" in lieu of "75%") when used in the context of membership voting rights, shall mean the owners of at least 75% of the aggregate interest in the Common Areas and Facilities.

G. Except where otherwise required under the provisions of the Articles of Incorporation of the Association, these By-Laws, the Declaration of Condominium, or whether the same may otherwise be required by law, the affirmative vote of the persons entitled to cast a majority of the votes at any duly called members' meeting at which a quorum is present shall be binding upon the members.

**3. ANNUAL AND SPECIAL MEETING OF MEMBERSHIP.**

A. The annual membership meeting shall be held at a time and place designated by the Board of Directors, on the first Tuesday in May of each year, or as soon thereafter as is deemed practicable by the Board of Directors for the purpose of electing Directors and of transacting any other business authorized to be transacted by the Members.

B. Special Members' Meetings shall be held whenever called by the President or Vice President or by a majority of the Board of Directors and must be called by such Officers upon receipt of written request from members of the Association owning one-fourth (1/4) of the Condominium Units.

C. Notice of all members' meetings, regular or special, shall be given by the President, Vice-President or Secretary of the Association, or other Officer of the Association in absence of said Officers, to each member, unless waived in writing, such notice to be written and to state the time and place and purpose for which the meeting is called. Such notice shall be given to each member not less than ten (10) days nor more than sixty (60) days prior to the date for such meeting, which notice shall be mailed or delivered personally to each member within said time. If delivered personally, receipt of such notice shall be signed by the member, indicating the date on which such notice was received by him. If mailed, such notice shall be deemed to be properly given when deposited in the United States Mail addressed to the member at his post office address as it appears on the Register of Owners of the Association as of the date of mailing such notice, the postage thereon prepaid. Proof of such mailing shall be given by the Affidavit of the person giving the notice. Any member may,

by signed written waiver of notice, waive such notice and, when filed in the records of the Association, whether before or after the holding of the meeting, such waiver shall be deemed equivalent to the giving of notice to the member. If any members' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the membership required to constitute a quorum for particular purposes has not attended (wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these By-Laws or the Declaration of Condominium) the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum, or the required percentage of attendance, if greater than a quorum, is present.

D. The order of business as far as practical at any members' meetings, shall be:

- |           |   |
|-----------|---|
| proxies;  | 1. Calling of the roll and certifying of    |
| notice;   | 2. Proof of notice of meeting or waiver of  |
| minutes;  | 3. Reading and disposal of any unapproved   |
| Chairman; | 4. Reports of Officers;                     |
|           | 5. Reports of Committees;                   |
|           | 6. Appointment of Inspectors of Election by |
|           | 7. Unfinished business;                     |
|           | 8. New Business, and                        |
|           | 9. Adjournment.                             |

#### 4. BOARD OF DIRECTORS.

A. The initial Board of Directors of the Association and each succeeding Board of Directors shall consist of three (3) persons. Notwithstanding the foregoing, so long as the developer, Biltwell, Inc., a North Carolina Corporation (herein "Developer") owns twenty-five (25%) percent of the total Condominium Units in Preston Woods Condominiums, but in any event longer than five (5) years from the date of recording of the first conveyance of a Unit sold in Phase I of the Condominium, the Developer shall have the right to select a majority of the persons who shall serve as members of each Board of Directors of the Association. Any Director selected by Developer need not be a resident in the Condominium.

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

1. Developer shall, at the beginning of the election of the Board of Directors, select the number of the members of the Board of Directors which it shall be entitled to select in accordance with the provisions of these By-laws, and upon such selection of Developer by written instrument presented to the meeting at which such election is held, said individuals so selected by Developer shall be considered Directors of the Association, and shall thenceforth perform the offices and duties of such Directors until their successors have been elected in accordance with the provisions of these By-laws.

2. All members of the Board of Directors whom Developer shall not be entitled to select under the terms and provisions of these By-Laws, shall be elected by a plurality of the votes cast at the Annual Meeting of the members of the Association immediately following the

selection of the members of the Board of Directors whom Developer shall be entitled to select.

3. Vacancies in the Board of Directors may be filled until the date of the next Annual Meeting by the remaining Directors, except that should any vacancy in the Board of Directors be created in any Directorship previously filled by any person selected by Developer, such vacancy shall be filled by Developer selecting by written instrument delivered to any Officer of the Association, the successor Director to fill the vacated Directorship or the unexpired term thereof.

4. The initial Board of Directors will consist of three members whose names are set forth in the Articles of Incorporation. From and after the date of the first annual meeting of members, there shall be three (3) Directors. The initial Board shall serve until their successors at the first Annual Meeting of members are elected and qualify. Each Director shall hold office for a term of one (1) year or until his death, resignation, retirement, removal, disqualification or until his successor is elected and qualifies. If at the time of the first Annual Meeting, Developer owns twenty-five (25%) percent of the total Condominium Units in the Condominium, then Developer shall have the right to designate and select two (2) Directors.

5. In the election of Directors, there shall be appurtenant to each Condominium Unit a total vote equal to the number of Directors to be elected multiplied by the Unit's appurtenant undivided interest in the Common Area as set forth in Exhibit "C" of the Declaration; provided, however, that no member or Owner of one (1) Condominium Unit may cast a vote greater than the Unit's appurtenant undivided interest in the Common Area for any one person nominated as a Director so that voting for Directors shall be noncumulative. Notwithstanding the fact that Developer may be entitled to select a majority of the members of the Board of Directors, it shall still be entitled to cast the vote for each Condominium Unit owned by it in the elections of other Directors; provided, however, that the other Directors elected are persons other than Officers, Directors, Stockholders and Employees of Developer, or wives and relatives of any said persons.

6. In the event that Developer, in accordance with the rights herein established, selects any person to serve on any Board of Directors of the Association, Developer shall have the absolute right at any time, in its sole discretion, to replace such person with another person to serve on any Board of Directors. Replacement of any person designated by Developer to serve on any Board of Directors of the Association shall be made by written instrument delivered to any officer of the Association, which instrument shall specify the name of the person to be replaced and the name of the person designated as successor to the person designated as successor to the person so removed from the Board of Directors. The removal of any Director and designation of his successor shall be effective immediately upon delivery of such written instrument by Developer to any officer of the Association.

C. The organizational meeting of each newly elected Board of Directors shall be held within ten (10) days of their election, at such time and at such place as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organizational

meeting shall be necessary, provided a quorum shall be present.

D. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone or telegram, at least three (3) days prior to the day named for such meeting, unless notice is waived.

E. Special meetings of the Directors may be called by the President, and must be called by the Secretary at the written request of one-third of the votes of the Board. Not less than three (3) days notice of a meeting shall be given to each Director, personally or by mail, telephone or telegram, which notice shall state the time, place and purpose of the meeting.

F. Any Director may waive notice of a meeting before or after the meeting, and such waiver shall be deemed equivalent to the giving of notice.

G. A quorum at a Directors' meeting shall consist of the Directors entitled to cast a majority of the votes of the entire Board. The acts of the Board approved by a majority of the votes cast at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except as specifically otherwise provided in the Articles of Incorporation, or these By-Laws of the Declaration of Condominium. If any Directors' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the Directors required to constitute a quorum for particular purposes has not attended, wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these By-Laws or Declaration of Condominium, the Directors who are present may adjourn the meeting from time to time until a quorum, or the required percentage of attendance if greater than a quorum, is present. At any adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such Director for the purpose of determining a quorum.

H. The Presiding Officer of Directors' meeting shall be the Chairman of the Board, if such an Officer has been elected; and if none, then the President of the Association shall preside. In the absence of the Presiding Officer, the Directors present shall designate one of their number to preside.

I. Directors' fees, if any, shall be determined by the members.

J. All of the powers and duties of the Association shall be exercised by the Board of Directors, including those existing under the common law and statutes, the Articles of Incorporation of the Association, these By-Laws and the Declaration of Condominium. Such powers and duties shall be exercised in accordance with said Articles of Incorporation, these By-Laws and the Declaration of Condominium, and shall include, without limiting the generality of the foregoing, the following:

1. To make, levy and collect assessments and members and members' Condominium Units to defray the costs of the Condominium, as provided for in Article 23 of the Declaration of Condominium, which Article is hereby incorporated by reference, and to use the proceeds of said assessments in the exercise of the powers and duties granted unto the Association;

2. To maintain, repair, replace, operate and manage the common Areas and Facilities wherever the same is required to be done and accomplished by the Association for the benefit of its members; and further to approve any expenditure made or to be made for said purposes;

3. To reconstruct any part of the Common Property after casualty in accordance with Article 21 of the Declaration of Condominium, and to make further improvement to the Common Property, real and personal, and to make and to enter into any and all contracts necessary or desirable to accomplish said purpose;

4. To make, amend and enforce regulations governing the use of Common Property and Condominium Units so long as such regulations or amendments thereto do not conflict with the restrictions and limitations which may be placed upon the use of such property under the terms of the Articles of Incorporation and Declaration of Condominium;

5. To acquire, operate, lease, manage and otherwise trade and deal with property, real and personal, including Condominium Units in the Condominium as may be necessary or convenient in the operation and management of the Condominium, and in accomplishing the purposes set forth in the Declaration of Condominium, provided that the acquisition of real property other than Condominium Units shall require the approval of the Association;

6. To acquire now or at any time hereafter, and to enter into leases and agreements whereby the Association acquires leaseholds, memberships, and other possessory or use interests in lands or facilities, including, but not limited to, swimming pools, tennis and other recreational facilities whether or not contiguous to the lands of the Condominium, to provide enjoyment, recreation or other use or benefit to the Owners of Condominium Units.

7. To contract for the management of the Condominium and to designate to such contractor all of the powers and duties of the Association, except those which may be required by the Declaration of Condominium to have approval of the Board of Directors or membership of the Association subject to the provisions of paragraph L hereinbelow as to the nonbinding effect of certain of such contracts entered into by the initial Board of Directors;

8. To enforce by legal means or proceedings the provisions of the Articles of Incorporation and By-Laws of the Association, the Declaration of Condominium and the regulations hereinafter promulgated governing use of the Common Property in the Condominium;

9. To pay all taxes and assessments which are or may become liens against any part of the Condominium, other than Condominium Units and the appurtenances thereto, and to assess the same against the members and their respective Condominium Units subject to such liens;

10. To purchase insurance for the protection of the members and the Association against casualty and liability in accordance with Article 20 of the Declaration of Condominium;

11. To pay all costs of power, water, sewer and other utility services rendered to the Condominium and not billed to the Owners of the separate Condominium Units; and

12. To designate and remove personnel necessary for the maintenance, repair, replacement and operation of the Condominium, including Common Property.

K. The initial Board of Directors of the Association shall be comprised of three (3) persons designated to serve as Directors in the Articles of Incorporation, which persons shall serve until their successors are elected at the first Annual Meeting of the members of the Association called after the Declaration of Condominium has been recorded in the Cumberland County Public Registry, North Carolina. Should any member of the initial Board of Directors be unable to serve for any reason, the remaining members of the Board of Directors shall have the right to designate a party to serve as a Director for the unexpired term.

L. The undertakings, contracts and/or leases authorized by the initial Board of Directors or authorized by the Board during any period of time in which the Developer has control of the Board (including any management contract) shall not be binding directly or indirectly upon the Association unless there is a right of termination of any such undertaking, contract or lease, without cause, which is exercisable without penalty at any time after Developer's control ceases, upon no more than ninety (90) days notice to the other party.

M. Any one or more of the members of the Board of Directors may be removed, either with or without cause, at any time by a vote of the members owning a majority of the Condominium Units in the Condominium, at any Special Meeting called for such purpose, or at the Annual Meeting. Provided, however, that only the Declarant shall have the right to remove a Director appointed by it.

#### 5. OFFICERS.

A. The executive officers of the Association shall be a President, who shall be a Director, a Vice President, a Treasurer, a Secretary and an Assistant Secretary, all of whom shall be elected annually by the Board of Directors and who may be peremptorily removed by a vote of the Directors at any meeting. Any persons may hold two or more offices, except that the President shall not also be Vice President, Secretary or an Assistant Secretary. The Board of Directors shall from time to time, elect such other officers and designate their power and duties as the Board shall find to be required to manage the affairs of the Association.

B. The President shall be the Chief Executive Officer of the Association. He shall have all the powers and duties which are usually vested in the office of the president of any association, including the power to appoint committees from among the members as he may determine appropriate to assist in the conduct of the affairs of the Association.

C. The Vice President shall, in the absence of disability of the President, exercise the powers and perform the duties of President. He shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Directors.

D. The Secretary shall keep the minutes of all proceedings of the Directors and the members. He shall attend to the giving and serving of all notices to the members and Directors, and such other notices required by law. He shall have custody of the seal of the Association, and affix the same to instruments requiring a seal when duly signed. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of Secretary of an Association and as may be required by the Directors or the President. The Assistant Secretary shall perform the duties of Secretary when the Secretary is absent.

E. The Treasurer shall have custody of all of the property of the Association, including funds, securities and evidence of indebtedness. He shall keep, or supervise the keeping of, detailed accurate records in chronological order of the receipts and expenditures affecting the common areas and facilities, specifying and identifying the maintenance and repair expenses of the common areas and facilities and any other expense incurred.

F. The compensation of all officers and employees of the Association shall be fixed by the Directors. This provision shall not preclude the Board of Directors from employing a Director as an employee of the Association, nor preclude the contracting with a Director for the management of the Condominium.

G. All Officers shall serve at the pleasure of the Board of Directors and any Officer may be removed from office at any time, with or without cause, by a majority vote of the Board of Directors.

#### 6. FISCAL MANAGEMENT.

The provisions for fiscal management of the Association set forth in the Declaration of Condominium and Articles of Incorporation shall be supplemented by the following provisions:

A. The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each Condominium Unit. Such account shall designate the name and address of the Unit Owner or Owners, the amount of each assessment against the Owners, the dates and amounts in which assessments come due, the amounts paid upon the account and the balance due upon assessments.

B. The Board of Directors shall adopt a budget for each calendar year which shall contain estimates of the cost of performing the functions of the Association, including but not limited to the following:

1. Common Expense Budget, which may include, without limiting the generality of the foregoing, the estimated amounts necessary for maintenance and operation of and capital improvements to the Common Property including landscaping, streets and walkways, office expense, utility services, casualty insurance, liability insurance, administration and reserves (operating and Capital



Improvement Replacement), management fees and costs of maintaining leaseholds, memberships and other possessory or use interests in lands or facilities whether or not contiguous to the lands of the Condominium, to provide enjoyment, recreation or other use or benefit to the Unit Owners; and

2. Proposed assessments against each member and his unit.

Copies of the proposed budget and proposed assessments shall be transmitted to each member prior to January 1 of the year for which the budget is made. If the budget is subsequently amended before the assessments are made, a copy of the amended budget shall be furnished each member concerned. Non-delivery of a copy of any budget or amended budget to each member shall not affect the liability of any member for any such assessment, nor shall delivery of a copy of such budget or amended budget be considered as a condition precedent to the effectiveness of said budget and assessments levied pursuant thereto and nothing herein contained shall be construed as restricting the right of the Board of Directors, at any time in their sole discretion, to recommend any additional assessments in the event that the budget originally adopted shall appear to be insufficient to pay costs and expenses of operation and management, or in the event of emergencies, and to levy such assessments upon a vote of the Unit Owners owning two-thirds (2/3rds) of the Common Areas and Facilities.

C. The Board of Directors shall retain professional management services to be primarily responsible for fiscal management of the Association and maintaining the Condominium, but which may perform such other powers and duties of the Association as may be delegated to it and contracted for by the Board of Directors. Any management agreement for the Condominium will be terminable by the Association for cause upon 30 days' written notice thereof, and the term of any such agreement may not exceed one year, renewable by agreement of the parties for successive one-year periods.

The prior written approval of lenders holding 60% of the first mortgage will be required for the effectuation of any decision by the owners association to terminate professional management and assume self-management of the project.

D. The depository of the Association shall be such bank or banks as shall be designated from time to time by the Directors and in which the funds of the Association shall be deposited. Withdrawal of funds from such accounts shall be only by checks signed by such persons as are authorized by the Directors.

E. The books and all supporting documentation shall be available for examination by all Unit Owners and their Lenders or their agents during normal business hours.

F. An audit of the accounts of the Association shall be made annually by a Certified Public Accountant, and a copy of the report shall be furnished to each member not later than April 1 of the year following the year for which the report is made.

G. Fidelity bonds shall be required by the Board of Directors from all officers and employees of the Association and from any contractor handling or responsible

for Association funds. The amount of such bonds shall be determined by the Directors. The premiums on such bonds shall be paid by the Association.

7. **PARLIAMENTARY RULES.** Roberts Rules of Order (latest edition) shall govern the conduct of corporate proceedings when not in conflict with the Articles of Incorporation and these By-Law or with the Statutes of the State of North Carolina.

8. **AMENDMENTS TO BY-LAWS.** Amendments to these By-Laws shall be proposed and adopted in the following manner:

A. Amendments to these By-Laws may be proposed by the Board of Directors of the Association acting upon a vote of the majority of the Directors, or by members of the Association owning a majority of the Condominium Units in the Condominium, whether meeting as members or by instrument in writing signed by them.

B. Upon any amendment to these By-Laws being proposed by said Board of Directors or members, such proposed amendment shall be transmitted to the President of the Association, or other Officer of the Association in the absence of the President, who shall thereupon call a Special Joint Meeting of the members of the Board of Directors of the Association and the membership for a date not sooner than twenty (20) days or later than sixty (60) days from receipt by such Officer of the proposed amendment and it shall be the duty of the Secretary to give to each member written notice of such meeting in the same form and in the same manner as notice of the call of Special Meeting of the members is required as herein set forth.

C. In order for such amendment to become effective, it must be approved by an affirmative vote of a majority of the entire membership of the Board of Directors and by an affirmative vote of the members owning not less than three-fourths of the Condominium Units in the Condominium. Thereupon, such amendment or amendments to these By-Laws shall be transcribed, certified by the Secretary of the Association, and a copy thereof shall be recorded in the Cumberland County Public Registry, North Carolina, within twenty (20) days from the date on which any amendment has been approved by the Directors and members. No amendment shall become effective until it is duly recorded.

D. Upon the approval and proper recording of any amendment, it shall become binding upon all Unit Owners.

E. At any meeting held to consider any amendment to the By-Laws, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association at or prior to such meeting.

F. Notwithstanding the foregoing provisions of this Article 8, no amendment to these By-Laws which shall abridge, amend or alter the right of the developer to designate and select members of each Board of Directors of the Association, as provided in Article 4 hereof, may be adopted or become effective without the prior written consent of the Developer.

G. Notwithstanding the foregoing provisions of this Article 8, no material alteration, amendment or modification of these By-Laws shall become effective without the prior written consent of Institutional Lenders (as defined in Article XXIX of the Declaration) holding first mortgage loans on Units representing at least fifty-one (51%) percent of the votes in the Association being first had and obtained. Any change to the provisions of these By-Laws that affects any of the following shall be deemed material: voting rights; assessments, assessment liens, or subordination of assessment liens; reserves for maintenance, repair and replacement of Common Areas; responsibility for maintenance and repairs; reallocation of interests in the Common Areas or Limited Common Areas, or rights to their use; boundaries of any Unit; convertibility of Units into Common Areas or vice versa; expansion or contraction of the Condominium, or the addition, annexation or withdrawal of property to or from the Condominium; insurance or fidelity bonds; leasing of Units; imposition of any restrictions on a Unit Owner's right to sell or transfer his or her Unit; a decision by the owners' association to establish self management; restoration or repair of the Condominium; any provisions that expressly benefit Institutional Lenders.

H. So long as Developer retains the right to appoint a majority of the Board of Directors of the Association as set forth in Article XXX of the Declaration and Article 4 of these By-Laws, any amendment to these By-Laws shall require the prior approval of the Veterans Administration.

9. **AVAILABILITY OF DOCUMENTS AND RECORDS.** The Board of Directors shall cause to be maintained at the office of the Association a file containing current copies of the Declaration, the Articles of Incorporation, these By-Laws, any Rules and Regulations applicable to the Condominium, and other books, records and financial statements of the Association. Such file and the documents and information contained therein shall be available for inspection, upon request, during normal business hours, to all Unit Owners, Institutional Lenders (as defined in Article XXIX of the Declaration) and prospective purchasers, all of whom may also, upon request and payment of a reasonable charge determined by the Board of Directors, obtain copies thereof.

10. **RULES OF CONDUCT.**

A. No resident of the Condominium shall post any advertisements or posters of any kind in or on the Common Property except as authorized by the Association.

B. Residents shall exercise extreme care about making noises or the use of musical instruments, radios, television sets and amplifiers that may disturb other residents. Those keeping domestic animals will abide by the sanitary regulations of Cumberland County.

C. No garbage or trash shall be thrown or deposited outside the disposal installations provided for such purposes.

D. No Unit Owner shall cause any improvements or alterations to be made to the exterior of the Condominium (including painting or other decoration, or the installation of electrical wiring, television or radio antennae, or any other objects, machines or air conditioning units which may protrude through the walls or roof of the Condominium) or in any manner alter the appearance of any portion of the

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exterior surface of any building without the prior written permission of the Board of Directors or a duly appointed Architectural Control Committee. No Unit Owner shall cause any object to be fixed to the Common Property or to any Limited Common Area (including the location or construction of fences or the planting or growing of flowers, trees, shrubs or other vegetation) or in any manner change the appearance of the Common Area without the prior written permission of the Board of Directors or a duly appointed Architectural Control Committee.

11. **COMPLIANCE.** These By-Laws are set forth to comply with the requirements of the Unit Ownership Act, Chapter 47A of the General Statutes of the State of North Carolina. In the event that any of these By-Laws conflict with the provisions of said statute, it is hereby agreed and accepted that the provisions of the statute will apply.

The foregoing were adopted as the By-Laws of PRESTON WOODS CONDOMINIUM ASSOCIATION, INC., at the first meeting of the Board of Directors on October 24, 1990.

Sharlene B. Williams  
Secretary

(CORPORATE SEAL)

APPROVED:

Joseph P. Piddle III  
President

EXHIBIT "E" TO PRESTON WOODS CONDOMINIUMS DECLARATION

ARTICLES OF INCORPORATION

OF

PRESTON WOODS CONDOMINIUM ASSOCIATION, INC.

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

ARTICLE I

The name of the Corporation is PRESTON WOODS CONDOMINIUM ASSOCIATION, INC., hereinafter called the "Corporation."

ARTICLE II

The principal and registered office of the Corporation is located at 238 North McPherson Church Road, Fayetteville, Cumberland County, North Carolina.

ARTICLE III

F. Calvin Riddle, Jr., whose address is 238 North McPherson Church Road, Fayetteville, North Carolina 28303 is hereby appointed the initial registered agent of the corporation.

ARTICLE IV

The Corporation does not contemplate pecuniary gain or profit to the members thereof, and no part of the Corporation's net income shall inure to the benefit of any of its officers, directors or members or any other private individual. The purposes and objects of the Corporation, shall be to administer the operation and management of PRESTON WOODS CONDOMINIUMS (hereinafter called "the Condominium"), a condominium to be established in accordance with the laws of the State of North Carolina upon the property situate, lying and being in Cumberland County, North Carolina and more particularly described in Exhibit "A" of the formal Declaration of Condominium which will be recorded in the Public Records of Cumberland County, North Carolina, said Exhibit and Declaration of Condominium being incorporated herein by reference; to undertake the performance of the acts and duties incident to the administration of the operation and management of said Condominium in accordance with the terms, provisions, conditions and authorizations contained in these Articles of Incorporation and the Declaration of Condominium and each subsequent amendment thereto at the time said property, and the improvements now or hereafter situated thereon, are submitted to the plan of Condominium Ownership; and to own, operate, lease, sell, trade and otherwise deal with such property, whether real or personal, as may be necessary or convenient in the administration of said Condominium.

ARTICLE V

The Corporation shall have the following powers:

1. The Corporation shall have all of the powers and privileges granted to Non-Profit Corporations under the law pursuant to which this Corporation is chartered, and all of the powers and privileges which may be granted unto said Corporation under any other applicable laws of the State of North Carolina, including the Unit Ownership Act.

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

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

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

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

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

(e) To acquire and enter into, now or at any time hereafter, leases and agreements whereby the Association acquires leaseholds, memberships and other possessory or use interests in land or facilities including, but not limited to, swimming pools, tennis courts, and other recreation facilities whether or not contiguous to the lands of the Condominium to provide enjoyment, recreation or other use or benefit to the owners of Condominium Units.

(f) To enforce the provisions of the Declaration of Condominium, these Articles of Incorporation, the By-Laws of the Corporation which may be hereafter adopted, and the rules and regulations governing the use of the Condominium as the same may be hereafter established.

(g) To exercise, undertake and accomplish all of the rights, duties and obligations which may be granted to or imposed upon the Corporation pursuant to the Declaration of Condominium aforementioned.

#### ARTICLE VI

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

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

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

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

4. On all matters which the membership shall be entitled to vote, each Condominium Unit shall have a vote equal to its appurtenant undivided interest in the Common Area as set forth in Paragraph 4 of the Declaration of Condominium. The vote of each Unit may be cast or exercised by the Owner or Owners of each Condominium Unit in such manner as may be provided in the By-Laws hereafter adopted by the Corporation. Should any member own more than one Condominium Unit, such member shall be entitled to exercise or cast the votes associated with each Condominium Unit owned in the manner provided by said By-Laws.

5. Until such time as the property and the improvements constructed thereon are submitted to a plan of condominium ownership by the recordation of the Declaration of Condominium, the membership of the Corporation shall be comprised of the three (3) individuals named in Article XI hereof as the initial Board of Directors of the Corporation, and each such individual shall be entitled to cast one vote on all matters on which the membership shall be entitled to vote.

#### ARTICLE VII

The Corporation shall have perpetual existence.

#### ARTICLE VIII

The affairs of this Corporation shall be managed by the President of the Corporation, assisted by the Vice President, Secretary and Treasurer, subject to the directions of the Board of Directors. The Board of Directors, or the President with the approval of the Board of Directors, may employ a Managing Agent and/or such other managerial and supervisory personnel or entities to administer or assist in the administration of the operation and management of the Condominium, and the affairs of the Corporation, and any such person or entity may be so

employed without regard to whether such person or entity is a member of the Corporation or a Director or Officer of the Corporation, as the case may be.

#### ARTICLE IX

The number of members of the first Board of Directors of the Corporation shall be three (3). The number of members of succeeding Boards of Directors shall be as provided from time to time by the By-Laws of the Corporation. The members of the Board of Directors shall be elected by the members of the Corporation at the Annual Meeting of the membership as provided by the By-Laws of the Corporation, and at least a majority of the Board of Directors shall be members of the Corporation or shall be authorized representatives, officers or employees of a corporate member of the Corporation. Notwithstanding the foregoing, so long as Biltwell, Inc., a North Carolina corporation, owns twenty-five (25%) percent of the total Condominium Units in the Condominium, but in any event, not longer than five (5) years from the date of closing and recording of the first conveyance of a Unit in Phase I of the Preston Woods Condominium Project, said Biltwell, Inc. shall have the right to designate and select a majority of the persons who shall serve as members of each Board of Directors of the Corporation. Biltwell, Inc. may designate and select the person or persons to serve as a member or members of each said Board of Directors in the manner provided in the By-Laws of the Corporation, and such person or persons so designated and selected need not be a resident of the Condominium.

#### ARTICLE X

The Board of Directors shall elect a President, Vice President, Secretary and Treasurer. The President shall be elected from among the membership of the Board of Directors, but no other officer need be a Director. The same person may hold two offices, the duties of which are not incompatible; provided, however, that the office of President and Vice President shall not be held by the same person, nor shall the office of President and Secretary be held by the same person.

#### ARTICLE XI

The names and post office address of the initial Board of Directors, who, subject to the provisions of these Articles of Incorporation, the By-Laws and the laws of the State of North Carolina, shall hold office until the first Annual Meeting of the Membership (or until their successors are elected and qualify) are as follows:

<u>Name</u>	<u>Address</u>
Joseph P. Riddle III	238 N. McPherson Church Road Fayetteville, N.C. 28303
F. Calvin Riddle, Jr.	238 N. McPherson Church Road Fayetteville, N.C. 28303

#### ARTICLE XII

The original By-Laws of the Corporation shall be adopted by a majority vote of the members of the Corporation present at a meeting of members at which a majority of the membership is present, and thereafter, such By-Laws may be altered or rescinded only in such manner as said By-Laws



provide.

#### ARTICLE XIII

Every Director and every officer of the Corporation shall be indemnified by the Corporation against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a Director or Officer of the Corporation, whether or not he is a Director or Officer at the time such expenses are incurred, except in such cases wherein the Director Officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that, in the event of any claim for reimbursement or indemnification, the indemnification herein shall only apply if the Board of Directors approves such settlement and reimbursement as being in the best interests of the Corporation. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Director or Officer may be entitled.

#### ARTICLE XIV

An amendment or amendments to these Articles of Incorporation shall require the assent of the Unit Owners owning seventy-five (75%) percent of the Common Areas and Facilities.

Material amendments to these Articles of Incorporation must be approved by Institutional Lenders as set forth in Article XXVII (D) of the Declaration of Condominium.

No amendment to these Articles of Incorporation which shall abridge, amend or alter the right of Biltwell, Inc. to designate and select members of each Board of Directors of the Corporation as provided in Article IX hereof, may be adopted or become effective without the prior written consent of Biltwell, Inc.

#### ARTICLE XV

The Corporation may be dissolved with the assent given in writing and signed by not less than three-fourths (3/4ths) of the voting members. Upon dissolution of the Corporation, other than incident to a merger or consolidation, the assets of the Corporation shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Corporation was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to such similar purposes.

#### ARTICLE XVI

As long as the Developer (Biltwell, Inc.) maintains a controlling interest in the Association, the following actions will require the prior approval of the Veterans Administration and/or the Federal Housing Administration: Annexation of additional properties, mergers and consolidations, mortgaging of Common Area, dedication of Common Area, dissolution or amendment of the Articles of Incorporation.

ARTICLE XVII

As an additional annual assessment, the Association shall levy against the Owners equally an amount sufficient to pay the annual cost of liability insurance premiums for such insurance on the Common Area and the amount of ad valorem property taxes and/or special assessments levied by any lawful governmental authority on the Common Area. It shall be the duty of the Association to pay all such premiums and taxes promptly when they shall become due. Upon default by the owners Association in the payment to the governmental authority entitled thereto of any ad valorem taxes levied against the common areas or assessments for public improvements to the common areas, which default shall continue for a period of six (6) months, each owner of a building site in the development shall become personally obligated to pay to the tax assessing governmental authority a portion of such taxes or assessments in an amount determined by dividing the total taxes and/or assessments due by the total number of building sites in the development. If such sum is not paid by the owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the building site of the then owner, his heirs, devisees, personal representatives and assigns, and the taxing or assessing governmental authority may either bring an action at law against the owner personally obligated to pay the same or may elect to foreclose the lien against the property of the owner.

ARTICLE XVIII

The name and address of the Incorporator is as follows:

Joseph P. Riddle III  
238 North McPherson Church Road  
Fayetteville, North Carolina 28303

IN TESTIMONY WHEREOF, I, being the Incorporator, have hereunto set my hand and seal, this 24th day of October, 1990.

Joseph P. Riddle III (SEAL)  
Joseph P. Riddle III

STATE OF NORTH CAROLINA

COUNTY OF CUMBERLAND

I, Terri A. Rhue, a Notary Public in and for the State and County aforesaid, do hereby certify that Joseph P. Riddle III personally appeared before me and acknowledged the due execution of the foregoing instrument for the purposes therein contained.

WITNESS my hand and Notarial Seal this 24th day of October, 1990.

Terri A. Rhue  
NOTARY PUBLIC

My commission expires: 9-11-95