

12/14/04
Book 11142
Page 1701

(Return to White Oak Properties, Inc., 21 Glenwood Avenue, #203, Raleigh, NC, 27603.)
NORTH CAROLINA

WAKE COUNTY

DECLARATION OF CONDOMINIUM

THIS DECLARATION OF CONDOMINIUM is made and entered into the 14 day of December, 2004, by Waterford at Cary Park, LLC., a North Carolina Limited Liability Corporation, ("Declarant"), pursuant to the provisions of Chapter 47C of the North Carolina General Statutes.

1. ESTABLISHMENT.

Declarant is the owner in fee simple of real property in Wake County, North Carolina, more particularly described in Paragraph 2 below; and

Declarant intends to construct three multi-story buildings on the Property (as defined herein) containing varying numbers of residential condominium units per building (18, 18 and 16 respectively) for sale as individual units and to sell and convey the same to various purchasers subject to the covenants, conditions and restrictions hereinafter set forth; and

Declarant intends and desires by the filing of this Declaration of Condominium to submit the property described in Paragraph 2 below and improvements to be constructed thereon together with all of the appurtenances thereto to the provisions of Chapter 47C of the North Carolina General Statutes, (NORTH CAROLINA CONDOMINIUM ACT), and hereby declares the same to be known and identified as "WATERFORD @ CARY PARK CONDOS, a condominium." Declarant will convey said property subject to certain protective covenants, conditions and restrictions as hereinafter set forth and as previously set forth in a Declaration of Covenants, Conditions, Restrictions and Easements for Cary Glen recorded in Book 8218, Page 1742, Wake County Registry and as amended in Book 9494, Page 2382-2386, Wake County Registry.

2. PROPERTY DESCRIPTION.

All that certain property situated, lying and being in Wake County, North Carolina, and being more particularly described in Exhibit "A" attached hereto and incorporated herein by reference (the "Property"), together with the improvements to be constructed thereon as referenced in Exhibit "B1", including complete descriptions and plans of the units with their respective locations and dimensions. A more specific description can be found in Condominium File No. 314; Page 41 Wake County Registry which is incorporated herein by reference. Such plans bear a verified statement that they are an accurate copy of the building plans.

3. FORM OF ADMINISTRATION.

The property of the Condominium and its business shall be managed, controlled, directed and administered by the Waterford @ Cary Park Condominium Homeowners Association, Inc. (hereinafter the "Association") as provided in the Articles of Incorporation and By-Laws of the Association, which Articles of Incorporation and By-

Laws are attached hereto as Exhibits "C" and "D" and made a part hereof. Each Unit Owner shall be a member of the Association. Further the Association shall be subordinate to and each Unit Owner a member of Cary Park Property Owners Association as recorded in Book 8218, Page 1742 and as amended in Book 9494, Page 2382-2386, Wake County Registry.

All powers granted in this Declaration or the By-Laws to the Association shall be exercisable by the Board of Directors, except as expressly provided in the Declaration, the By-Laws, or Chapter 47C of the North Carolina General Statutes.

Declarant shall transfer control of the Association to the Unit Owners on or before June 30, 2005.

4. UNIT DESIGNATION.

Declarant does hereby establish within the Property fifty two (52) units, and does hereby designate all such units for separate ownership. Each unit owner's interest in the estate will be held in fee simple. Each unit is identified by a specific numerical designation with a separate street address as shown on Exhibit "B1". Each unit is bounded both as to horizontal and vertical boundaries by the interior surface of its perimeter walls, ceilings, and floors, which are shown on the aforesaid plans filed in the Wake County Registry. Mechanical equipment, stairways, and appurtenances located within any unit and designed to serve only that unit shall be a part of the unit.

Each Unit Owner has an unrestricted right of ingress and egress to his or her unit. This right shall be perpetual and it shall pass with the unit estate as transfers of unit ownership might occur. Any conveyance, encumbrance, judicial sale or other transfer (voluntary or involuntary) of an individual interest in the common elements will be void unless the unit to which that interest is allocated is also transferred.

5. PARTY WALLS.

The walls, flooring and ceilings connecting adjacent units are "party walls" and are situated on or about the boundary line separating units. In the case of any walls, flooring and ceilings that are herein described as party walls, all furring, wallboard, paneling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the finished flooring, and any other materials constituting any part of the finished surfaces thereof are a part of the unit and all other portions of such walls, floors or ceilings are a part of the common elements, pursuant to GS 47C-2-102(1).

Each wall which is built as a part of the original construction of a unit and placed on the dividing line between the units shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Declaration, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

The cost of reasonable repair and maintenance of a party wall shall be shared by the owners who make use of the wall in proportion to such use. Notwithstanding any other provisions of this Declaration, a Unit Owner who by his negligent or willful act causes a party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

6. COMMON AREAS AND FACILITIES.

The common areas and facilities consist of all parts of the multi-unit building situated on the Property other than individual units therein. The Association shall have the responsibility for maintaining the common areas and facilities. The common areas and facilities shall include without limitation the following:

- (a) The land on which the building is erected and all land described in Paragraph 2 above.
- (b) All foundations, columns, girders, beams, supports and other structural members.

(c) The roof and all exterior walls and interior walls except those partition walls and all ceilings, floors, and stairways wholly within a unit.

(d) All central appurtenant installments for operations and for services such as power, lights, telephone, security system, cable TV, elevator (if any) cold water for common building usage, heat and air conditioning (if any) for common building usage, including pipes, ducts, wiring, cables and conduits, whether located in common areas or in units and all other central mechanical equipment spaces.

(e) All waterlines, storm drainage pipes and structures, sanitary sewer pipes and sanitary sewer system.

(f) All of the parts of the property and all apparatus installations existing in the building or upon the property for common use necessary or convenient to the existence, maintenance, or safety of the property.

(g) All landscaping and all other site improvements including, but not limited to, trash collection areas and equipment related thereto; all designated recreation areas (if any); all driveways, alleys and sidewalks; all surface parking spaces on the Property; and all equipment rooms, lobbies and lobby closets (if any).

7. LIMITED COMMON AREAS AND FACILITIES.

Limited Common Areas and Facilities shall mean and include those common areas and facilities reserved for use by a certain Unit or Units to the exclusion of other Units, including any deck, porch, patio, courtyard, balcony, and/or storage room appurtenant to such of the Units as are shown on the Plans, or any non-contiguous permanently assigned parking space or storage room. Each Unit Owner is hereby granted an exclusive and irrevocable license to use and occupy such Limited Common Areas and Facilities as are associated with such Unit Owner's Unit. All units of Waterford @ Cary Park will be assigned a non-contiguous permanently assigned storage room. Some, but not all, units of Waterford @ Cary Park will be assigned a non-contiguous permanently assigned under-building parking space(s). All permanently assigned storage rooms and under-building parking spaces are more particularly identified on Exhibit "B2", attached hereto. The cleanliness and orderliness of the Limited Common Areas and Facilities shall be the responsibility of the individual Unit Owner, but the responsibility for maintenance, painting, repair and replacement thereof, together with control over the exterior decoration of same, shall be and remain with the Association. There are no Limited Common Areas and Facilities except as provided in this Paragraph 7.

8. PERCENTAGE OF OWNERSHIP IN COMMON AREAS.

Each unit shall be allocated a fee simple undivided ownership interest in the common areas as shown on Exhibit "B3" attached hereto. Except as provided in Paragraphs 22 and 24 of this Declaration, the percentage of common area per unit shall not be changed without the unanimous consent of the owners herein.

Every owner of a Unit shall be a member of the Association (and other associations to which the Association is subordinate--see Paragraph 3). Membership shall be appurtenant to and may not be separated from ownership of any Unit which is subject to assessment.

Each Unit together with its undivided interests in the common areas and facilities, shall, for all purposes be, and is hereby declared to be, and to constitute a separate parcel of real property and the Unit Owner thereof shall be entitled to the exclusive ownership and possession of his unit subject only to the covenants, restrictions, and easements herein and by the By-Laws, rules, regulations and resolutions adopted pursuant thereto.

9. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS.

The Declarant, for each unit owned within the Property, hereby covenants, and each owner of any unit by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association the annual assessments or common charges to be established and collected as hereinafter provided. All units will be allocated full assessments no later than sixty days after the first unit is conveyed except

for unsold and unoccupied units owned by the Declarant which shall be assessed at a rate of 25% of a full assessment until such time that they shall be either sold or occupied.

The annual and special assessments, together with the interest, and costs and reasonable attorney's fees incurred in the collection thereof, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest and costs and reasonable attorney's fees incurred in the collection thereof, shall also be the personal obligation of the person (or persons) who was the owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

The assessments levied by the Association shall be used exclusively to promote and protect the recreation, health, safety, and welfare of the residents, for the improvement and maintenance of the common areas and facilities, the building and improvements situated upon the Property, and to pay ad valorem taxes and public improvement assessments levied against the common areas. The assessments shall not cover any charges due to be paid to associations to which the Association is subordinate. The Association shall be subordinate to and each Unit Owner a member of Cary Park Property Owners Association.

The community of Waterford @ Cary Park consists of three separate building types: (1) Amherst, which has two separate buildings containing a total of 36 condominium units in this current phase and (2) Yarmouth, which has one separate building containing a total of 16 condominium units in this current phase, and (3) Nantucket, which has no buildings in this current phase but which will have buildings in future phases should the Declarant elect to exercise certain development rights contained herein to expand the condominium. For costs or expenditures that are exclusively for the benefit of one building type, assessments shall be made and collected from the Unit Owners in such building on a basis that is proportionate to the relationship the square footage each unit bears to the square footage of all units in the building. Examples of costs attributable exclusively for the benefit of one building include hazard/liability insurance, building maintenance and repair, water and sewer charges, common area lights inside and on the face of the building, utility expenses (not for use by individual units), limited common area maintenance, building replacement reserves, janitorial, elevator and equipment maintenance, security and entry systems (including monitoring and telephone lines) and exterminating. The proposed budget prepared by the Board of Directors of the Association shall project all expenses for the forthcoming year which may be required for the exclusive benefit of each building. Further, the Board shall project all expenses which are not building-specific but which are general to the community of Waterford @ Cary Park. For expenditures that are general to Waterford @ Cary Park, separate assessments shall be made and collected from the Unit Owners in the entire community on a basis that is proportionate to the relationship the square footage each unit bears to the square footage of all units in the community. The size of the units in each building, each unit's percentage of ownership within its building and each unit's percentage of ownership within Waterford @ Cary Park are more particularly shown on Exhibit "B3" and further described as to location in other attachments hereto.

Any lien for delinquent common expense assessments or other charges that the Association has on a unit will be subordinate to a first mortgage on the unit, if the mortgage was recorded before the delinquent assessment was due. Any such lien for a common expense assessment will not be affected by the sale or transfer of the unit estate, unless a foreclosure of a first mortgage is involved, in which case the foreclosure will extinguish the lien for any assessments that were payable before the foreclosure sale, but will not relieve any subsequent unit owner from paying further assessments.

10. WORKING CAPITAL FUND.

A working capital fund shall be established by the Declarant in order to meet unforeseen expenditures or to purchase any additional equipment or services. The working capital fund shall be initially funded by the Declarant in an amount equal to two months of the estimated common charges for each unit. The Declarant is expressly prohibited from using the working capital funds to defray any of its expenses, reserve contributions or construction costs or to make up any budget deficits while it is in control of the Association. Each unit's share of the working capital fund shall be collected at the time the sale of the unit is closed. Any amounts paid into this fund shall not be considered as advance payments of regular assessments. At such time that each unit's share of the working capital fund is paid in by a Unit Owner as provided herein, the Declarant shall be reimbursed out of the working capital fund

for that amount previously paid by the Declarant to the working capital fund on behalf of the unit. The working capital fund shall be transferred to the Association for deposit to a segregated fund when control of the Association is transferred to the Unit Owners by the Declarant.

11. AMOUNT OF LIEN.

The lien for each unit as described in Paragraph 9 above shall be based on the percentage share in common areas as described in Paragraph 8 above. Said lien shall be perfected upon filing in the Office of the Clerk of Superior Court, Wake County, North Carolina.

The Grantee of a unit shall be jointly and severally liable with the Grantor for all unpaid assessments against the latter for his proportionate share of the common expenses up to the time of the grant or conveyance, without prejudice to the Grantee's right to recover from the Grantor the amounts paid by the Grantee therefor. However, any such Grantee shall be entitled to a statement from the manager or Board of Directors, as the case may be, setting forth the amount of the unpaid assessments against the Grantor and such Grantee shall not be liable for, nor shall the unit conveyed be subject to a lien for, any unpaid assessment in excess of the amount therein set forth.

12. USE OF BUILDING.

The building and each of the units shall be used for residential purposes only. The use of the building and units are further restricted by the By-Laws of the Association. No unit may be subdivided into smaller units or any portions thereof sold or otherwise transferred without first amending the By-Laws to show the changes in the units to be effected thereby.

No more than two persons over the age of eighteen unrelated by blood or marriage shall reside in any single unit for more than thirty consecutive days in any one calendar year.

The common areas and facilities shall be used only for the purposes for which they are intended and the furnishing of services for the enjoyment of the units.

No noxious or offensive activity shall be conducted upon any unit nor shall anything be done thereon which may be or may become an annoyance or nuisance or shall interfere with the peaceful possession of property by Unit Owners.

No animals, livestock or poultry of any kind shall be kept or maintained on any unit or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes. All household pets shall be kept on a leash at all times when outside the units.

No outside radio or television antennas, including satellite dishes or receivers, shall be erected on any unit unless and until permission for the same has been granted by the Association.

No signs shall be permitted on or about the units.

All window coverings (i.e., curtains, blinds, draperies, shades, etc.) shall be installed and maintained in accordance with provisions of the Association.

Unit Owners shall not park or store any motorcycle, camper, trailer, trailer vehicle, or similar vehicle anywhere on the premises. No trucks shall be permitted except for standard 2-ton or less pickup trucks or smaller sized trucks.

Any lease or rental agreements involving the units shall be in writing and shall be subject to the requirements of the Association documents and Association rules and regulations governing same.

13. PERSON TO RECEIVE SERVICE OF PROCESS.

G. Roland Gammon, III is hereby designated to receive service of process in any action which may be brought against or in relation to this condominium. The address of such person is: Twenty One Glenwood Avenue, Suite 203, Raleigh, NC, 27603, which is located within the city and county where the building is located. The person so designated to receive service of process may be changed by the Board of Directors.

14. EASEMENTS.

Each Unit Owner shall have an easement in common with all other owners over all other units to use all pipes, wires, ducts, cables, conduits, public utilities and other common facilities located in any of the other units and serving each unit. Furthermore, the Declarant hereby conveys to each Unit Owner an easement and right of access to any and all common areas, open spaces, yards and parking areas for the common use of all owners. The Association shall have the right to establish the rules and regulations pursuant to which the owner of any unit, and family, guests and invitees may be entitled to use the common areas.

Each unit shall be subject to an easement in favor of the other owners of all other units to use the pipes, ducts, cables, wires, conduits, public utility lines and other common facilities serving other units located in such unit. The Board of Directors shall have the right of access to each unit to inspect the same, to remove violations therefrom and maintain, repair, or replace facilities contained therein or which serve other units in the building. Each Unit Owner shall specifically have an easement to maintain all components of the heating and air conditioning system serving his unit in their present location as shown in the plan attached hereto.

The Board of Directors may hereafter agree that easements for utility purposes for the benefit of the Property, including the right to install, lay, maintain, repair, and replace water lines, pipes, sewer lines, telephone wires and electrical conduits, wires over, under and along any portion of the common areas in each unit hereby grants the Board of Directors irrevocable power of attorney to execute, acknowledge, and record for and in the name of each Unit Owner such instruments as may be necessary to effectuate the foregoing. An easement is hereby established over all common areas for the benefit of applicable governmental agencies for the setting, removing, and reading of water meters, maintaining and replacing water, drainage and drainage facilities, fire fighting, law enforcement, garbage collection and the delivering of mail.

All water lines which serve the development not located in public street rights-of-way and all sewer lines which serve the development and not located in either public street rights-of-way shall be owned and maintained by the Association.

15. DISCLAIMER BY TOWN OF CARY

Pursuant to its Municipal Code, the Town of Cary refuses to be responsible for failing to provide any emergency or regular public service to such developments or their occupants when such failure is due to the lack of access to certain roads or streets that are not public due to inadequate design or construction, blocking of access routes or any other factor within the control of the Declarant, Association, or occupants. The Cary Fire Department has similar policies and thereby refuses to be responsible for failing to provide any emergency or regular service to such developments or their occupants when such failure is due to the lack of access to certain roads or streets that are not public due to inadequate design or construction, blocking of access routes or any other factor within the control of the Declarant, Association, or occupants.

Accordingly, the Board of Directors is hereby empowered to make all efforts to assure that there is adequate access to all units and shall not allow any blocking of access or defects in access to remain uncorrected.

16. PARTITIONING.

The common areas and facilities shall not be divided nor shall any right to a partition thereof exist. Nothing herein contained ever shall be deemed to prevent ownership of a condominium unit by the entireties, jointly or in common or in other form permitted by law.

17. DAMAGE, DESTRUCTION AND CONDEMNATION.

Except as herein provided, damage to or destruction of the building shall be promptly repaired and restored by the Board of Directors. The Unit Owners shall be liable for assessment of any deficiency, provided however, that if the building be more than two-thirds destroyed by fire or any other casualty or the same taken by condemnation and the owners of 67% of the units and 51% of the votes of units estates that are subject to mortgages held by eligible holders resolve not to proceed with reconstruction or restoration, then in that event, the property shall be deemed to be owned as tenants in common by the Unit Owners and subject to the provisions of North Carolina General Statutes Section 47C-2-118 as the same exists as the date hereof.

Implied approval by an eligible mortgage holder shall be assumed when an eligible mortgage holder fails to submit a response to any written proposal within thirty (30) days after it receives proper notice of the proposal, provide the notice was delivered by certified mail or registered mail with a "return receipt" requested.

In any related proceedings, negotiations, settlements or agreements, the Association shall be designated to represent the Unit Owners. In such event, each Unit Owner shall appoint the Association as an attorney-in-fact for this purpose. The Association shall appoint an Insurance Trustee to act on behalf of the Unit Owners in connection with the settlement of any condemnation awards or insurance claims and to administer the allocation of proceeds among the various interested parties.

Any losses, awards or proceeds from the condemnation, destruction or liquidation of all or a part of the property shall be payable to the Association's Insurance Trustee for the benefit of the Unit Owners and their mortgage holders. Any distribution of funds in connection with the termination of the project shall be made based on the relative value of each unit and in accordance with the formula that is used to determine the Unit Owner's individual interest in the common elements.

Any reconstruction or repair shall be in accordance with the plans and specifications of the original building, portions of which are attached hereto.

18. INSURANCE.

The insurance which shall be carried upon the property shall be governed by the following provisions:

(i) Casualty or physical damage insurance shall be carried in an amount equal to the full replacement value (i.e., 100% of full "replacement cost") of all buildings and all improvements on the Property owned either by the Association or the unit owners and all personal property included within the Property described in Exhibit "A" hereto, except such personal property as may be owned by the unit owners with a replacement cost endorsement and an inflation guard endorsement, without deduction or allowance for depreciation (as determined annually by the Board of Directors with the assistance of the insurance company affording such coverage), such coverage to afford protection against at least the following:

(a) loss or damage by fire or other hazards covered by the standard coverage endorsement together with coverage for common expenses with respect to condominium units during any period of repair or reconstruction; and

(b) such other risks as from time to time customarily shall be covered with respect to buildings similar to the building in construction, location and use, including, but not limited to, vandalism, malicious mischief, windstorm and water damage, subject to such deductible amounts not in excess of One Thousand Dollars (\$1,000.00) as the Board of Directors shall determine. All Casualty Insurance policies shall be purchased by the Association for the benefit of the Association, the Unit Owners and their respective mortgagees, as their interests may appear and shall provide (a) for the issuance of certificates of insurance with mortgagee endorsements to the holders of mortgages on the Units, if any, and (b) that the insurer waives its rights of subrogation against the Unit Owners, Occupants and the Unit Owners Association. All casualty insurance policies shall provide that all proceeds payable as a result of casualty losses shall be paid to the Board of Directors as trustees, for each of the Unit Owners

in the percentages established in this Declaration for the purposes elsewhere stated herein, and for the benefit of the Association, the Unit Owners, and their respective mortgagees as their interests may appear.

(ii) The Association shall insure itself, the members of the Board, the Unit Owners, and the Occupants against liability for personal injury, disease, illness or death and for injury to or destruction of property occurring upon, in or about, or arising from or relating to the Condominium Project or any portion thereof, including, without limitation, water damage, legal liability, hired automobile, non-owned automobile and off-premises employee coverage, such insurance to afford protection in such amount and with such coverage as shall be deemed necessary by the Association. All liability insurance shall contain cross-liability endorsements to cover liabilities of the Unit Owners as a group to a Unit Owner. In the event the insurance effected by the Association on behalf of the Unit Owners and Occupants against liability for personal injury or property damage arising from or relating to this Condominium Project shall, for any reason, not fully cover any such liability, the amount of any deficit shall be a Common expense to the Unit Owners, and any Unit Owners who shall have paid all or any portion of such deficiency in an amount exceeding his proportionate share thereof based on his percentage of interest in the common areas shall have a right of contribution from the other Unit Owners according to their respective percentage of interest in the common areas.

(iii) Premiums upon insurance policies purchased by the Association shall be paid by the Association at least thirty (30) days prior to the expiration date of such policies and shall be assessed as Common expenses.

(iv) All insurance policies shall be written with a company or Companies licensed to do business in the State of North Carolina and holding a rating of "A+" or better in Best's Insurance Guide.

(v) Exclusive authority to negotiate losses under said policies shall be vested in the Board of Directors or its authorized representative.

(vi) In no event shall the insurance coverage obtained and maintained pursuant to the requirements hereof be brought into contribution with insurance purchased by the Owners of the condominium units or their mortgagees, as herein permitted, and any "no other insurance" or similar clause in any policy obtained by the Unit Owners Association pursuant to the requirements hereof shall exclude such policies from consideration.

(vii) All policies shall provide that such policies may not be canceled or substantially modified without at least thirty (30) days prior written notice to any and all insureds named thereon, including any and all mortgagees of the condominium units.

(viii) All policies of casualty insurance shall provide that, notwithstanding any provisions thereof which give the carrier the right to elect to restore damage in lieu of making a cash settlement, such option shall not be exercisable without the prior written approval of the Board of Directors (or any Insurance Trustee) or when in conflict with the provisions of this Declaration or the provisions of the North Carolina Unit Condominium Act as the same may be in force from time to time.

(ix) All policies of insurance shall contain a waiver of subrogation by the insurer as to any and all claims against the Association, the Board of Directors thereof, the Owners of any condominium unit and/or their respective agents, employees or invitees, and any defenses based upon co-insurance or invalidity arising from the acts of the insureds.

19. UNIT OWNERS POLICIES OF INSURANCE.

The Owner of any Condominium Unit (including the holder of any mortgage thereon) may obtain additional insurance (including a "Condominium Unit Owner's Endorsement" for improvements and betterments to the condominium unit made or acquired at the expense of the owner) at his own expense. Such insurance shall be written by the same carrier as that purchased by the Board of Directors pursuant to the provisions hereof or shall provide that it shall be without contribution as against the same. The Grantor recommends that each owner of a Condominium Unit in the project obtain, in addition to the insurance hereinabove provided to be obtained by the Unit Owners Association, a "Tenant's Homeowners Policy", or equivalent, to insure against loss or damage to

personal property used in or incidental to the occupancy of the Condominium Unit, additional living expense, vandalism or malicious mischief, theft, personal liability and the like. Such policy should include a "Condominium Unit Owner's Endorsement" covering losses to improvements and betterments to the condominium unit made or acquired at the expenses of the Unit Owner.

20. UNITS SUBJECT TO DECLARATION.

All present and future owners, tenants, occupants of units and employees of owners and tenants shall be subject to, benefited by and shall comply with the provisions of this Declaration, by the By-Laws and any rules and regulations as may be adopted in accordance with the By-Laws. In accordance herewith, the Declaration, By-Laws and rules and regulations may be amended from time to time. The acceptance of a deed or conveyance or the entering into of a lease or the entering into occupancy of any unit shall constitute an agreement that the provisions of this Declaration, By-Laws, and any rules and regulations which may be adopted are accepted and ratified by such owner, tenant, or occupant and all of such provisions shall be deemed and taken to be covenants running with the land and shall bind any person having at any time any interest or estate in such unit as though provisions were made a part of each and every deed, conveyance or lease. When there are unsold units in the project, the Declarant also shall enjoy the same rights and assume the same duties under this Declaration as they relate to each unsold unit but for the payment of assessments on unsold and unoccupied units (see Paragraph 9).

21. CONSTRUCTION.

In interpreting any and all provisions of this instrument, the Exhibits attached hereto and subsequent deeds and deeds of trust covering individual units, the actual location of the unit shall be deemed conclusively to be the property intended to be conveyed, reserved or encumbered notwithstanding any minor deviations, either horizontally or vertically, from the locations indicated in Condominium File 24, Page A1-4, Wake County Registry or in minor variations in the description of the unit contained herein. To the extent that such minor deviations in location do or shall exist, a valid easement therefor and for the maintenance thereof does and shall exist.

22. AMENDMENT.

The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended by an instrument signed by not less than eighty percent (80%) of the Unit Owners. Any amendment must be recorded.

Amendments of a material nature shall be agreed to by Unit Owners who represent at least 80% of the total allocated votes in the Association and by eligible mortgage holders who represent at least 51% of the votes of unit estates that are subject to mortgages held by eligible holders. Eligible mortgage holders shall be those holders of a first mortgage on a unit estate who have submitted a written request that the Association notify them on any proposed action requiring the consent of a specified percentage of eligible mortgage holders. Unit Owner votes may be cast in person or by proxy at a meeting held in accordance with the provisions of the By-Laws. For a period no longer than six (6) years after the initial filing of this Declaration in the Wake County Registry, the Declarant may unilaterally amend this Declaration without the consent or approval of other Unit Owners or eligible mortgage holders provided such amendment shall be exclusively for the purpose of (a.) correcting clerical error; (b.) making changes required by the Federal National Mortgage Association or other such agencies; (c.) making changes other than material changes (as defined below) to this Declaration; (d.) changing the percentage of ownership in common areas when construction of additional buildings is completed; (e.) making permanent assignments of, where applicable, under-building parking spaces and under-building storage closets; and (f.) making changes arising from and as a result of the exercise of certain Declarant Rights as set forth in Paragraph 24 herein. Otherwise, this Declaration may be amended by an instrument signed by not less than eighty percent (80%) of the Unit Owners. No such amendment shall be effective until set forth in an amended declaration and duly recorded in the Office of the Register of Deeds in Wake County, North Carolina. Upon recording, all the Unit Owners and their successors and assigns, shall be bound by said amendments.

A material change shall be considered as one which changes any of the following:

- voting rights;
- increases in assessments that raise the previously assessed amount by more than 25%, assessment liens, or the priority of assessment liens;
- reductions in reserves for maintenance, repair, and replacement of common elements;
- responsibility for maintenance and repairs;
- reallocation of interests in the general or limited common elements or rights to their use;
- redefinition of any unit boundaries;
- convertibility of units into common elements or vice versa;
- expansion or contraction of the project, or the addition, annexations, or withdrawal of property to or from the project;
- hazard or fidelity insurance requirements;
- imposition of any restrictions on the 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 Association to establish self-management if professional management had been required previously by Association documents or by an eligible mortgage holder;
- restoration or repair of the project (after damage or partial destruction) in a manner other than that specified in the documents; or
- any provisions that expressly benefit mortgage holders, insurers or guarantors.

Implied approval by an eligible mortgage holder shall be assumed when an eligible mortgage holder fails to submit a response to any written proposal for an amendment within thirty (30) days after it receives proper notice of the proposal, provided the notice was delivered by certified mail or registered mail with a "return receipt" requested.

This Declaration may further be unilaterally amended by the Declarant for the purpose of recording a verified statement of a registered architect or licensed professional engineer certifying that the plans heretofore filed or being filed simultaneously with such amendment fully depicting the layout, ceiling and floor elevations, unit numbers and dimensions of the units as built.

23. RIGHTS OF CONDOMINIUM MORTGAGE HOLDERS, INSURERS OR GUARANTORS

Upon receipt of written request by a holder, insurer or guarantor of a mortgage on any unit in the project, the Association shall furnish timely written notice regarding the following:

- any condemnation or casualty loss that affects either a material portion of the project or the unit securing its mortgage;
- any 60-day delinquency in the payment of assessments or charges owed by the Unit Owner of any unit on which it holds the mortgage;
- a lapse, cancellation or material modification of any insurance policy maintained by the Association; and

- any proposed action that requires the consent of a specified percentage of eligible mortgage holders.

Any interested mortgage holder, insurer, or guarantor shall send a written request to the Association stating both its name and address and the unit number or address of the unit on which it has (or insurers or guarantees) the mortgage.

24. RESERVATION OF DECLARANT RIGHTS.

Declarant reserves the following special Declarant rights for the Property:

(a) To complete, within six years of the date of recordation of this Declaration of Condominium, any and all improvements indicated on the plats and plans of this Property or adjacent property, up to an additional eighty eight (88) units contained within six (6) additional buildings which may be built one at a time or in combinations thereof.

(b) To file amended or supplemental instruments to make this Declaration of Condominium applicable to the additional buildings and units to be constructed on the Property.

(c) To change the percentage of interest in the common areas and facilities allocated to each unit. Such allocation basis shall be based the relative pro rata square footage of each condominium unit within Waterford @ Cary Park. Any change in the percentage of interest in the common areas and facilities will be reflected on Exhibits attached to the Amendments or Supplements to this Declaration of Condominium.

Nothing contained herein shall restrict the right or the ability of the Declarant to assign its interest in the rights set forth in this paragraph 24.

25. SEVERABILITY.

The invalidity of any provisions of the Declaration shall not be deemed to impair or affect in any manner the validity and enforceability or effect of the remainder of this Declaration, and in such event, all of the other provisions of this Declaration shall continue in full force and effect as if such invalid provisions had never been included herein.

26. WAIVER.

No provision contained in this Declaration shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

27. GOVERNING LAW.

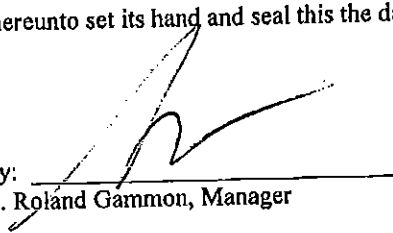
This Declaration and the By-Laws attached hereto shall be construed and controlled by and under the laws of the State of North Carolina.

28. DEFINITION.

Any terms used herein which are defined in the North Carolina Condominium Act shall have the meaning specified in the Act unless a contrary intention fairly appears.

IN WITNESS WHEREOF, the Declarant has hereunto set its hand and seal this the day and year first above written.

Waterford at Cary Park, LLC

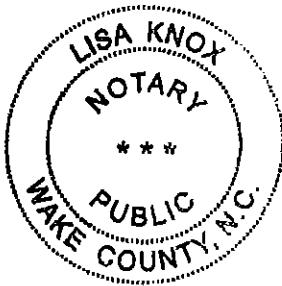
By: 
G. Roland Gammon, Manager

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Lisa Knox, a Notary Public of the County of Wake, certify that G. Roland Gammon personally came before me this day and acknowledged that he is the MANAGER of Waterford at Cary Park, LLC, a North Carolina Limited Liability Company, and that by authority duly given and as the act of the Limited Liability Company, the foregoing instrument was signed by her/him as manager.

WITNESS my hand and notarial stamp or seal this 14th day of December, 2004.



Lisa Knox
NOTARY PUBLIC

My Commission Expires: 10/25/2008

Legal Description

Being all of Lot 1 and Lot 2 as shown on the Plat and survey of Waterford at Cary Park Tract MR-2A, Lots 1 and 2 by Withers & Ravenel recorded in Book of Maps 2003 at Page 1062 of the Wake County Registry, to which plat references is hereby made for a more particular description.

Description of Building and Units—The Amherst Units—200 & 400 Waterford Lake Drive

Each three story building consists of eighteen (18) residential condominium units. All units are of various sizes. Construction is light timber framing with exterior walls of both brick veneer and hardboard siding. The roof has a mixture of asphalt shingles and a rubber membrane. Residential units are constructed on all floors. Some, but not all buildings, have basement areas in which owner storage closets are provided. In such case, the basement level is constructed of masonry exterior walls with a mixture of concrete masonry and sheetrocked wood stud walls creating the owner storage closets. Residential units are constructed on all main upper two levels.

Unit Designation and Address

Unit sizes vary, such sizes being more carefully described in plans contained in Condominium File 341 Wake County Registry. Each unit has access to the common areas as follows:

Stairwells/breezeway:

A total of two will be provided in each building. Each unit will have access to only one stairwell/breezeway that is shared among a total of eight units.

Equipment rooms:

Beneath each stairway, space is reserved for common area equipment, if any.

211 Waterford Lake Drive, Cary, North Carolina, 27519
212 Waterford Lake Drive, Cary, North Carolina, 27519
213 Waterford Lake Drive, Cary, North Carolina, 27519
214 Waterford Lake Drive, Cary, North Carolina, 27519
215 Waterford Lake Drive, Cary, North Carolina, 27519
216 Waterford Lake Drive, Cary, North Carolina, 27519
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427 Waterford Lake Drive, Cary, North Carolina, 27519
428 Waterford Lake Drive, Cary, North Carolina, 27519
432 Waterford Lake Drive, Cary, North Carolina, 27519
435 Waterford Lake Drive, Cary, North Carolina, 27519

Description of Building and Units—The Yarmouth Units—300 Waterford Lake Drive

Each three story building consists of sixteen (16) residential condominium units of approximately 1,400 square feet each. Construction is wood frame covered principally with masonry veneer with selected areas being covered with lap siding. The roof has fiberglass shingles. The lower floor contains covered parking spaces plus some owner storage closets. The lower level is constructed of solid masonry exterior walls with a mixture of concrete masonry and sheetrocked wood stud walls creating the owner storage closets. Residential units are constructed on the upper two levels.

Unit Designation and Address

Each unit has immediate access to the common areas as follows:

Elevator lobbies:	One
Stairwells:	Two
Elevator:	One

Lower level parking/storage:	Lower level parking spaces--some or all of which may be assigned to each Unit Owner. Storage closets assigned to each Unit Owner. One elevator lobby and elevator and mechanical equipment rooms.
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311 Waterford Lake Drive, Cary, North Carolina, 27519
312 Waterford Lake Drive, Cary, North Carolina, 27519
313 Waterford Lake Drive, Cary, North Carolina, 27519
314 Waterford Lake Drive, Cary, North Carolina, 27519
315 Waterford Lake Drive, Cary, North Carolina, 27519
316 Waterford Lake Drive, Cary, North Carolina, 27519
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327 Waterford Lake Drive, Cary, North Carolina, 27519
328 Waterford Lake Drive, Cary, North Carolina, 27519

Declaration of Condominium
Exhibit B2

At such time that information is available regarding the permanent assignment of storage rooms and under-building parking spaces, that information will be inserted into this Exhibit.

**ARTICLES OF INCORPORATION
OF
WATERFORD @ CARY PARK CONDOMINIUM
HOMEOWNER'S ASSOCIATION, INC.**

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

ARTICLE I

Name

The name of the corporation is **WATERFORD @ CARY PARK CONDOMINIUM HOMEOWNER'S ASSOCIATION, INC.**, hereinafter called the "Association."

ARTICLE II

Office

The principal and registered office of the Association is located at 21 Glenwood Avenue, Suite 203, Wake County, Raleigh, North Carolina, 27603.

ARTICLE III

Registered Agent

G. Roland Gammon, III, whose address is 21 Glenwood Avenue, Suite 203, Wake County, Raleigh, North Carolina, 27603, is hereby appointed Registered Agent of this Association.

ARTICLE IV

Purposes

This Association does not contemplate pecuniary gain or profit to the members thereof and no part of the Association'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 Association shall be to operate and manage Waterford @ Cary Park Condos, a fifty two (52) unit residential condominium project, to be constructed in accordance with the laws of the State of North Carolina upon the property situated, lying and being near Cary, North Carolina, and described in Exhibit "A" attached to the Waterford @ Cary Park Condominium Declaration recorded or to be recorded in the Wake County Registry.

Such purposes shall include the following:

- a) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration applicable to the property and recorded or to be recorded in the Office of the Wake County Register of Deeds and as the same may be amended from time to time as therein provided, said Declaration being incorporated herein as if set forth at length;
- b) To fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association;

- c) To acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association, subject always to the provisions and requirements of the Declaration and the limitations and restrictions imposed by applicable law;
- d) To borrow money, and with the assent of members entitled to cast two-thirds (2/3) of the votes of the entire membership, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject always to the provisions and requirements of the Declaration. The rights of such mortgagee in said properties shall be subordinate to the rights of the members;
- e) To dedicate, sell or transfer all or any part of the common area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members, subject to the provisions and requirements of the Declaration. No such dedication or transfer shall be effective unless an instrument has been signed by members entitled to cast two-thirds (2/3) of the votes of the membership agreeing to such dedication, sale or transfer. The certifications by the secretary of the Association that the required number of members have executed instruments in conformity with this provision shall be conclusive as to the fact recited by such certification;
- f) To the extent permitted by law, the Association may participate in mergers and consolidations with other non-profit corporations organized for the same or similar purposes or annex additional residential property and common area, subject to the provisions and requirements of the Declaration; and further provided that any such merger or consolidation shall have the assent of members entitled to cast two-thirds (2/3) of the votes of the entire membership.
- g) To have and to exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Corporation Law of the State of North Carolina by law may now or hereafter have or exercise;
- h) To contract for the management of the Association and to delegate to such contractor all of the powers and duties of the Association, except those which may be required by the Declaration to have approval of the membership.

ARTICLE V

Membership

There shall be only one class of members in the Association. Every person or entity who is a record owner of a fee or undivided fee interest in any Unit which is subject by covenants of record to assessment by the Association, including contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Unit which is subject to assessment by the Association.

ARTICLE VI

Voting Rights

The Association shall have one class of voting membership. The right of any member to vote may be suspended by the Board of Directors for just cause pursuant to its rules and regulations.

ARTICLE VII

Board of Directors

The affairs of this Association shall be managed by a Board of Directors consisting of not less than three (3) Directors and the initial Board of Directors shall consist of three (3) persons, who shall serve until the first annual meeting of the membership of the Association. The exact number of directors shall be fixed by the Board of Directors as provided for in the Bylaws of the Association. Directors need not be members of the Association. The names and addresses of the three persons who are to serve as Directors until the organizational meeting of the membership of the Association, or until their successors are elected and qualified are:

<u>Name</u>	<u>Address</u>
G. Roland Gammon	21 Glenwood Avenue Raleigh, NC 27603
Ann-Cabell Baum	21 Glenwood Avenue Raleigh, NC 27603
Rene F. Langford	1901 Yorkgate Drive Raleigh, NC 27612

ARTICLE VIII

Dissolution

The Association may be dissolved with the assent given in writing and signed by members entitled to cast eighty percent (80%) of the votes of the entire membership. This corporation shall have no capital stock. In the event of dissolution, no member, director, or officer of the corporation or any private individual shall be entitled to share in the distribution of the assets of this corporation. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those which this Association 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 IX

Duration

The corporation shall exist perpetually.

ARTICLE X

Meetings for Actions

In order to take action under Articles I(d), (e), (f) and VIII, there must be a duly held meeting. Written notice, setting forth the purpose of the meeting, shall be given to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. The presence of members or proxies entitled to cast twenty five percent (25%) of the votes the membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth above, and the required quorum at such subsequent meeting shall be one-half (1/2) of the required quorum of the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

ARTICLE XI

Amendments

Amendment of these Articles shall require the assent of two-thirds (2/3) of the entire membership. Provided, however, and notwithstanding the foregoing, the Declarant, as that term is defined in the Declaration, may at any time and from time to time amend these Articles of Incorporation without obtaining the consent or approval of the members or any other person or entity if such amendment is necessary for any one of the following purposes: to correct a typographical or clerical error; to cause these Articles of Incorporation to comply with the requirement of FHA (Federal Housing Administration), VA (U.S. Department of Veterans Affairs, FNMA (Federal National Mortgage Association) or other such similar agency; or as may be necessary to establish or maintain the tax exempt status of the Association under the laws of the United States or the State of North Carolina.

ARTICLE XII

Incorporation

The name and address of the incorporator is as follows:

G. Roland Gammon, III
Twenty One Glenwood Avenue, Suite 203
Raleigh, NC 27603

IN WITNESS WHEREOF, for the purposes of forming this corporation under the laws of the State of North Carolina, the undersigned, constituting the incorporator of this Association, has executed these Articles of Incorporation this ____ day of _____, 2004.

G. Roland Gammon, III

NORTH CAROLINA

WAKE COUNTY

THIS IS TO CERTIFY that on the ____ day of _____, 2004, before me, a Notary Public, personally appeared, G. ROLAND GAMMON, III, who I am satisfied is the person named in and who executed the foregoing Articles of Incorporation, and I having first made known to him the contents thereof, he did acknowledge that he signed and delivered the same as his voluntary act and deed for the uses and purposed therein expressed.

IN TESTIMONY WHEREOF, I have hereunder set my hand and affixed my official seal, this ____ day of _____, 2004.

Notary Public

My commission expires:

BY-LAWS
OF
WATERFORD @ CARY PARK CONDOMINIUM
HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

Offices

Article 1. Plan of Unit Ownership. The property located in Wake County, North Carolina, and more particularly described in the Declaration to which By-Laws are attached (hereinafter "Declaration") has been submitted to the provisions of Chapter 47C of the North Carolina General Statutes entitled "North Carolina Condominium Act." The Declaration is being recorded in the Office of the Register of Deeds of Wake County, North Carolina.

Section 2. Applicability of By-Laws. The provisions of these By-Laws are applicable to the property of the condominium and to the use and occupancy thereof. The term "property" as herein used shall include the land, the building (hereinafter interchangeably "building" or "buildings") and all other improvements and structures thereon and all easements, rights and appurtenances belonging thereto, all of which are intended to be submitted to the provisions of Chapter 47C of the North Carolina General Statutes.

Section 3. Application. All present and future owners, mortgagees, lessees, occupants of units and employees of owners and tenants and their families and any other persons who may use the facilities of the property in any manner are subject to the Declaration, these By-Laws and rules and regulations made pursuant hereto and any amendment to these By-Laws upon same being passed and duly set forth in Amended Declaration, duly recorded.

The acceptance of a deed of conveyance or the entering into of a lease or the act of occupancy of a unit shall constitute an agreement that these By-Laws and provisions of the Declaration as they may be amended from time to time, are accepted, ratified, and will be complied with.

ARTICLE II

Unit Owners

Section 1. Organizational Meeting. If not held before, the initial meeting of the Association shall be held on the first Tuesday in June, 2005

Section 2. Annual Meetings. The annual meeting of the Unit Owners for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at 10 o'clock, a.m., on the first Tuesday in December in each year, commencing with the year 2005, if not a legal holiday, and if a legal holiday, then on the next secular day following. Unless otherwise scheduled, the Unit Owners shall vote at each annual meeting to ratify the proposed annual budget for the Association for the following year.

Section 3. Substitute Annual Meeting. If the annual meeting shall not be held on the day designated by these By-Laws, a substitute annual meeting may be called in the manner provided for the call of a special meeting in accordance with the provisions of Section 4 of this Article II and a substitute annual meeting so called shall be designated as and shall be treated, for all purposes, as the annual meeting.

Section 4. Special Meetings. Special meetings of the Unit Owners may be called at any time by a majority of the members of the Board of Directors, or upon the written request of Unit Owners having at least 20% of the votes in the Association.

Section 5. Place of Meetings. All meetings of Unit Owners shall be held at Waterford @ Cary Park Condos, Cary, North Carolina or at such other place within the Town of Cary as may be designated in the Notice of Meeting.

Section 6. Notice of Meetings. Written or printed notices stating the time and place of a meeting of Unit Owners shall be delivered or mailed not less than ten (10) or more than thirty (30) days prior to the date of such meeting to each person entitled to vote at such meeting.

In case of a substitute annual meeting, notice of the meeting need not specifically state the business to be transacted thereat unless it is a matter other than the election of the Board of Directors on which the vote of the Unit Owners is expressly required by the provisions of the North Carolina Condominium Act. In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called.

Section 7. Quorum. A quorum shall be deemed present throughout any meeting of the Unit Owners until adjourned if the Unit Owners, in person or by proxy, entitled to cast more than one-quarter of the votes are present at the beginning of such meeting.

Section 8. Voting Rights. There shall be one person with respect to each Unit who shall be entitled to vote at any meeting of the Unit Owners. Such person shall be known and hereafter referred to as a "Voting Member". Such Voting Member may be the Unit Owner or some other person designated by such Unit Owner to act as proxy on his or their behalf and who need not be a Unit Owner. Such designation shall be made in writing to the Board and shall be revocable at any time by actual notice to the Board of the death or judicially declared incompetence of any designator, or by written notice to the Board by the Unit Owner or Owners. The total number of votes of all Voting Members shall be fifty-two (52) and the Unit Owner of each Unit shall possess one vote.

Section 9. Unit Owners. "Unit Owners" shall mean and refer to those persons who own units in the property subject to the Declaration and are entitled to membership as provided in the Declaration.

Section 10. Voting. In all elections for members of the Board of Directors, each Voting Member shall be entitled to vote on a non-cumulative voting basis and the candidates receiving the highest number of votes which respect to the offices to be filled shall be deemed to be elected.

Section 11. Proxies. The votes pertaining to any condominium unit may (and shall in the case of any Unit Owner not a natural person or persons) be cast pursuant to a proxy or proxies duly executed by or on behalf of the Unit Owner, or in cases where the Unit Owner is more than one person, by or on behalf of all such persons. No such proxy shall be revocable except as written notice delivered to the Association by the Unit Owner or by any other such person. Any proxy shall be void if it is not dated or if it purports to be revocable without notice as aforesaid.

Section 12. Presiding Officer. The President, or in his absence, the Vice-President, shall serve as a chairman of every Unit Owner's meeting unless some other person is elected to serve as Chairman by a majority vote of the votes represented at the meeting. The Chairman shall appoint such persons as he deems required to assist with the meeting.

Section 13. Adjournments. Any meeting of the Unit Owners, whether or not a quorum is present, may be adjourned by the holders of a majority of the votes represented at the meeting to reconvene at a specified time or place. It shall not be necessary to give any notice of the reconvened meeting or of the business to be transacted, if the time and place of the reconvened meeting are announced at the meeting which was adjourned. At any such reconvened meeting at which a quorum is represented or present, any business may be transacted which could have been transacted at the meeting which was adjourned.

Section 14. Action of Unit Owners Without a Meeting. Any action which may be taken at a meeting of the Unit Owners may be taken without a meeting if written approval and consent, setting forth the action authorized, shall be signed by a majority of the Unit Owners entitled to vote on the date on which the last Unit Owners signed such approval and upon the filing of such approval and consent with the Secretary of the Association. Such approval and consent so filed shall have the same effect as a unanimous vote of the Unit Owners at a special meeting called

for the purpose of considering the action authorized, except in those specific matters for which a vote greater than a majority vote is required by the North Carolina Unit Condominium Act.

Section 15. Availability of Project Documents. The Association shall assure that current copies of the Declaration, Articles of Incorporation, By-Laws, and other rules concerning the project as well as its own books, records, and financial statements are readily available for inspection by Unit Owners or by holders, insurers, and guarantors of first mortgages that are secured by units in the project. These documents will be available during normal business hours.

Section 16. Availability of Audited Financial Statements. Once the Association has been established for a minimum of one full fiscal year, the Association shall provide for the availability of an audited statement for the preceding fiscal year to the holder, insurer, or guarantor of any first mortgage that is secured by a unit in the project on submission of a written request for it.

Section 17. Termination of Legal Status. Following substantial destruction or condemnation of the property, any action by the Association to terminate the legal status of the project shall be agreed to by Unit Owners who represent at least 80% of the total allocated votes in the Association and by eligible mortgage holders who represent at least 51% of the votes of unit estates that are subject to mortgages held by eligible holders.

Any action by the Association to terminate the legal status of the project for reasons other than substantial destruction or condemnation of the property shall be agreed to by Unit Owners who represent at least 80% of the total allocated votes in the Association and by eligible mortgage holders who represent at least 67% of the votes of unit estates that are subject to mortgages held by eligible holders.

Implied approval by an eligible mortgage holder shall be assumed when an eligible mortgage holder fails to submit a response to any written proposal for an amendment within thirty (30) days after it receives proper notice of the proposal, provide the notice was delivered by certified mail or registered mail with a "return receipt" requested.

Section 18. Rights of Action. The Association, and any aggrieved Unit Owner, shall have the right of action against Unit Owners who fail to comply with the provisions of the project Declaration, By-Laws, Articles of Incorporation and other rules properly enacted by the Association. Unit estate owners shall also be granted similar rights of action against the Association.

Section 19. Rights of Condominium Mortgage Holders, Insurers or Guarantors. Upon receipt of written request by a holder, insurer or guarantor of a mortgage on any unit in the project, the Association shall furnish timely written notice regarding the following:

- any condemnation or casualty loss that affects either a material portion of the project or the unit securing its mortgage;
- any 60-day delinquency in the payment of assessments or charges owed by the Unit Owner of any unit on which it holds the mortgage;
- a lapse, cancellation or material modification of any insurance policy maintained by the Association; and
- any proposed action that requires the consent of a specified percentage of eligible mortgage holders.

Any interested mortgage holder, insurer, or guarantor shall send a written request to the Association stating both its name and address and the unit number or address of the unit on which it has (or insurers or guarantees) the mortgage.

ARTICLE III

Board of Directors

Section 1. General Powers. The property, affairs and business of the Association shall be managed by the Board of Directors.

Section 2. Number, Term of Office and Qualifications. The number of directors shall be not less than three (3), to be elected by the Unit Owners at their initial meeting. Each director shall hold office for one year or until his death, resignation, retirement, removal or disqualification or his successor is elected and qualifies. No director shall serve for more than three consecutive terms. The Board of Directors must include at least one member from each building type (as defined below) having Unit Owners eligible to vote at a meeting of the Association. The building types are: Amherst (200, 400 or 600 Waterford Lake Drive), Yarmouth (300 or 500 Waterford Lake Drive) and Nantucket (700, 1000 or 1200 Waterford Lake Drive). A single person cannot satisfy two of these criteria.

Section 3. Election of Directors. Except as provided in Section 2 of this Article, the directors shall be elected at the annual meeting of Unit Owners and the persons who shall receive the highest number of votes shall be the elected directors.

Section 4. Removal of Directors. The Board of Directors or any individual director may be removed from office with or without cause by a vote of sixty-seven percent (67%) of the Unit Owners at a meeting in which a quorum is present. If any such directors are so removed, new directors may be elected at the same meeting.

Section 5. Vacancies. A vacancy in the Board of Directors created by reason of the removal of a director may be filled for the unexpired term, and until the Unit Owners shall have elected a successor, by affirmative vote of a majority of the directors remaining in office.

Section 6. Compensation of Directors. Directors shall not receive compensation for their services as directors. A director may serve the Association in a capacity other than that of director and receive compensation as determined by the Board of Directors for services rendered in that other capacity.

Section 7. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the condominium and may do all such acts and things except such acts as by law or by the Declaration or by these By-Laws may not be delegated to the Board of Directors, but not be limited to the following:

- (a) Operation, care, upkeep and maintenance of the common areas and facilities.
- (b) Determination of the common expenses required for the affairs of the condominium, including without limitation, the operation and maintenance of the property.
- (c) Levying and collection of the common charges from Unit Owners.
- (d) Employment and dismissal of the personnel necessary for the maintenance and operation of the common areas and facilities.
- (e) The adoption and amendment of such reasonable rules and regulations as it may deem advisable for the maintenance, conservation and beautification of the property, and for the health, comfort, safety and general welfare of the owners and occupants of the property. Written notice of such rules and regulations shall be given to all owners and occupants and the entire property shall at all times be maintained subject to such rules and regulations.
- (f) Opening of bank accounts on behalf of the Association and designated signatories required therefor.

(g) Making of repairs, additions, improvements to or alterations to the property and repairs to and restoration of the property in accordance with the other provisions of these By-Laws and the Declaration, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

(h) Procure insurance as required by the Declaration.

(i) Pay ad valorem taxes and public assessments levied against the common areas and facilities.

Section 8. Managing Agent. The Board of Directors for the Association may engage the services of any person, firm, or corporation to act as managing agent at compensation established by the Board, to perform such duties and services as the Board of Directors shall authorize. The Board may delegate to the Managing Agent all of the powers granted to the Board of Directors by these By-Laws other than the powers in Section 7(d) and Section 7(e) of this Article.

ARTICLE IV

Meeting of Directors

Section 1. Regular Meetings. A regular meeting of the Board of Directors may be held immediately after the annual meeting of Unit Owners and if not then shall be held within a reasonable time thereafter.

Section 2. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any two (2) directors.

Section 3. Place of Meetings. All meetings of the Board of Directors shall be held at any place within the State of North Carolina as the Board of Directors may from time to time establish for regular meetings or as set forth in a duly executed waiver of notice of such meeting or as may be otherwise agreed upon in advance of the meeting by a majority of the directors.

Section 4. Notice of Meetings. Regular meetings of the Board of Directors may be held without notice. Special meetings shall be called on not less than five (5) days prior notice. Notice of a special meeting need not state the purpose thereof and such notice shall be directed to each director at his residence or usual place of business by mail, cable, telegram, facsimile or may be delivered personally. The presence of a director at a meeting shall constitute a waiver of notice of that meeting except only when such director attends the meeting solely for the purpose of objecting to the transaction of any business thereat, on the ground that the meeting has not been lawfully called, and does not otherwise participate in such meeting.

Section 5. Quorum and Manner of Acting. A quorum shall be deemed present throughout any meeting of the Board of Directors if persons entitled to cast one-half of the votes in that body are present at the beginning of the meeting.

Section 6. Vote Required for Action. Except as otherwise provided in this section, the act of a majority of the directors present at the meeting at which a quorum is present at the time shall be the act of the Board of Directors. Vacancies in the Board of Directors may be filled as required in Article III, Section 6 of these By-Laws.

Section 7. Action by Directors Without Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if a written consent thereto shall be signed by all the directors and such written consent is filed with the minutes of the proceedings of the Board. Such consent shall have the same force and effect as a unanimous vote of the Board of Directors.

Section 8. Adjournments. A meeting of the Board of Directors without a quorum present may be adjourned by majority of the directors present to reconvene at a specific time and place. It shall not be necessary to give notice of the reconvened meeting or of the business to be transacted, other than by announcement at the meeting which was adjourned. At any such reconvened meeting at which a quorum is present, any business may be transacted which could have been transacted at the meeting which was adjourned.

Section 9. Minutes. The Board shall keep written minutes of its proceedings.

Section 10. Liability. The members of the Board of Directors shall not be liable to the Unit Owners for any mistake of judgment, negligence, or otherwise except for their own individual willful misconduct or bad faith. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association, except to the extent they are Unit Owners. It is also intended that the liability of any Unit Owner arising out of any contract made by the Board of Directors or out of the aforesaid indemnity in favor of the members of the Board shall be limited to such proportion of the total liability thereunder as his interest in the common areas and facilities. Every agreement made by the Board or by the managing agent on behalf of the Association shall incorporate by reference all of the terms and provisions of the said Declaration and these By-Laws. Each Unit Owner's liability thereunder shall be limited to such proportion of the total liability thereunder as his interest in the common areas and facilities bears to the interest of all Unit Owners in the common areas and facilities.

ARTICLE V

Officers

Section 1. Number of Officers. The Association's officers shall be a President, Vice-President, Secretary and Treasurer, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article V. Any two (2) offices or more may be held by one (1) person, except the offices of President and Secretary, but no officer shall sign or execute any document in more than one (1) capacity.

Section 2. Election, Term of Office and Qualifications. Each officer shall be chosen by the Board of Directors and shall hold office at the will of the Board of Directors until their successors have been elected and have been qualified or until their early death, resignation, removal, retirement or disqualification. The officers need not be Unit Owners.

Section 3. Removal. Any officer may be removed, either with or without cause, by vote of a majority of the whole Board of Directors at any meeting with respect to which notice of such purpose has been given to the members thereof.

Section 4. Resignations. Any officer may resign at any time by giving written notice to the Board of Directors or to the Association's President or Secretary. Any such resignation shall take effect upon its being accepted by the Board of Directors.

Section 5. Vacancies. A vacancy in any office because of death, resignation, removal or disqualification, or any other cause, shall be filled for the unexpired portion of the term in the manner prescribed by these By-Laws for regular appointments or elections to such offices.

Section 6. President. The President shall be the chief executive officer and subject to the instructions of the Board of Directors, shall have general charge of the Association's business, affairs and property and control over its other officers, agents and employees. He shall preside at all meetings of the Unit Owners and of the Board of Directors at which he may be present. The President shall do and perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 7. Vice President. At the request of the President, or in his absence or disability, the Vice President shall perform all the duties of the President and when so acting shall have all the powers of and be subject to all restrictions upon the President. The Vice President shall perform such other duties and have such other authority as from time to time may be assigned to him by the Board of Directors.

Section 8. Secretary. The Secretary shall keep the minutes of the meetings of Unit Owners and the Board of Directors, and shall see that all notices are duly given in accordance with the provisions of these By-Laws or as required by the provisions of N.C.G.S. Chapter 47C. He shall be custodian of the Association's records, books,

reports, statements, certificates and other documents and of the Association's seal, and see that the seal is affixed to all documents requiring such seal. He shall prepare, execute, certify, and record amendments to the Declaration on behalf of the Association. In general, he shall perform all duties and possess all authority incident to the office of Secretary, and he shall perform such other duties and have such other authority as from time to time may be assigned to him by the Board of Directors.

Section 9. Assistant Secretary. The Assistant Secretary, if such an officer is appointed by the Board of Directors, shall be authorized to attest to all documents on behalf of the Association and affix the Association's seal thereto. His duties shall be ministerial only and limited to executing all documents in proper corporate form as from time to time may be necessary.

Section 10. Treasurer. The Treasurer shall have supervision over the Association's funds, receipts and disbursements of the Association. He shall keep full and accurate accounts of the Association's finances in accordance with general accepted accounting principles and in accordance with the provisions of N.C.G.S. Chapter 47C. The Treasurer shall make reports of same to the Board of Directors upon request. The Treasurer shall perform all duties that may be assigned to him from time to time by the Board of Directors. The reports and records of the Association shall be available for inspection by the Unit Owners and duly authorized agents or attorneys of Unit Owners at convenient hours of working days. The Treasurer shall require that an outside audit be conducted at least one a year on the books and records of the Association.

Section 11. Duties of Officers May Be Delegated. In case of the absence of any officer of the Association or for any other reason that the Board may deem sufficient, the Board may delegate the powers or duties of such officer to any other officer or to any director for the time being provided a majority of the entire Board of Directors concurs therein.

Section 12. Salaries of Officers. The compensation of all officers of the Association shall be fixed by the Board of Directors, providing however, that no officers appointed by Declarant shall receive any compensation from the Association.

ARTICLE VI

Fiscal Management

Section 1. Determination of Common Expenses and Fixing of Common Charge.
The Board of Directors shall, from time to time and at least annually, prepare a budget for the Association and determine the amount of the common charges payable by the Unit Owners to meet common expenses of the condominium and allocate and assess such common charges among the Unit Owners according to their respective common interests. A common expense shall include among other things, the cost of all insurance premiums and all policies of insurance required to be or which have been obtained by the Board of Directors, ad valorem taxes, sewer charges, and assessments for public improvements. The common expenses may also include such amounts as the Board of Directors may deem proper for the operation and maintenance of the property, for the condominium, and for a general operating reserve, for reserve fund replacements, and to make up any deficit in the common expenses for any prior year. Any increase in the monthly common charge that exceeds 10% per annum will require the consent of a majority of all Unit Owners.

Waterford @ Cary Park consists of three separate communities: (1) Amherst, which has two separate buildings containing a total of 36 condominium units in this current phase and (2) Yarmouth, which has one separate buildings containing a total of 16 condominium units in this current phase, and (3) Nantucket, which has no buildings in this current phase but which will have buildings in future phases should the Declarant elect to exercise certain development rights contained herein to expand the condominium. The building locations and the size of the units in each building are more particularly shown on Exhibit B1 attached hereto. For costs or expenditures that are exclusively for the benefit of one community, assessments shall be made and collected from the Unit Owners in that community on a basis that is proportionate to the relationship the square footage each unit bears to the square footage of all units in the community. Examples of costs attributable exclusively for the benefit of one community include hazard/liability insurance, building maintenance and repair, water and sewer charges, common area lights inside and

on the face of the building, utility expenses (not for use by individual units), limited common area maintenance, building replacement reserves, janitorial, elevator and equipment maintenance, security and entry systems (including monitoring and telephone lines) and exterminating. The proposed budget prepared by the Board of Directors of the Association shall project all expenses for the forthcoming year which may be required for the exclusive benefit of each community.

The Board of Directors shall advise all Unit Owners promptly in writing of the amount of common charges payable by each of them respectively as determined by the Board of Directors and shall furnish copies of each budget on which such common charges are based, to all Unit Owners.

Section 2. Payment of Common Charges. All Unit Owners shall be obligated to pay the common charges assessed by the Board of Directors pursuant to the purpose of Section 1 of Article VI at such time or times as the Board shall determine.

Section 3. Collection of Assessments. The Board of Directors shall assess the common charges against the Unit Owners from time to time and shall take prompt action to collect any common charge due for any Unit Owner which remains unpaid for more than thirty days from the date due.

Section 4. Default in Payment of Common Charges. In the event of default by any Unit Owner in paying to the Board of Directors the common charges as determined by the Board, each Unit Owner shall be obligated to pay interest at the legal rate on such common charges from the date due thereof together with all expenses, including attorney's fees incurred by the Board in any proceeding to collect such unpaid common charges.

In any action brought by the Board to foreclose on a unit because of unpaid common charges, the Unit Owner shall be required to pay a reasonable rental for the use of such unit and the plaintiff in such foreclosure shall be entitled to the appointment of a receiver to collect the same. The Board acting on behalf of all Unit Owners, or on behalf of one or more individual owners, shall have the power to purchase such unit at the foreclosure sale and to acquire, hold, lease, mortgage, convey or otherwise deal with same, subject to applicable restrictions of record.

Section 5. Maintenance and Repair. All maintenance and repair to any common areas or limited common areas shall be made by the Board and charged to all Unit Owners as a common expense.

Section 6. Utility Expense. The Board shall own and be responsible for the repair, maintenance, and upkeep of all equipment such as the elevator and heating and air conditioning equipment which serve the common areas. Unit Owners shall be individually responsible for the repair, maintenance and upkeep of all equipment such as hot water heaters and heating and air conditioning equipment which exclusively serves their unit.

Section 7. Additions and Alterations. No Unit Owner shall make any structural addition, alteration or improvement in or to his unit without the prior written consent by the Board. The Board shall have the obligation to answer any written request by a Unit Owner for consideration of a proposed structural addition, alteration or improvement brought by a Unit Owner. Failure to do so within forty-five days from the day on which the written request shall first have been made to the Board shall constitute a consent by the Board to the proposed addition, alteration or improvement.

Section 8. Use of the Units and Common areas. The use of the property of the condominium shall be in accordance with the following provisions:

The building and each of the units shall be used for residential purposes only. The use of the building and units are further restricted by these By-Laws of the Association. No unit may be subdivided into smaller units or any portions thereof, sold or otherwise transferred without first amending these By-Laws to show the changes in the units to be effected thereby.

No more than two persons over the age of eighteen unrelated by blood or marriage shall reside in any single unit for more than thirty days in any one consecutive calendar year.

The common areas and facilities shall be used only for the purposes for which they are intended and the furnishing of services for the enjoyment of the units.

No noxious or offensive activity shall be conducted upon any unit nor shall anything be done thereon which may be or may become an annoyance or nuisance or shall interfere with the peaceful possession of property by Unit Owners.

No animals, livestock or poultry of any kind shall be kept or maintained on any unit or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes. All household pets shall be kept on a leash at all times when outside the units.

No outside radio or television antennas, including satellite dishes or receivers, shall be erected on any unit unless and until permission for the same has been granted by the Association.

No signs shall be permitted on or about the units.

All window coverings (i.e., curtains, blinds, draperies, shades, etc.) shall be installed and maintained in accordance with provisions of the Association.

Unit Owners shall not park or store any motorcycle, camper, trailer, trailer vehicle, or similar vehicle anywhere on the premises. No trucks shall be permitted except for standard 2-ton or less pickup trucks or smaller sized trucks.

Any lease or rental agreements involving the units shall be in writing and shall be subject to the requirements of the Association documents and Association rules and regulations governing same.

Section 9. Right of Access. All Unit Owners shall grant a right of access to his unit to the Board or their designee for the purpose of making inspections or for the purpose of correcting any condition originating in his unit and threatening another unit or common area or facility, or for the purpose of performing installations, alterations, replacement, or repairs to common areas and facilities in the unit or elsewhere in the building. In case of emergencies such right of entry shall be immediate whether the Unit Owner is present at the time or not.

Section 10. Rules of Conduct. Rules and regulations concerning the use of the units and the common areas and facilities may be promulgated by and amended by the Board. Copies of such rules and regulations shall be furnished by the Board to each Unit Owner on request.

Section 11. Annual Audit. Within one hundred twenty (120) days or less following the end of each fiscal year, the Association shall provide an annual audit prepared by an independent accountant available for inspection by Unit Owners or others as provided by Article II, Section 16 of these By-Laws.

Section 12. Working Capital Fund. The Association shall establish a working capital fund to meet unforeseen expenditures or to purchase any additional equipment or services. The working capital fund shall be funded initially by the payment by each Unit Owner of an initial payment to the Association of two months estimated monthly assessment for each unit. Any amounts paid into this fund shall not be considered advance payments of regular assessments.

ARTICLE VII

Amendment of By-Laws

Section 1. Amendments. For a period no longer than six (6) years after the initial filing of these By-laws in the Wake County Registry, the Declarant may unilaterally amend these By-laws without the consent or approval of other Unit Owners or eligible mortgage holders provided such amendment shall be exclusively for the purpose of exercising certain development rights which have been reserved for the exclusive benefit of the Declarant within the Declaration. For a period no longer than six (6) years after the initial filing of these By-laws in the Wake County

Registry, the Declarant may unilaterally amend these By-laws without the consent or approval of other Unit Owners or eligible mortgage holders provided such amendment shall be exclusively for the purpose of correcting clerical error or making changes other than material changes, as defined below, to these By-laws. (For the purposes of this foregoing provision, the exercise of development rights by the Declarant shall not be considered a material change.) Otherwise, these By-Laws may be amended by a vote of Unit Owners owning in the aggregate at least a 80% undivided interest in the Common areas and facilities cast in person or by proxy at a meeting held in accordance with the provisions of the By-Laws. No such amendment shall be effective until set forth in an amended declaration and duly recorded in the Office of the Register of Deeds in Wake County, North Carolina. Upon recording, all the Unit Owners and their successors and assigns, shall be bound by said amendments.

Section 2. Amendments of a Material Nature to By-Laws. Amendments of a material nature shall be agreed to by Unit Owners who represent at least 80% of the total allocated votes in the Association and by eligible mortgage holders who represent at least 51% of the votes of unit estates that are subject to mortgages held by eligible holders. Unit Owner votes may be cast in person or by proxy at a meeting held in accordance with the provisions of the By-Laws. No such amendment shall be effective until set forth in an amended declaration and duly recorded in the Office of the Register of Deeds in Wake County, North Carolina. Upon recording, all the Unit Owners and their successors and assigns, shall be bound by said amendments.

A material change shall be considered as one which changes any of the following:

- voting rights;
- increases in assessments that raise the previously assessed amount by more than 25%, assessment liens, or the priority of assessment liens;
- reductions in reserves for maintenance, repair, and replacement of common elements;
- responsibility for maintenance and repairs;
- reallocation of interests in the general or limited common elements or rights to their use;
- redefinition of any unit boundaries;
- convertibility of units into common elements or vice versa;
- expansion or contraction of the project, or the addition, annexations, or withdrawal of property to or from the project;
- hazard or fidelity insurance requirements;
- imposition of any restrictions on the 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 Association to establish self-management if professional management had been required previously by Association documents or by an eligible mortgage holder;
- restoration or repair of the project (after damage or partial destruction) in a manner other than that specified in the documents; or
- any provisions that expressly benefit mortgage holders, insurers or guarantors.

Implied approval by an eligible mortgage holder shall be assumed when an eligible mortgage holder fails to submit a response to any written proposal for an amendment within thirty (30) days after it receives proper notice of the proposal, provide the notice was delivered by certified mail or registered mail with a "return receipt" requested.

ARTICLE VIII

Compliance

Section 1. These By-Laws are set forth to comply with the requirements of the Unit Ownership Act, Chapter 47C 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 WATERFORD @ CARY PARK CONDOMINIUM HOMEOWNERS ASSOCIATION at the first meeting of the Board of Directors on _____, 2004.

APPROVED:

President

Secretary