

BYLAWS
OF
CAVANAUGH GARDEN HOMES CONDOMINIUM OWNERS ASSOCIATION

ARTICLE I

PLAN OF UNIT OWNERSHIP

Section 1. Lands submitted to unit ownership. Thompson Investment Company, a North Carolina partnership, hereinafter known as the "Declarant", is the owner of certain lands lying in the City of Cary, Wake County, North Carolina, more particularly described in Exhibit A attached to the Declaration of Cavanaugh Garden Homes Condominium (herein "Declaration") and has submitted a portion of said lands, more particularly described on Exhibit D attached to the Declaration and the improvements thereon, to unit ownership pursuant to the North Carolina Unit Ownership Act by filing simultaneously herewith the declaration provided for in Chapter 47A of the North Carolina General Statutes, which declaration provides that additional portions of said lands described on Exhibit A attached thereto may be submitted to unit ownership. The lands and improvements submitted to unit ownership by said declaration and all of the lands submitted to unit ownership as provided therein shall be known as Cavanaugh Garden Homes.

Section 2. Applicability of bylaws. All present and future owners, mortgagees, lessees, and occupants of units within the Condominium, and their agents, servants, and employees, and any other persons who may make use of the facilities of the Condominium in any manner, are subject to these bylaws and to the rules and regulations adopted pursuant hereto and to any amendments to these bylaws upon the same being duly passed and set forth in an amended declaration, duly recorded.

The acceptance of a deed or conveyance or the entering into of a lease or the act of occupancy of a condominium unit by any person shall conclusively establish the acceptance and ratification by such person of these bylaws (and any rules and regulations adopted pursuant hereto), as they may be amended from time to time, and shall constitute and evidence an agreement by such persons to comply with these bylaws and with the rules and regulations.

DEFINITIONS

Section 1. "Association" shall mean and refer to the association of unit owners of Cavanaugh Garden Homes Condominiums.

Section 2. "The Property" shall mean all of the lands, buildings, improvements, and appurtenances, now or hereafter subjected to unit ownership under the North Carolina Unit Ownership Act by the filing of a declaration applicable to those lands described on Exhibit A of the Declaration.

Section 3. "Declarant" shall mean Thompson Investment Company and its assigns and successors to whom it shall make specific written assignment of its rights under the Declaration and these bylaws.

Section 4. "Declaration" shall mean the instrument, and all recorded amendments thereto by which the Property is submitted to unit ownership pursuant to the provisions of the North Carolina Unit Ownership Act.

Section 5. "Board" shall mean the Board of Directors of the Association.

Section 6. "Rules and Regulations" shall mean those written actions of the Board, duly adopted, and amendments thereto, interpreting and applying the provisions of the Declaration and these bylaws and establishing and prescribing the administration and management of the Property and the use, operation, and maintenance of the common areas.

ARTICLE III

ASSOCIATION OF UNIT OWNERS

Section 1. Members. Every owner of a unit within the Property shall be a member of the association of unit owners of Cavanaugh Garden Homes Condominium, to be known as the Cavanaugh Garden Homes Condominium Owners Association.

Section 2. Annual Meetings. An annual meeting of the Association shall be held for the purpose of electing members of the Board of Directors and for the transaction of such other business as may be properly brought before the meeting. The annual

meetings shall be held at 7:00 p.m. on the fourth Thursday of January of each year, unless such day shall be a legal holiday, in which event the meeting shall be held at the same time on the day next following which is not a legal holiday, and the first annual meeting shall be held on the fourth Thursday of January in 1982.

Section 3. Substitute annual meetings. If an annual meeting is not held on the day designated in the bylaws, a substitute annual meeting may be called in the same manner as a special meeting. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4. Special meetings. Special meetings of the Association may be called at any time by a majority of the members of the Board of Directors or upon the written request of the owners of not less than twenty-five percent (25%) of the aggregate interests in the common areas and facilities as established by the Declaration.

Section 5. Place of meetings. All meetings of the Association shall be held at the Property or at such other place in the City of Cary, North Carolina, as shall be designated in the notice of the meeting.

Section 6. Notice of meetings. Written or printed notice stating the place, day and hour of the meeting shall be delivered or mailed by first class mail, postage prepaid, not less than ten (10) nor more than thirty (30) days prior to the date of the meeting, either by the unit owners calling the meeting or as the Board of Directors shall direct, to each person entitled to vote at such meeting.

In the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted unless it is a matter other than the election of directors on which the vote of unit owners is expressly required by the provisions of the North Carolina Unit Ownership 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.

When a meeting is adjourned for thirty (30) days or more, notice of the reconvening of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment, it shall not be necessary to give notice of the reconvening of the adjourned meeting other than by an announcement at the meeting at which the adjournment is effective.

Section 7. Quorum. The presence in person or by proxy at any meeting of members having a majority of the total votes entitled to be cast shall constitute a quorum. Unless otherwise expressly provided herein, any action, consistent with the notice of such meeting, may be taken at any meeting of the Association at which a quorum is present upon the affirmative vote of the members having a majority of the total votes present at such meeting.

If a quorum is not present at the opening of any meeting, the meeting may be adjourned from time to time by vote of a majority of the voting members present, either in person or by proxy, and shall be reconvened at the date and time determined at the adjourned meeting, subject to the notice requirements set forth in Section 6 of these bylaws. Upon the reconvening of any meeting adjourned for lack of a quorum, the quorum required at such subsequent meeting shall be one-half (1/2) that required at the preceding meeting.

Section 8. Voting members; proxies. There shall be one person with respect to each unit who shall be entitled to vote at any meeting of the Association, herein referred to as the "voting member". The voting member may be the owner of a unit, or an owner designated by a majority of the several owners of a unit, or may be some other person designated by such owner or owners to act as proxy on his or their behalf and who need not be an owner. Designation of the voting member or of a proxy shall be made in writing to the Board and shall be revocable at any time by actual notice to the Board by the owner or a majority of the owners.

Section 9. Voting rights; cumulative voting. The vote cast by or on behalf of the owner or owners of a unit shall be equal in percentage of the total vote entitled to be cast to the percentage of interest owned in the common areas and facilities by such unit owner or owners. In all elections for members of the Board of Directors, each voting member shall be entitled to vote on a cumulative voting basis for the director or directors to be elected, and the candidate or candidates receiving the highest number of votes with respect to the number of offices to be filled shall be deemed elected.

Section 10. Waiver of notice. Any unit owner, at any time, may waive notice of any meeting of the Association in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a unit owner at any meeting of the Association shall constitute a waiver of notice by him of the time and place thereof except where a unit owner attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all of the voting members are present at any meeting of the Association, no notice shall be required, and any business may be transacted at any meeting.

Section 11. Informal action by unit owners. Any action which may be taken at a meeting of the Association may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the persons who would be entitled to vote upon such an action at a meeting (that is, the voting members), and filed with the Secretary of the Association to be kept in the Association minute book.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. General powers. The business and the Property shall be managed and directed by the Board of Directors of the Association or by such executive committees as the Board may establish pursuant to these bylaws.

Section 2. Initial board. There shall be an initial board of three directors, appointed by the Declarant, who shall serve until their successors are appointed or elected and qualified.

Section 3. Number, term and qualification. At the first annual meeting of the Association, there shall be created a Board of Directors consisting of five (5) members, three (3) of whom shall be designated by the Declarant and shall serve for a term of one (1) year, and two (2) of whom shall be elected from among the membership by the voting members, and who shall serve terms of two (2) years. Thereafter, for so long as the Declarant shall own at least ten percent (10%) of the aggregate interest in the common areas and facilities, the Declarant shall be entitled to appoint, and, from time to time, remove and replace, three members of the Board at each annual meeting. At the first annual meeting following such time as the Declarant's ownership interest in the common areas and facilities declines to less than ten percent (10%), all directors shall be elected. Two (2) of the directors so elected shall serve for a term of one (1) year and three (3) of the directors so elected shall serve for a term of two (2) years. Their successors shall be elected for two (2) year terms.

Section 4. Election of directors. Except for the appointed directors provided for in Section 3 of this Article and as otherwise provided in Section 5 of this Article, the directors shall be elected at the annual meeting of the Association; and those candidates who receive the highest number of votes shall be elected.

Section 5. Removal. Any elected director may be removed from office, with or without cause, by the affirmative vote of a majority of the voting members. However, unless all of the elected directors are removed, an individual director may not be removed if the votes cast against removal would be sufficient; if cast cumulatively, to elect a director at an annual election. If any directors are so removed, new directors may be elected at the same meeting.

Section 6. Vacancies. An elective vacancy occurring in the Board of Directors, including directorships not filled by the voting

members, may be filled by a majority of the remaining directors, though less than a quorum, or by the sole remaining director. Voting members may elect a director at any time to fill any elective vacancy not filled by the directors and to fill any appointive vacancy not filled by the Declarant within ninety (90) days after the vacancy occurs.

Section 7. Compensation. The Board of Directors shall receive no compensation for their services unless expressly allowed by the Board upon the affirmative vote of the voting members representing two-thirds (2/3) of the aggregate interest in the common areas and facilities.

Section 8. Executive committees. The Board of Directors may, by resolution adopted by a majority of the number of directors fixed by these bylaws, designate two or more directors to constitute an executive committee, which committee, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the Property.

Section 9. Powers and duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things, except such acts as by law, by the Declaration or by these bylaws may not be delegated to the Board of Directors. The powers and duties of the Board of Directors shall include, but specifically shall not be limited to, those herein set out:

(a) Powers. The Board of Directors shall have power to:

(1) Exercise for the association all powers, duties, and authority vested in or delegated to this Association by law and the Declaration and amendments thereto and not reserved to the membership by other provisions of these bylaws or the Declaration.

(2) Purchase, lease or otherwise acquire in the name of the Board of Directors, or its designee, corporate or otherwise, on behalf of the Association, units offered for sale or lease.

(3) Purchase units at foreclosure or other judicial sales in the name of the Board of Directors, or its designee, corporate or otherwise, on behalf of all unit owners.

(4) Sell, mortgage, vote the votes appurtenant to, or otherwise deal with units acquired by the Board of Directors or its designee, corporate or otherwise, on behalf of the Association, subject to the Declaration and other applicable restrictions, and organize corporations to act as designees of the Board in acquiring title to units on behalf of the Association.

(5) Enter any unit when necessary in connection with any maintenance or construction for which the Board is responsible; provided, such entry shall be made during reasonable hours with as little inconvenience to the unit owner as practicable, and any damage caused thereby shall be repaired by the Board and such expense shall be treated as a common expense of the property within which the unit is located.

(6) Engage the services of any person, firm, or corporation to act as agent, contractor or manager of and for the Property, at the compensation established by the Board, to perform such duties and services as the Board shall authorize, other than the powers enumerated in subdivisions (1), (2), (3), (4) and (6) of this subsection (a) and the duties enumerated in subdivisions (3), (4), (7), (8), (9) and (11) of subsection (b) of this section.

(b) Duties. It shall be the duty of the Board of Directors to:

(1) Administer, operate, maintain and repair the common areas and facilities.

(2) Enter any unit and perform any repairs, maintenance or construction for which the Association is responsible at reasonable times and hours and with as little inconvenience to the unit owner as practicable. The association shall repair any damages to the unit caused by such repair, maintenance or construction, and all costs incurred in performing these duties shall be a common expense of the Property, unless the Board shall determine that the repairs, maintenance or construction was necessitated by the negligence, misuse, unlawful act, or act in violation of the Declaration, these bylaws or the rules and regulations of the Association by the unit owner, in which event such costs may be assessed against the unit owner.

(3) Determine the common expenses arising from the costs of administration, operation, care, upkeep, maintenance, repair and construction of the common areas and facilities, including, without limitation, reserves for repair, reconstruction or replacement.

(4) Fix and assess in the manner provided by law and in the Declaration, the proportionate part of the common expenses of each unit owner within the Property.

(5) Collect and enforce the collection of common expenses in the manner provided by law and in the Declaration, including, but not limited to legal proceedings for the enforcement of liens.

(6) Employ and dismiss personnel necessary to the maintenance and operation of the common areas and facilities.

(7) Adopt, amend, publish and enforce reasonable rules and regulations that it deems advisable and necessary for the proper administration, operation, maintenance, conservation, and beautification of the Property and for the health, comfort, safety and general welfare of the owners and occupants of condominium units. Copies of the published rules and regulations and amendments thereto shall be given to all the owners and occupants and the Association and Property shall be administered, operated and maintained in conformity with such rules and regulations.

(8) Designate depositories for Association funds and the officers, agents and/or employees having the authority to deposit and withdraw such funds; and, in its discretion, to require such officers, agents or employees to be bonded in such amounts as it deems necessary.

(9) Sign all agreements, contracts, vouchers for payment of expenditures, deeds and other instruments in such manner as from time to time shall be determined by written resolution of the Board. In the absence of such determination by the Board, such documents shall be signed by the President and/or such other persons as the Board may designate.

(10) Procure and maintain adequate insurance of such nature and in such amounts as is provided in the Declaration, and such other insurance as the Board may deem necessary or appropriate.

(11) Appoint such committees as are provided for in these bylaws.

(12) Exercise their powers in good faith and do and perform such other matters and things not expressly prohibited by law, the Declaration, or these bylaws as are necessary and appropriate to the proper administration, operation and maintenance of the Association and the Property.

(13) Give written notice of any default by the mortgagor of any unit in the performance of such mortgagor's obligations under the Declaration or bylaws which is not cured within thirty (30) days to any holder of a mortgage on such unit who requests such notice.

Section 10. Persons who may serve. Every elected member of the Board shall be a unit owner or co-owner or the spouse of a unit owner or co-owner, unless the owner is a corporation, partnership, trust or other legal entity other than a natural person or persons, in which event any officer, director, agent or employee of such corporation, partner of such partnership, beneficiary of such trust, or manager of such other legal entity, shall be eligible to serve as a member of the Board, but members of the Board appointed by the Declarant need not be owners. Members of the Association appointed by the Declarant need not be owners.

Section 11. Liability of the Board. 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. The Association shall indemnify and hold harmless each of the members of the Board against all contractual liability to others arising out of contracts made by the Board on behalf of the Association unless any such contracts shall have been made in bad faith or contrary to the provisions of the Declaration or these bylaws. 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 of their liability as unit owners. It is also intended that the liability of any unit owner arising out of any contracts 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 proportions of the total liability thereunder as his interest in the common areas and facilities bears to the interest of all of the unit owners in the common areas and facilities. Every agreement made by the Board or by the manager on behalf of the Association shall provide that the members of the Board of Directors, or the manager, as the case may be, are acting only as agents for the Association, and shall have no personal liability thereunder (except as unit owners), and that each unit owner's liability thereunder shall be limited to such proportion to the total liability thereunder as his interest in the common areas and facilities of the Property bears to the interest in said common areas and facilities of all unit owners in the Property.

ARTICLE V

MEETINGS OF DIRECTORS

Section 1. Organizational meeting. The initial Board of Directors shall meet prior to conveyance of the first unit by the Declarant. No notice to the Directors shall be necessary in order to legally constitute such meeting, provided that a quorum shall be present.

Section 2. Regular meetings. A regular meeting of the Board shall be held immediately after and at the same place as the annual meeting or substitute annual meeting of the Association. The Board may provide by adoption of an appropriate resolution for the time and place within the City of Cary, North Carolina, for other regular meetings of the Board.

Section 3. Special meetings. Special meetings of the Board may be called by or at the request of the President or by any two Directors. Such meetings may be held at any place within the City of Cary, North Carolina.

Section 4. Notice of meetings. Regular meetings of the Board of Directors may be held without notice. The person or persons calling a special meeting of the Board shall give notice by any usual means of communication to all Directors of the time, place and purpose of such meeting at least two days prior thereto.

Attendance by a Director at a meeting shall constitute a waiver of notice of such meeting except where a Director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called.

Section 5. Waiver of notice. Any member of the Board of Directors may give written waiver of notice at any time of any meeting of the Board, and such waiver shall be deemed equivalent to the giving of such notice. If all of the members of the Board are present at any meeting thereof, no notice shall be required and any business may be transacted at such meeting.

Section 6. Quorum. A majority of the number of Directors fixed by these bylaws shall be required for and shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 7. Manner of acting. Except as otherwise provided in this section, the act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

A vote of a majority of the number of Directors fixed by the bylaws shall be required to adopt a resolution constituting an executive committee.

Section 8. Organization. Each meeting of the Board of Directors shall be presided over by the President and in the absence of the President, by the Vice President, and in the absence of the Vice President, by any person selected to preside by vote of the majority of the Directors present. The Secretary, or in his absence, an Assistant Secretary, or in the absence of both the Secretary and the Assistant Secretary, any person designated by the presiding officer of the meeting shall act as Secretary of the meeting.

Section 9. Informal action of Directors. Any action taken by a majority of the Directors without a meeting shall constitute Board action if written consent to the action in question is signed by all the Directors and filed with the minutes of the proceedings of the Board, whether done before or after the action is taken.

Section 10. Minutes. The Board shall keep minutes of all of its proceedings.

Section 11. Fidelity bonds. The Board of Directors may require any officer or employee of the Association handling or responsible for Association funds to be covered by an adequate fidelity bond. The premiums on such bond shall constitute a common expense.

ARTICLE VI

OFFICERS

Section 1. Designation. The principal officers of the Association shall be a president, a secretary, a treasurer and such vice presidents, assistant secretaries, assistant treasurers and other officers as the Board of Directors may from time to time elect. Any two or more offices may be held by the same person except that the office of President and Secretary may not be held by the same person.

Section 2. Election and term. The officers of the Association shall be elected by and from the Board of Directors, and such elections may be held at the regular annual meetings of the Board; provided, however, that prior to the first annual meeting, the Declarant shall appoint the officers from among the initial Board.

Each officer shall hold office for a period of one (1) year or until his death, resignation, retirement, removal, disqualification or his successor is elected and qualified.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board with or without cause, and any officer or agent appointed or designated by the Declarant may be removed by the Declarant with or without cause. Such removal, however, shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Compensation. No officer shall receive any compensation from the Association for acting as such, but the Board may reimburse any officer for any direct expenses incurred by him in the performance of his duties as such officer and such reimbursement shall be a common expense.

Section 5. President. The President shall be the principal executive officer of the Association and, subject to the control of the Board of Directors, shall supervise and control the management of the Property. The President shall, when present, preside at all meetings of the Board and of the Association, and, in general, shall perform all duties incident to the office of the President and such other duties as may be prescribed from time to time by the Board.

Section 6. Vice President. The Vice President, and if there be more than one, the Vice Presidents shall, in the absence or disability of the President, have the powers and perform the duties of said office. In addition, each Vice President shall perform such other duties and have such other powers as shall be prescribed by the President.

Section 7. Secretary. The Secretary shall keep accurate records of the acts and proceedings of all meetings of the Association and of the Board. He shall give, or cause to be given, all notices required by law and these bylaws. He shall have general charge of the minute books and records of both the Association and of the Board. He shall sign such instruments as may require his signature, and, in general, shall perform all duties incident to the office of Secretary and such other duties as may be assigned to him from time to time by the President or by the Board of Directors.

Section 8. Treasurer. The Treasurer shall have custody of all Association funds and securities and shall receive, deposit, or disburse the same under the direction of the Board of Directors. He shall keep full and accurate records of the finances of the Association in books especially provided for that purpose. He shall cause a true statement to be prepared as of the close of each fiscal

year setting forth, in reasonable detail, the assets and liabilities of the Association and the Property, the changes in surplus for such fiscal year, and the result of the operations of the Association and Property. The statement shall be filed and kept available for inspection by any unit owner for a period of three (3) years and the Treasurer shall mail or otherwise deliver a copy of the latest statement to each unit owner and member of the Board of Directors annually on or before March 15, covering the preceding calendar year. The Treasurer shall also prepare and file all reports and returns required by Federal, State or local laws, and shall generally perform all other duties as may be assigned to him from time to time by the President or the Board of Directors.

Section 9. Assistant Secretaries and Treasurers. The Assistant Secretaries and Assistant Treasurers, if any, shall, in the absence or disability of the Secretary or the Treasurer, respectively, have all the powers and perform all of the duties of those officers, and they shall, in general, perform such other duties as shall be assigned to them by the Secretary or Treasurer, respectively, or by the President or Board of Directors.

ARTICLE VII

OPERATION OF THE PROPERTY

Section 1. Determination of common expenses and fixing of common charges. The Board of Directors, from time to time, and at least annually, shall prepare a budget for the Property, determine the amount of the common charges payable by the unit owners to meet the common expenses of the Property, and allocate and assess the common charges of the Property among the unit owners thereof according to their respective common interests. A part of the common expenses of the Property shall include, among other things, and without limitation, the administrative expenses of the Association and Property and the costs of all premiums for insurance obtained pursuant to the provisions of the Declaration. The budget of the Property, in the discretion of the Board, and as necessary, may

include, without limitation, amounts for: funding deficits for any prior year; a reserve for working capital; a reserve for replacement; and a general operating reserve.

Unless all mortgagees and two-thirds (2/3) of the unit owners elect to the contrary, the exterior portions of all buildings that were initially stained or painted shall be restained or repainted not less than once in every seven (7) years and the roofs of all buildings shall be replaced not less than once in every twenty (20) years.

The common expenses of the Property may also include such amounts as may be required for the purchase or lease by the Board or its designee, corporate or otherwise, on behalf of the association, of any unit whose owner has elected to sell or lease such unit or of any unit which is to be sold at foreclosure or other judicial sale. 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 as aforesaid, and shall furnish copies of each budget on which such common charges are based to all unit owners and, when requested, to their mortgagees.

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 provisions of Section 1 of this Article VII at such time or times as the Board shall determine.

No unit owner shall be liable for the payment of any part of the common charges assessed against his unit subsequent to a sale, transfer or other conveyance by him (made in accordance with the provisions of the Declaration and applicable restrictions of record) of such unit, together with his interest in the common areas and facilities (including limited common areas and facilities) as defined in the Declaration. A purchaser of a unit shall be jointly and severally liable with the seller for the payment of the common charges assessed against such unit prior to the acquisition by the purchaser of such unit, without prejudice to the purchaser's right to recover from the seller the amounts paid by the purchaser therefor. Provided, that a mortgagee or other purchaser of a unit at a foreclosure sale of such unit shall not be liable for, and such unit

shall not be subject to, a lien for the payment of common charges assessed prior to such foreclosure sale, and such unpaid common charges shall be deemed to be common charges collectible from all of the unit owners, including such purchaser, his successors and assigns.

Section 3. Collection of assessments. The Board of Directors shall assess common charges against the unit owners from time to time and at least annually and shall take prompt action to collect any common charge due from any unit owner which remains unpaid for more than thirty (30) days from the due date of the payment thereof.

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, such unit owner shall be obligated to pay interest at the highest rate permitted by law on such common charges from the due date thereof, together with all expenses, including reasonable attorneys' fees incurred by the Board in any proceeding brought to collect such unpaid common charges. The Board shall have the right and duty to attempt to recover such common charges, together with interest thereon and the expenses of the proceeding, including reasonable attorneys' fees in any action to recover the same brought against such unit owner, or by foreclosure of the lien on such unit in like manner as a deed of trust or mortgage of real property.

Section 5. Foreclosure of liens for 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 his unit, and the plaintiff in such foreclosure action 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 any one or more individual unit owners, if so instructed, shall have the power to purchase such unit at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey, or otherwise deal with the same, subject,

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however, to applicable restrictions of record. money judgment for unpaid common charges may be maintainable without foreclosing or waiving the lien securing the same.

Section 6. Statement of common charges. The Board of Directors shall promptly provide any unit owner making written request therefor, a written statement of all unpaid common charges due from such unit owner.

Section 7. Abatement and restraint of violations by unit owners. The violation of any rule or regulation adopted by the Board, the breach of any bylaw contained herein, or the breach of any provision of the Declaration shall give the Board the right, in addition to any other rights set forth in these bylaws:

(a) To enter the unit in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting unit owner, any structure, thing, or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass; or

(b) To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

Section 8. Maintenance and repair. (a) Maintenance of unit and yard spaces. All maintenance of the yard spaces within the boundary of the lot within which a unit is located and the maintenance and repairs to any unit, ordinary or extraordinary (other than maintenance of and repairs to any common areas and facilities contained therein and not necessitated by the negligence, misuse, or neglect of the owner of such unit) shall be made by the owner of such unit. Each unit owner shall be responsible for all damages to any other unit and/or to the common areas and facilities that his failure so to do may endanger.

(b) Maintenance of common areas. All maintenance, repairs and replacements to the common areas and facilities, whether located inside or outside of the units (unless necessitated by the negligence, misuse or neglect of a unit owner, in which case such expense shall be charged to such unit owner), shall be made by the Board and shall be charged to all unit owners as a common expense of the Property.

Section 9. Utility equipment. Each unit owner shall own and be responsible for the repair, maintenance and upkeep of all equipment (such as heating and air conditioning equipment and hot water heaters) which serves his unit exclusively.

Section 10. Additions, alterations or improvements by unit owners. No unit owner shall make any addition, alteration or improvement in or to his unit which is structural without the prior written consent of the Board of Directors. The Board shall have the obligation to answer any written request by a unit owner for approval of a proposed structural addition, alteration or improvement in such owner's unit within sixty (60) days after such request is received in writing by the Board, and failure to do so within the stipulated time shall constitute a consent by the Board to the proposed addition, alteration or improvement.

Section 11. Use of units and common areas and facilities. The use of the units, common areas and facilities, limited common areas, and other property and appurtenances within the Property shall be in accordance with the following provisions:

(a) Each of the units shall be occupied only as a residence and for no other purpose. No unit may be divided into smaller units and no divided portion of a unit may be sold or otherwise transferred without first amending these bylaws to show the changes in the units to be affected thereby.

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

(c) No use or practice shall be permitted on the Property which is the source of annoyance to unit owners or which interferes with the peaceful possession and proper use of the Property by the unit owners. All parts of the Property shall be kept in a clean and sanitary condition, and no rubbish, refuse, or garbage shall be allowed to accumulate nor any fire hazard allowed to exist. It shall be the responsibility of each unit owner and the Board of Directors to prevent the development of conditions which render the

Property, or any portion thereof, unclean, unsightly, or unkept, or which substantially decreases the beauty of the area as a whole. No unit owner shall make or permit any use of his unit or of the common elements which will increase the rate of insurance upon the Property or any unit or which shall cause the cancellation of such insurance. No immoral, improper, offensive, or unlawful use shall be made of the Property or any portion thereof. Garbage receptacles shall be located in accordance with reasonable standards established by the Board. All valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed. The responsibility of meeting the requirements of governmental bodies which require maintenance, modification or repair of the Property shall be the same as the responsibility for the maintenance and repair of the property concerned.

(d) Until all of the lands of the Declarant referred to in Article I, Section 1, hereof have been subjected to unit ownership and sold, neither the unit owners nor the Board shall interfere with the sale of additional units. The owner of the unsold units may make such use of the unsold units and the common areas as may facilitate such completion and sale, including, but not limited to, the rental of the same, showing of the property and the display of signs.

Section 12. Right of access. The acceptance of any conveyance or lease of any unit or the occupancy of such unit shall conclusively establish the grant of a right and easement of access to his unit by the owner, lessee, or occupant to the Board, the Association or Property manager, if any, and/or any other person authorized by the Board or the manager, for the purpose of making inspections or for the purpose of correcting any condition originating in his unit and threatening another unit or a common area and facility, or for the purpose of performing installations, alterations, maintenance, or repairs to the common areas and facilities in his unit or elsewhere in the building in which his unit is located, or to correct any condition which

violates the provisions of any mortgage covering another unit; provided, that request for entry must be made in advance and such entry must be at a time reasonably convenient to the unit owner. In case of an emergency, such right of entry shall be immediate, whether or not the unit owner is present at the time.

Section 13. Entry by Board. In the event any unit owner permits any use of the premises or practice in violation of the provisions of Section 11 of this Article VII, and such owner fails to cure said violation within thirty (30) days of the Board's request to do so, agents of the Board may enter upon the premises and cure said violation at the expense of such unit owner or owners.

Section 14. Rules of conduct. Rules and regulations concerning the use of the units and the common areas and facilities may be promulgated and amended by the Board. Copies of such rules and regulations shall be furnished by the Board to each unit owner, and all amendments and new rules and regulations shall be furnished to unit owners prior to the time that the amendment or new rule or regulation becomes effective.

Section 15. Water and electricity charges. Water and electricity shall be supplied to each unit through separate meters and the cost of the same shall be borne by the respective unit owners. All charges for water and electricity used in connection with the maintenance and use of the common areas and facilities shall be a common expense of the Property.

ARTICLE VIII

RECORDS AND AUDITS

The Board of Directors or the manager shall keep detailed records of actions of the Board and the manager, minutes of the meetings of the Board of Directors, minutes of meetings of the Association, and financial records and books of accounts of the Property, including a chronological listing of receipts and expenditures, which, among other things, shall contain the amount of each assessment of the common charges against each unit, the date when

due, the amounts paid thereon, and the balance remaining unpaid. The financial record and books of account shall be available for examination by any unit owner or his duly authorized agent or attorney at convenient hours on working days by prior arrangement with the Board or the manager. An outside audit of all receipts and expenditures of the Association and Property shall be rendered by the Board to all unit owners on or before the 15th day of the third month following the close of each calendar year, covering the preceding year. All books and records shall be kept in accordance with good and accepted accounting practices. A copy of the audit shall be furnished to all mortgagees of units who have requested the same.

ARTICLE IX

OPERATION PRIOR TO INITIAL MEETING OF BOARD

Prior to the first meeting of the initial Board of Directors, all functions of the Association and of the Board of Directors as herein set forth shall be performed and carried out by the Declarant through its officers and agents.

ARTICLE X

AMENDMENT OF BYLAWS

Section 1. Amendment by owners. These bylaws may be amended by the affirmative vote of the voting members having at least sixty-six and two-thirds percent (66-2/3%) of the aggregate interest in the common areas and facilities, cast in person or by proxy at a meeting duly held in accordance with the provisions of the bylaws, and, in addition, the consent of the Declarant so long as it is the owner of at least ten percent (10%) of the aggregate interest in the common areas and facilities. Such amendment shall be executed in the name of the Association and recorded in the Office of the Register of Deeds of Wake County. No such amendment shall be effective until duly recorded as aforesaid.

Section 2. Amendment by Declarant or the Board. The Declarant, for so long as it controls the Board, and thereafter, the Board of Directors, may amend these bylaws without the consent of the owners:

(a) To correct any obvious error or inconsistency in drafting, typing or reproduction; and

(b) To conform to the requirements of any law or governmental agency having legal jurisdiction over the Property or to qualify the Property or any units therein for mortgage or improvement loans made or insured by a governmental agency.

No amendments made pursuant to this Section 2 shall be effective until duly recorded in the Office of the Register of Deeds of Wake County.

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting President of Cavanaugh Garden Homes Condominium Owners Association, and

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 21st day of May, 1981.

IN WITNESS WHEREOF, I have executed this Certification in the name of and on behalf of Cavanaugh Garden Homes Condominium Owners Association, this 21st day of May, 1981.

CAVANAUGH GARDEN HOMES CONDOMINIUM
OWNERS ASSOCIATION

By Odell Thompson
President

EXHIBIT "D"

BEING all of Lots 1701A, 1701B, 1702A, 1702B, 1703A, 1703B, 1704A, 1704B, 1705A, 1705B, 1706A, 1706B, 1707A, 1707B, 1708A and 1708B, as shown on map entitled Cavanaugh Garden Homes Condominium, Section I, Phase I, recorded in Book of Maps 1981, Page 461, Wake County Registry.