

**ARTICLES OF INCORPORATION
OF
DAWSON ON MORGAN CONDOMINIUM OWNERS ASSOCIATION INC.**

Pursuant to §55A-2-02 of the General Statutes of North Carolina, the undersigned does hereby submit these Articles of Incorporation for the purpose of forming a nonprofit corporation under the Nonprofit Corporation Act.

**ARTICLE I
NAME**

The name of the corporation shall be Dawson on Morgan Condominium Owners Association Inc.

**ARTICLE II
PURPOSES**

The purposes for which the corporation is organized are:

(a) to provide for the management, maintenance, preservation, administration and operation of Dawson on Morgan Condominium, a condominium organized pursuant to Chapter 47C of the North Carolina General Statutes, the North Carolina Condominium Act, as set forth in that certain Declaration of Condominium to be recorded in the office of the Register of Deeds of Wake County, North Carolina (the "Declaration");

(b) to promote the health, safety and welfare of the Owners (as defined in the Declaration) and residents within the jurisdiction of this corporation; and

(c) to engage in any and all lawful activities incidental to the foregoing purposes except as restricted herein.

**ARTICLE III
TAX STATUS**

The corporation shall have all the powers granted non-profit corporations under the laws of the State of North Carolina. No part of the net earnings of the corporation shall inure to the benefit of its members, directors, officers or other persons except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the exempt purposes of the corporation.

**ARTICLE IV
DISTRIBUTION OF ASSETS UPON DISSOLUTION**

Upon dissolution of the corporation, the assets thereof shall, after all liabilities and obligations of the corporation have been paid or adequate provision made therefor, be dedicated to an appropriate public agency to be used for purposes similar to those for which the corporation was created or, in the event that such dedication is refused acceptance, distributed to any

association or associations organized for purposes similar to those set forth in Article II above, all in accordance with any further provisions of the Bylaws of the corporation.

ARTICLE V MEMBERSHIP AND VOTING RIGHTS

The corporation shall have members. Such membership shall be limited to the owners of condominium units in Dawson on Morgan Condominium, and every owner of a unit shall automatically be a member of the corporation. The rights, powers and privileges of members of the corporation, including voting rights, are set forth in the Declaration and the Bylaws attached thereto.

ARTICLE VI REGISTERED AGENT AND OFFICE

The street address, which is also the mailing address, and county of the initial registered office of the corporation is 1500 Sunday Drive, Suite 300, Raleigh, Wake County, North Carolina 27607, and the name of the initial registered agent at such address is Beth S. Traynham.

ARTICLE VII PRINCIPAL OFFICE

The street address, which is also the mailing address, and county of the principal office of the corporation is 1500 Sunday Drive, Suite 300, Raleigh, Wake County, North Carolina 27607.

ARTICLE VIII EXECUTIVE BOARD

The affairs of the corporation shall be managed by an Executive Board of five (5) members, who need not be members of the corporation. The number of members of the Executive Board may be changed by amendment of the Bylaws of the corporation. During the Declarant Control Period (as defined in the Declaration), the Executive Board shall have one (1) member. The name and address of the person who is to act as the initial member of the Executive Board until he is replaced as provided in the Bylaws is:

Name

Address

Gregg E. Sandreuter

104 Lake Cliff Court
Cary, North Carolina 27513

ARTICLE IX INDEMNIFICATION

No director shall have personal liability arising out of an action whether by or in the right of the corporation or otherwise for monetary damages for breach of any duty as a director; provided, however, that the foregoing shall not limit or eliminate the personal liability of a director with respect to (i) any acts or omissions that the director at the time of the breach knew or believed were clearly in conflict with the best interests of the corporation, (ii) any liability of

such director arising under sections 55A-8-32 or 55A-8-33 of the General Statutes of North Carolina in connection with any loan, guaranty or other form of security made or provided by the corporation to or for the benefit of any of the directors or officers of the corporation, other than loans, guaranties or other forms of security made to full-time employees of the corporation who are also directors or officers of the corporation by action of the board of directors in accordance with the provisions of section 55A-8-31(a)(1) of the General Statutes of North Carolina, (iii) any transaction from which such director derived an improper personal financial benefit (other than reasonable compensation or other reasonable incidental benefit for or on account of such director's services as a director, trustee, officer, employee, independent contractor, attorney or consultant of the corporation), or (iv) any acts or omissions occurring prior to the effectiveness of this Article.

Furthermore notwithstanding the foregoing provisions, in the event that Section 55A-2-02 or any other provision of the North Carolina General Statutes is amended or enacted to permit further limitation or elimination of the personal liability of the director, the personal liability of the corporation's directors shall be limited or eliminated to the fullest extent permitted by the applicable law.

This Article shall not affect a provision permitted under the North Carolina General Statutes in the articles of incorporation, Bylaws, or contract or resolution of the corporation indemnifying or agreeing to indemnify a director against personal liability. Any repeal or modification of this Article shall not adversely affect any limitation hereunder on the personal liability of the director with respect to acts or omissions occurring prior to such repeal or modification.

ARTICLE X INCORPORATOR

The name and address of the incorporator is Kirsten E. Kenney, 3737 Glenwood Avenue, Suite 400, Raleigh, Wake County, North Carolina 27612.

This the 2nd day of December, 2004.



Kirsten E. Kenney, Incorporator

**EXHIBIT D
TO THE PUBLIC OFFERING STATEMENT**

SEE ATTACHED CONDOMINIUM ASSOCIATION MANAGEMENT AGREEMENT

EXHIBIT E
TO THE PUBLIC OFFERING STATEMENT

SEE ATTACHED PROJECTED INITIAL ANNUAL BUDGET

EXHIBIT F
TO THE PUBLIC OFFERING STATEMENT

1. Taxes for the year 2005 and thereafter which are not yet due and payable.
2. Deed of Trust to PRLAP, Inc., Trustee for Bank of America, N.A., dated January 23, 2004, recorded on January 23, 2004 in Book 10638, Page 1066, Wake County Registry securing the sum of \$12,150,000.00.
3. UCC Financing Statement filed in Book 10638, Page 1090, Wake County Registry, North Carolina, in favor of Bank of America, N.A.
4. Easement Agreements to Progress Energy Carolinas, Inc. recorded in Book 10865, Page 1526 and Book 10909, Page 2153, Wake County Registry.
5. UCC Financing Statement No. 20040007618 filed on January 23, 2004 in the Office of the North Carolina Secretary of State, in favor of Bank of America, N.A.

**PUBLIC OFFERING STATEMENT
FOR DAWSON ON MORGAN CONDOMINIUM**

This Public Offering Statement is being offered to contract Purchasers of condominium units in the proposed Dawson on Morgan Condominium as required by the North Carolina Condominium Act. It contains a summary of the important features of the proposed condominium project, and must by law be delivered to each Purchaser prior to the execution of a sales contract.

1. **Name and Address of the Declarant and the Condominium.**

Name of Declarant: Dawson Developers Inc., a North Carolina corporation

Address of Declarant: 3110 Edwards Mill Road, Suite 210
Raleigh, North Carolina 27612

Name of Condominium: Dawson on Morgan Condominium

Address of Condominium: 317 West Morgan Street
Raleigh, North Carolina 27603

2. **General Description of the Condominium.** The Condominium consists of one (1) five (5) story building. The building is located on a parcel of land containing approximately 1.1 acres. In addition to the buildings, the following common improvements are on the land: paved driveways and surface parking areas containing marked spaces, in addition to walkways and landscaped areas. The parking spaces will be allocated to particular units, and will not be available for the general use of unit owners and their guests.

3. **Number of Condominium Units.** The Condominium contains approximately fifty eight (58) residential units and three (3) commercial unit(s), subject to change.

4. **Copies of Declaration, Bylaws, and other Documents.**

Exhibit A: Declaration. A copy of the Declaration of Condominium for the Condominium is attached hereto as **Exhibit A**.

Exhibit B: Bylaws. A copy of the Bylaws of Dawson on Morgan Condominium Owners Association Inc., a North Carolina non-profit corporation (the "Association"), is attached hereto as **Exhibit B**.

Exhibit C: Articles of Incorporation of the Association. A copy of the Articles of Incorporation is attached hereto as **Exhibit C**. No Association Rules or Regulations are in effect or are proposed at this time.

Exhibit D: Condominium Management Agreement with Independent Manager. A copy of the Condominium and Homeowners' Association Management Agreement to be executed between the Association and Independent Manager is attached hereto as **Exhibit D**. The budget attached as Exhibit E reflects an annual first year management fee

of Eighteen Thousand One Hundred Sixty and No/100 Dollars (\$18,160.00), pro rated among the units.

Exhibit E: Projected Budget for the Association. The projected budget for the Association for the first year following the first conveyance of a condominium unit is attached hereto as **Exhibit E**. The budget includes, as required by the provisions of the North Carolina Condominium Act: (i) an amount included for repair and replacement reserves, (ii) any other reserve amounts, (iii) the projected common expense assessment by category or expenditures for the Association, and (iv) the projected monthly common expense assessment for each unit, which is estimated to be those amounts outlined in Exhibit E.

The projected budget has been prepared by Declarant based on good-faith estimates from subcontractors, and is based on an occupancy level of one hundred percent (100%) and a collection rate of one hundred percent (100%).

Exhibit F: Permitted Exceptions. **Exhibit F**. There will be no contracts or leases to be signed by the Purchaser at closing. The Association is not currently a party to any contracts affecting the Condominium.

5. **Future Common Expenses.** Declarant at the present time does not provide any services and does not pay for any expenses which Declarant anticipates may become a subsequent common expense of the Association, except for those matters that are reflected in the Association's proposed budget.
6. **Capital Contribution Due From Purchaser at Closing.** Declarant will collect from each Purchaser at the closing of the purchase of their Unit a working capital contribution equal to twice the monthly assessment for common expenses reflected in the initial budget. This amount, which is non-refundable, will be paid over by Declarant to the Association to capitalize the operating funds of the Association.
7. **Existing Liens or Encumbrances on the Condominium.** Declarant owns the property on which the Condominium is located. Declarant financed the acquisition of the property on which the Condominium is located in part with proceeds from a loan with Bank of America. Construction of the Condominium has used additional loan funds, some of which may be secured by Deeds of Trust on the Condominium. Every unit sold and its related interest in the common elements will be released from any Declarant liens at the time of closing or shortly thereafter.

Each unit will be conveyed subject to the lien of Wake County and City of Raleigh taxes for the year of closing and subsequent years, which are not yet due and payable, the lien of the Condominium Owners Association for capital improvements assessments as set forth in a Declaration or Deed and Agreement recorded or intended to be recorded among the land records of the county in which the property is located, standard title exceptions for general utility service easements, and the permitted exceptions described on Exhibit F attached hereto.

8. **Declarant's Warranties.** Other than the implied warranties of quality contained in N.C.G.S. §47C-14 (that the Unit will be free from defective materials, constructed in a

workmanlike manner, constructed according to sound engineering and construction standards, and suitable for residential use), Declarant expressly disclaims any other implied warranty of habitability or suitability related to the Condominium and any unit thereof. Declarant further expressly disclaims any implied warranties relating to all building systems and functions including, but not limited to, electrical wiring, fixtures, all materials comprising or supporting the roof, all other structural components, all appliances, heating and air conditioning systems (HVAC), plumbing, fire sprinkler, elevators, other equipment and other personal property located in the Condominium and any Unit thereof, but will furnish to the Purchaser or to the Association all manufacturers' warranties, if any and as available, with respect to those items. In addition, Declarant makes no representations or warranties as to the condition or health or appropriateness of any shrubs, trees, or plantings located within the Condominium, but will deliver to the Association any nursery's warranties with respect to those plants. No additional express or implied warranties are or will be made by Declarant.

Purchasers are also informed that Dawson on Morgan Condominium is a commercial structure in an urban setting. This structure in this setting may offer certain benefits to Purchasers but may also pose certain limitations and/or disadvantages to Purchasers. Condominium living is a form of shared living, with each Purchaser purchasing a separate living space that shares many common elements with other units, other people and other building systems: walls, hallways, elevators, fire protection, security, steel and concrete structure, internal building equipment and systems, and the like. As such, Purchasers may hear sounds from their neighbors, whether next door or above or below; Purchasers may hear or feel sounds or vibrations from building systems transmitting through the structure of building; Purchasers may hear noises or smell odors or feel vibrations from other Units and/or ground floor commercial businesses; Purchasers actual unit square footage may not be the anticipated square footage noted on the unit plan and/or in the plans and specifications for the Unit and/or Condominium, nor may locations and dimensions of walls, doors, electrical outlets and other items be installed as shown on the plans and specifications, as large scale construction is inherently imprecise due to sometimes inexact field measurements, material availability, substitutions or alterations, and field conditions that result in departures from written plans and specifications to accommodate other construction considerations at the discretion of the Declarant, as well as changes made to comply with then-current code and field instructions from municipal building inspections during construction, and so Purchasers are purchasing a Unit of general size in a Condominium of general size and construction, not a specific amount of square footage; Purchasers may experience, as in any urban environment, building construction on a nearby or adjacent lot that creates noise, dust, nighttime artificial light, and view obstructions, changes in public road patterns that affect access to the property, street noise with pedestrian and vehicular traffic at any time, higher levels of necessary building operation and maintenance expense over time, and other such characteristics. These and other circumstances are common to commercial structures in urban settings and therefore the Declarant makes no expressed or implied warranties or representations therefor.

9. **Purchaser's Right to Cancel.** The Purchaser must receive this Public Offering Statement before signing a contract for purchase. No conveyance of title by deed can

occur until seven (7) calendar days following the signing of a contract for purchase. The Purchaser has the absolute right to cancel the contract to purchase during that seven (7) calendar day period without penalty. Under the North Carolina Condominium Act, a Purchaser electing to cancel a contract may do so by serving Notice to the Declarant as specified in this Public Offering Statement.

10. **Judgments and Pending Suits.** There are no known or recorded unsatisfied judgments or pending suits against the Association or the Declarant or pertaining in any way to the Condominium. There are no pending suits material to the Condominium of which the Declarant has actual knowledge.
11. **Escrow Deposit.** Any escrow deposit or down payment made by a Purchaser in connection with the purchase of a unit will be held in an escrow account with an insured bank or savings and loan institution, as required by the North Carolina Condominium Act.

The name of the escrow agent is

White Oak Properties, Inc.
21 Glenwood Avenue, Suite 203
Raleigh, North Carolina 27603
919.821.4665 phone
919.832.6965 fax
Account: Central Carolina Bank
Cameron Village Branch
White Oak Project Escrow
Account No. 43 1019 626

Payments held in such escrow account shall be deemed to belong to the Purchaser and not the Declarant. The deposit shall be held in such account until the expiration of the seven (7) day period during which the Purchaser may cancel the purchase contract, or the date of cancellation by the Purchaser thereunder, whichever occurs first. Provided escrow agent has not received from Purchaser a Notice of Termination and request for return of the deposit, and after the expiration of the financing contingency period set forth in the Purchase Agreement, the Declarant shall have the right to request and receive the deposit, and the escrow agent shall be entitled and authorized to transfer the deposit to Declarant, without a requirement for written consent from the Purchaser. Purchaser shall receive a credit on the Settlement Statement at closing for the escrow deposit or down payment.

12. **Restraints on Alienation.** No unit or any interest in a unit may be subjected to a time share program, as that term is defined in Chapter 93A, Article 4 of the North Carolina General Statutes.

A unit may not be leased for a period shorter than six (6) months.

13. **Insurance Coverage.** The minimum requirements for the insurance coverage that will be maintained by the Association for the benefit of unit owners are set forth in Article XII of

the Declaration, and includes one hundred percent (100%) replacement coverage on the buildings (less a commercially reasonable deductible not to exceed Ten Thousand and No/100 Dollars (\$10,000.00)), liability insurance with coverage of at least One Million and No/100 Dollars (\$1,000,000.00) per occurrence, and fidelity bond coverage. The Association may elect to obtain more extensive insurance coverage once it is organized. The Purchaser is urged to consult with Purchaser's insurance adviser to assure that Purchaser is aware of the extent of insurance coverage to be provided by the Association, and the advisability of purchasing additional insurance to cover Purchaser's individual exposure, such as the value of personal property, or individual liability insurance coverage.

14. **Fees for Use of Common Elements.** Other than the annual and special maintenance assessments provided by Section 8 of the Bylaws, there are no present and no known or anticipated future fees or charges to be paid by unit owners for the use of the common elements and other Condominium facilities.
15. **Zoning and Land Use Requirements.** The land on which the Condominium is situated is zoned business district with Downtown Residential Housing Overlay District under the terms of the Zoning Ordinance of the City of Raleigh. This zoning classification permits a wide range of uses including residential. In addition, the Condominium is subject to all use restrictions as set forth in the Declaration (see attached Exhibit A) including, but not limited to, the following:
 - A general limitation that units on floors 2, 3, 4 and 5 may be used for residential purposes only, other than any unit maintained by Declarant as a sales or model unit. This limitation is not intended to prohibit any Purchaser from establishing and using a home office within a Unit.
 - A general prohibition against unlawful, offensive or obnoxious activity, including limitations on overloading the electrical systems or the load-bearing capacity of the floors.
 - Limitations on the use of the parking areas in the Condominium, including a prohibition on the parking of boats, boat trailers, mobile homes, travel trailers, campers or other recreational vehicles.
 - A prohibition against any animals, livestock or poultry of any kind, except for a maximum of two (2) household (domestic) pets per unit, with a fifty (50) pound per pet weight limit, except by exemption or exception by the Declarant (during the Declarant Control Period) or the Association, judging on the merits and individually decided at that time, or for certain breeds of large domesticated dogs.
 - A prohibition against exterior alterations to any unit without the prior written approval of the Association, and a prohibition against any signs on the exterior of a residential unit, except for one (1) building standard name plate or sign not exceeding twenty-four (24) square inches in area on the exterior door to a unit, and except for one (1) building standard "For Sale" or "For Rent" sign not in

excess of 18" by 24" in size may be displayed in a window of any unit, all of which to be determined by the Association. The Declarant is allowed signs for marketing purposes independent of Association guidelines and rules governing Purchasers. All commercial unit signage is independent of Association guidelines and rules governing Purchasers, and instead is governed by the then-applicable municipal ordinance, except that in all instances all commercial signs shall be located at an elevation no higher than the finished floor level of the 2nd floor of the building.

16. **Alienation of Common Elements.** Under the North Carolina Condominium Act and the terms of the Declaration, portions of the common elements of the Condominium may be conveyed by the Association or subjected to a security interest only if persons entitled to cast at least eighty percent (80%) of the votes allocated to units, not owned by the Declarant, agree to the action.

[SIGNATURE PAGE FOLLOWS]

RECEIPT OF PUBLIC OFFERING STATEMENT

The undersigned hereby acknowledges:

Receipt from DAWSON DEVELOPERS INC., of a copy of the Public Offering Statement (and all amendments thereto, if any) for DAWSON ON MORGAN CONDOMINIUM;

The right of the undersigned to cancel the purchase contract within seven (7) calendar days following the signing of the purchase contract; and

The right of Escrow Agent (White Oak Properties, Inc.) at any time after seven (7) days after the Effective Date of the Purchase and Sale Agreement to transfer the undersigned's earnest money deposit to Dawson Developers Inc., or its assignee without any further consent or approval of the undersigned.

_____[SEAL]
Purchaser

Date: _____

_____[SEAL]
Purchaser

Date: _____

EXHIBIT A
TO THE PUBLIC OFFERING STATEMENT

SEE ATTACHED DECLARATION

EXHIBIT B
TO THE PUBLIC OFFERING STATEMENT

SEE ATTACHED BYLAWS

**SCHEDULE D
TO THE PURCHASE AND SALE AGREEMENT
HOA AND PARKS**

**** THIS INFORMATION IS PROVIDED AS A REFERENCE CONVENIENCE ONLY ****

**** SELLER/DEVELOPER ASSUME NO RESPONSIBILITY FOR THIS SCHEDULE D ****

**** REFER TO EXHIBIT E TO THE PUBLIC OFFERING STATEMENT ****

Updated: March 1, 2007

unit #	unit type	approx sq. ft.	estimated monthly hoa dues	licensed parking spaces #	number of spaces
500	e-1	963	259	289	1
502	d	1,167	293	288	1
504	c-1	1,034	271	285	1
506	g	1,827	402	280, 281	2
508	e	929	254	196	1
510	f	1,238	305	276, 277	2
514	a	718	219	197	1
516	b-1	1,094	281	198	1
518	b	1,214	301	199, 201	2
520	b-1	1,094	281	200	1
522	a	718	219	202	1
526	f	1,238	305	273, 274	2
528	e	929	254	203	1
530	g	1,827	402	267, 268	2
532	c	987	263	264	1
534	d	1,167	293	263	1

600	e-1	963	259	204	1
602	d	1,167	293	205	1
604	c-1	1,034	271	232	1
606	g	1,827	402	243, 245	2
608	e	929	254	206	1
610	f	1,238	305	238, 240	2
614	a	718	219	207	1
616	b-1	1,094	281	208	1
618	b	1,214	301	223, 224	2
620	b-1	1,094	281	209	1
622	a	718	219	210	1
626	f	1,238	305	251, 252	2
628	e	929	254	211	1
630	g	1,827	402	253, 254	2
632	c	987	263	218	1
634	d	1,167	293	212	1

1000	e-1	963	259	195	1
1002	d	1,167	293	180	1
1004	c-1	1,034	271	178	1
1006	g	1,827	402	176, 177	2
1008	e	929	254	193	1
1010	f	1,238	305	192, 194	2
1014	a	718	219	186	1
1016	b-1	1,094	281	179	1
1018	b	1,214	301	181, 182	2
1020	b-1	1,094	281	184	1
1022	a	718	219	183	1
1026	f	1,238	305	188, 189	2
1028	e	929	254	175	1
1030	g	1,827	402	190, 191	2
1032	c	987	263	187	1
1034	d	1,167	293	185	1

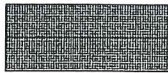
1100	e-1	963	259	174	1
1102	d	1,167	293	173	1
1104	c-1	1,034	271	172	1
1106	g	1,827	402	170, 171	2
1108	e	929	254	169	1
1110	f	1,238	305	167, 168	2
1114	a	718	219	166	1
1116	b-1	1,094	281	165	1
1118	b	1,214	301	163, 164	2
1120	b-1	1,094	281	162	1
1122	a	718	219	161	1
1126	f	1,238	305	159, 160	2
1128	e	929	254	158	1
1130	g	1,827	402	155, 156	2
1132	c	987	263	157	1
1134	d	1,167	293	154	1

1200	e-1	963	259	153	1
1202	d	1,167	293	152	1
1204	c-1	1,034	271	137	1
1206	g	1,827	402	136, 138	2
1208	e	929	254	151	1
1210	f	1,238	305	149, 150	2
1214	a	718	219	148	1
1216	b-1	1,094	281	147	1
1218	b	1,214	301	145, 146	2
1220	b-1	1,094	281	144	1
1222	a	718	219	140	1
1226	f	1,238	305	142, 143	2
1228	e	929	254	134	1
1230	g	1,827	402	127, 128	2
1232	c	987	263	132	1
1234	d	1,167	293	141	1

SCHEDULE "E" - A/B/C FINISH CHART

for all units on floor specified

- A finish selection - see sales center for general representation
B finish selection - see sales center for general representation
C finish selection - see sales center for general representation



buyer may select A/B/C no later than 9/1/07
or as otherwise specified by seller

residential floor	floor level	A	B	C
1	5			
2	6			
3	7			
4	8			
5	9			
6	10			
7	11			
8	12			
9	14			
P2	15			
P1	16			

PARKING SCHEDULE

unit	unit type	park/unit
a	1b/1b	1
b	1b/1d/2b	2
b-1	1b/1d/2b	1
c	1b/1b	1
c-1	1b/1b	1
d	1b/1d/2b	1
e	1b/1b	1
e-1	1b/1b	1
f	2b/2b	2
g	2b/1d/2b	2
h	2b/1d/2b	2
j	2b/1d/2b	2

1. all parking is assigned by seller - no exceptions/substitutions/appeals
2. some parking will be uncovered or partially covered
3. some buyers may purchase additional parking (limit 1 extra park/unit)
depending on availability; pricing and selection process (auction,
lottery, etc) to be determined at a future date in seller's sole discretion

date: 3/1/07

BK011288PG00129

WAKE COUNTY, NC 922
LAURA M RIDDICK
REGISTER OF DEEDS
PRESENTED & RECORDED ON
03/30/2005 AT 16:26:15

BOOK:011288 PAGE:00129 - 00181

**DECLARATION OF CONDOMINIUM
FOR
DAWSON ON MORGAN CONDOMINIUM**

March 30, 2005

Drawn by and Return to:
Box 156, Wake County Registry
Gary K. Joyner, Esq.
Kilpatrick Stockton LLP
3737 Glenwood Avenue, Suite 400
Raleigh, North Carolina 27612

BK011288PG00130

STATE OF NORTH CAROLINA

COUNTY OF WAKE

**DECLARATION OF CONDOMINIUM
FOR DAWSON ON MORGAN CONDOMINIUM**

This Declaration of Condominium (this "Declaration") is made this 30th day of March, 2005, by DAWSON DEVELOPERS INC., a North Carolina corporation ("Declarant"), pursuant to the provisions of Chapter 47C of the North Carolina General Statutes entitled the "North Carolina Condominium Act."

STATEMENT OF PURPOSE:

Declarant is the owner of a parcel of real estate containing approximately 1.11 acres located in Raleigh, Wake County, North Carolina, as more particularly described on Exhibit A attached hereto (the "Land"). Declarant has constructed on the Land one (1) building (the "Building") containing a total of fifty-eight (58) residential condominium units and three (3) commercial units. Declarant has also constructed common amenities on the Land such as sidewalks, landscaped areas, storage areas and other improvements. Declarant desires to submit the Land and the improvements located on the Land (collectively, the "Property") to the terms and provisions of the North Carolina Condominium Act.

In addition, Declarant has deemed it desirable to create a nonprofit incorporated owners association which will be delegated and assigned powers of maintaining and administering the common areas and facilities on the Property, administering and enforcing the covenants and restrictions created in this Declaration, levying, collecting and disbursing the assessments and charges created in this Declaration, and taking any steps or performing any acts deemed necessary or appropriate to preserve the values of condominium units within the Property and promote the recreation, health, safety and welfare of the unit owners. In order to accomplish the foregoing, Declarant is entering into this Declaration.

NOW, THEREFORE, Declarant hereby declares that all of the Property shall be held, transferred, sold, conveyed, occupied and used subject to the following covenants, conditions, easements, uses, limitations, obligations and restrictions, all of which are declared and agreed to be in furtherance of a plan for the division of the Property into condominium units, and shall be deemed to run with the land to both burden and benefit Declarant, its successors and assigns, and any person or entity acquiring or owning an interest in the Property, and his successors, heirs and assigns.

**ARTICLE I
DEFINITIONS**

Unless it is plainly evident from the context that a different meaning is intended, the following terms, words and phrases shall have the following meanings when used in this Declaration.

BK011288PG00131

Section 1.1 “Articles of Incorporation” shall mean and refer to the articles of incorporation of the Association filed with the North Carolina Secretary of State.

Section 1.2 “Association” shall mean and refer to Dawson on Morgan Condominium Owners Association Inc., a corporation organized and existing under the North Carolina Nonprofit Corporation Act pursuant to and in accordance with this Declaration, the Bylaws and the North Carolina Condominium Act.

Section 1.3 “Building” shall mean and refer to the one (1) building located upon the Land which contains a total of fifty-eight (58) residential Units and three (3) commercial Units.

Section 1.4 “Bylaws” shall mean and refer to the bylaws of the Association, a copy of which is attached hereto as Exhibit C, and all amendments to such bylaws which may from time to time be adopted.

Section 1.5 “Common Elements” shall mean and refer to all portions of the Condominium other than the Units, as depicted on the Plans, and as more particularly described in Section 5.1 of this Declaration.

Section 1.6 “Common Elements Interest” shall mean and refer to the undivided percentage interest in the Common Elements allocated to each Unit as set forth on Exhibit B attached hereto. In the event that Declarant elects to exercise its Development Right under Article VI of this Declaration to create additional Units, this Declaration shall be revised by a Supplemental Declaration as set forth under Article VI to provide for a new allocation of Common Elements Interests which shall substitute and replace Exhibit B attached hereto. The Common Elements Interests shall be used to allocate the division of proceeds, if any, resulting from any casualty loss or eminent domain proceedings but shall not be used to determine voting rights in the Association, which shall be allocated equally among all Units except as otherwise set forth herein.

Section 1.7 “Common Expenses” shall mean and refer to any and all expenditures made by or financial liabilities of the Association, together with any allocations to reserves, pursuant to and in accordance with this Declaration, the Bylaws and the North Carolina Condominium Act.

Section 1.8 “Condominium” shall mean and refer to Dawson on Morgan Condominium as established by the submission of the Property to the terms of the North Carolina Condominium Act by this Declaration.

Section 1.9 “Condominium Documents” shall mean and refer to this Declaration, the Articles of Incorporation, the Bylaws and the rules and regulations governing the use of the Property, as the foregoing may be amended and supplemented from time to time, and all attachments and exhibits thereto.

Section 1.10 “Declarant” shall mean and refer to Dawson Developers Inc., a North Carolina corporation. Following recordation of a document transferring to another person or entity all or some of the Special Declarant Rights pursuant to Section 7.2 of this Declaration, the term “Declarant” also shall mean and refer to that transferee.

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Section 1.11 "Declarant Control Period" shall mean and refer to the period commencing on the date hereof and continuing until the earlier of (i) one hundred twenty (120) days after conveyance of seventy five percent (75%) of the Units (including Units annexed by Supplemental Declarations) to an Owner other than Declarant; (ii) two (2) years after Declarant ceases to offer Units for sale in the ordinary course of business; (iii) two (2) years after any Development Right provided in Article VI was last exercised; or (iv) the date upon which Declarant voluntarily surrenders control of the Condominium to the Association.

Section 1.12 "Declaration" shall mean and refer to this Declaration of Condominium as it may be amended from time to time in the future.

Section 1.13 "Development Rights" shall mean and refer to the rights preserved by Declarant in Article VI of this Declaration to create additional Units in accordance with the terms and conditions set forth in Article VI.

Section 1.14 "Executive Board" shall mean and refer to the governing body from time to time of the Association as constituted in accordance with the Articles of Incorporation, the Bylaws and the North Carolina Condominium Act.

Section 1.15 "Land" shall mean and refer to the real property subject to this Declaration, exclusive of any improvements located thereon or incorporated therein, which is more particularly described on Exhibit A attached hereto.

Section 1.16 "Limited Common Elements" shall mean and refer to those portions of the Common Elements allocated by this Declaration, or the terms of N.C. Gen. Stat. §47C-2-102(2) or (4), for the exclusive use and benefit of one or more, but fewer than all, of the Units, to the exclusion of all other Units, as more fully described in Section 5.2 of this Declaration including, without limitation, the Retail Limited Common Elements, the Residential Limited Common Elements and the Individual Residential Limited Common Elements as depicted on the Plans.

Section 1.17 "Mortgage" shall mean and refer to a mortgage or deed of trust constituting a first lien on a Unit.

Section 1.18 "Mortgagee" shall mean and refer to the owner and holder of a Mortgage that has notified the Association in writing of its name and address and that it holds a Mortgage on a Unit. Such notice will be deemed to include a request that the Mortgagee be given the notices and other rights described in Article XVII.

Section 1.19 "North Carolina Condominium Act" shall mean and refer to Chapter 47C of the North Carolina General Statutes.

Section 1.20 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Unit but shall exclude those persons or entities having an interest in any Unit merely as security for the payment or performance of an obligation.

Section 1.21 "Plans" shall mean and refer to the surveys, plans and specifications of the Building and Property prepared by J. Davis Architects and Rice & Associates, and recorded

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under the name of the Condominium in Condominium Map Book 2005, Page 375 A1-B7 in the office of the Register of Deeds of Wake County, North Carolina in Condominium File No. ~~A1-B~~ 375 and any amendments or supplements to those Plans that may be attached to the Supplemental Declaration required by Article VI of this Declaration if Declarant exercises its Development Rights to create additional Units. The Plans are hereby incorporated herein by reference as if the same were attached to this Declaration.

Section 1.22 "Property" shall mean and refer to the Land, the Building and all other improvements and structures located on the Land, and all easements, rights and appurtenances belonging or appertaining to the Land.

Section 1.23 "Special Declarant Rights" shall mean the rights reserved for the benefit of Declarant in the Condominium Documents as more particularly described in Article VI of this Declaration.

Section 1.24 "Unit" shall mean and refer to a portion of the Property, as more particularly described in Article IV of this Declaration, that is the subject of individual ownership by an Owner.

In addition, the definitions set forth in N.C. Gen. Stat. §47C-1-103 are incorporated in this Declaration by reference, and the terms defined therein shall have the meanings set forth therein when used in this Declaration or the Condominium Documents, unless those terms are expressly defined otherwise in this Declaration or unless it is plainly evident from the context that a different meaning is intended.

ARTICLE II DESIGNATION OF CONDOMINIUM

Section 2.1 Location and Designation. The Land on which the Building and other improvements are located is located entirely in Wake County, North Carolina, contains approximately 1.11 acres, and is more particularly described on Exhibit A attached hereto and incorporated herein by reference. The Land is subjected to the terms of the North Carolina Condominium Act by this Declaration.

Section 2.2 Name. The name of the Condominium is Dawson on Morgan Condominium.

ARTICLE III DESCRIPTION OF BUILDING

Section 3.1 Existing Building. The Building is a five (5) story concrete and steel frame building, with precast concrete and EFIS (exterior finishing insulation system) exteriors. The Building currently contains one level of secured parking located on the ground level of the Building, one retail or office unit located on the ground floor, and also contains living areas on the second, third, fourth and fifth floors of the Building. The Building currently contains an aggregate of fifty-eight (58) residential Units and three (3) commercial Units. The Building is more particularly described in the Plans, which show all particulars of the Building. The Plans contain a certification by Jeremy Taylor of Rice and Associates, a North Carolina Registered

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Land Surveyor, and by Neil Timothy Gray of J. Davis Architects, a North Carolina Licensed Architect, that the Plans contain all the information required by N.C. Gen. Stat. §47C-2-109.

ARTICLE IV DESCRIPTION OF UNITS

Section 4.1 Location of Building. The location and dimensions of the Building are shown on the Plans. If Declarant exercises its Development Right to create additional Units and Limited Common Elements, the Amendment to this Declaration required by N.C. Gen. Stat. §47C-2-110 shall contain a revised set of Plans, which shall show the location of any new Building.

Section 4.2 Units. The location of Units within the existing Building and their dimensions are shown on the Plans. There are currently a total of fifty-eight (58) residential Units and three (3) commercial Units in the existing Building. Pursuant to Article VI of this Declaration, Declarant reserves a Development Right to create up to an additional twelve (12) residential Units so that the maximum number of residential Units that may be created by Declarant is seventy (70) and an additional four (4) commercial Units so that the maximum number of commercial Units that may be created by Declarant is seven (7). The identifying number for each Unit is set forth on Exhibit B and on the Plans. If Declarant exercises its Development Right to create additional Units and Limited Common Elements, the Supplemental Declaration required by Section 6.2 of this Declaration shall contain a new Exhibit B and revised set of Plans, which shall contain new identifying numbers for the Units thereby created.

Section 4.3 Unit Boundaries. The boundaries of each Unit are as follows:

(a) Upper Boundary: The horizontal plane of the top surface of the wallboard in the ceilings within the Unit. As depicted on the Plans, the ceilings in certain portions of the Unit may be at different elevations. In such cases, the upper boundary of such Unit shall not be a single horizontal plane but shall vary with the differing finished ceiling elevations within different portions of the Unit.

(b) Lower Boundary: The horizontal plane of the top surface of the subflooring within each Unit. As depicted on the Plans, the floor in certain portions of the Unit may be at different elevations. In such cases, the lower boundary of such Unit shall not be a single horizontal plane but shall vary with the differing finished floor elevations within different portions of the Unit.

(c) Vertical Boundaries: The vertical planes which include the back surface of the wallboard of all walls bounding the Unit, extended to intersections with each other, and with the upper and lower boundaries. As depicted on the Plans, the walls of certain retail Office Units may not yet be constructed. In such cases, the vertical boundary of such Unit shall be an imaginary vertical lane extending upward to the intersection with the upper boundary of such Unit in the location indicated by a line on the Plans.

As provided in N.C. Gen. Stat. §47C-2-102(1), all lath, flooring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the finished surfaces of the perimeter walls, floors and ceilings are part of the Unit.

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Furthermore, all interior walls (except load bearing walls), partitions, fixtures, appliances, cabinets and other facilities or improvements lying completely within the boundaries of a Unit shall be a part of such Unit. As provided in N.C. Gen. Stat. §47C-2-102(2), if any chute, flue, duct, wire, pipe for water or sewer, conduit, load bearing wall, load bearing column or any other fixture lies partially within and partially outside the designated boundaries of a Unit, any portion thereof serving only that Unit shall be a Limited Common Element allocated to that Unit, as provided in Section 5.2 below.

ARTICLE V COMMON ELEMENTS

Section 5.1 Common Elements. The Common Elements include all portions of the Condominium that are not part of the Units including, without limitation:

- (a) The Land.
- (b) All improvements located on the Land outside of the Building including, without limitation, landscaped areas, surfaced parking areas, paved access roads, walkways, a dumpster pad and common trash receptacle and the dedicated storage closets.
- (c) All portions of the Building located outside of the Units including, without limitation, the Limited Common Elements described in Section 5.2 below, as well as the areas designated on the Plans as General Common Elements (including certain elevators and interior common stairwells within the Building).
- (d) The foundation, roof, columns, girders, beams, supports, exterior and interior load bearing walls, floors within and between Units and all other structural elements of the Building.
- (e) Any public connections and meters, vaults and manholes for utility services that are not owned by the public utility or municipal agency providing such services.
- (f) All tangible personal property required for the operation and maintenance of the Condominium that may be owned by the Association.

Section 5.2 Limited Common Elements. The Limited Common Elements shall be composed of the following:

- (a) Those portions of any chute, flue, duct, wire, pipe for water or sewer, conduit, load bearing wall, load bearing column or any other fixture lying partially within and partially outside the designated boundaries of a Unit, but serving exclusively that Unit, which shall be Limited Common Elements allocated exclusively to that Unit.
- (b) Any shutters, awnings, window boxes, porches, decks, balconies, patios and all exterior doors and windows or other fixtures designed to serve a single Unit, but located outside that Unit's boundaries, which shall be Limited Common Elements allocated exclusively to that Unit.

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(c) Any portions of the heating, ventilating and air conditioning systems including fans, compressors, return air grills and thermostats, whether located inside or located outside the designated boundaries of a Unit, which shall be Limited Common Elements allocated exclusively to the Unit or Units that they serve.

(d) Those areas indicated as Individual Residential Limited Common Elements on the Plans, which shall be allocated to the Unit to which such Limited Common Elements are servicing including, but not limited to, a private balcony attached to certain Units as shown on the Plans.

(e) All areas designated on the Plans as Residential Limited Common Elements and not otherwise allocated to a specific residential Unit (including certain corridors) shall be deemed Limited Common Elements allocated to all residential Units.

(f) All areas designated on the Plans as Retail Limited Common Elements and not otherwise allocated to a specific commercial Unit shall be deemed Limited Common Elements allocated to all commercial Units.

(g) Parking spaces located on the ground level within a fenced parking area constructed as the first level of the Building shall be allocated to each Unit as a Limited Common Element of that Unit. In addition, each of the fifty-eight (58) original residential Units shall be allocated one (1) storage unit located in the storage building on the basement level or elsewhere on the Property constructed as a part of the Building as identified on the Plans. The parking spaces and storage units, once allocated to an individual Unit, shall remain associated with that Unit and the Owner's right to use the same shall pass to any successor Owner of such Unit. Notwithstanding the foregoing, Declarant, during the Declarant Control Period, shall have the right to recapture and/or relocate parking spaces and storage units in the reasonable discretion of the Declarant, as more particularly described in Article VI below, provided the same does not materially, adversely affect any Owner's rights hereunder. Until such time as they are allocated to a specific Unit, parking spaces and storage units shall remain under the exclusive control of the Declarant, and declarant may sell, lease, and/or transfer the right to use said parking spaces and storage units in Declarant's sole discretion.

The cleanliness and orderliness of the areas designated on the Plans as General Common Elements, Retail Limited Common Elements, Residential Limited Common Elements and Individual Residential Limited Common Elements shall be the responsibility of the Association and the cost thereof shall be considered a Common Expense of the Association, provided, however, the cost of the maintenance, repair or replacement of any portion of the Retail Limited Common Elements, Residential Limited Common Elements and/or Individual Residential Limited Common Elements, the right to the use and enjoyment of which is limited to a particular Unit or class of Units (e.g., allocated parking spaces, storage units, balconies, and rooftop heating, ventilating and air conditioning systems) shall be the exclusive responsibility of the Owners of the Units or class of Units to which such Limited Common Elements are allocated. In the case of Residential Limited Common Elements, costs of maintenance, repair and replacement shall be allocated to all residential Units, in the percentages set forth in the "Residential Percent Interest" column on Exhibit B attached hereto. In the case of Retail Limited Common Elements, costs of maintenance, repair and replacement shall be allocated to all commercial Units, in the

percentages set forth in the "Commercial Percent Interest" column on Exhibit B attached hereto. References in this Declaration to "Common Elements" shall include Limited Common Elements unless the context clearly indicates otherwise. Except as otherwise set forth herein, the allocation of use of Limited Common Elements to the Units as provided for in this Declaration shall not be altered without the unanimous consent of the Owners whose Units are affected. Notwithstanding anything contained herein to the contrary, the Association shall have the right to contract with a landscape maintenance company to maintain all of the landscaping and lawns on the Land and a heating and air conditioning company to maintain, repair and replace all portions of the heating, ventilation and air conditioning systems serving the Building and all Units including as defined in Section 5.2(c) above. Furthermore, the Association shall have the right to contract with a maintenance company to maintain all parking areas, elevators, fire protection, security access, and other systems serving the Building, as well as common corridors constructed as a part of the Building. The cost of maintaining these items and systems shall be considered a Common Expense of the Association.

Section 5.3 Undivided Interests of Owners in Common Elements. The percentage interest in the Common Elements allocated to each Unit shall be the Common Elements Interest for that Unit as set forth on Exhibit B attached hereto. The Common Elements Interest allocated to each Unit shall not be changed except with the unanimous consent of all the Owners of all the Units and with the consent of all the Mortgagees, except as may be specifically authorized elsewhere in this Declaration. In particular, if Declarant exercises its Development Rights to create additional Units and Limited Common Elements, Declarant shall have the right to adjust the Common Elements Interest for each Unit in accordance with the formula provided for in Exhibit B. The Supplemental Declaration required by Section 6.2 of this Declaration shall contain a new allocation of Common Elements Interest calculated in accordance with the foregoing formula which shall be substituted for Exhibit B attached to this Declaration in the event that Declarant exercises this Development Right. For purposes of this calculation, square footage shall mean the Unit dimensions measured from exterior faces of exterior walls and to the center of common walls with other Units, excluding any Common or Limited Common Elements.

Section 5.4 Maintenance of Common Elements Necessitated by an Owner's Misconduct. The Association's responsibility for the maintenance and repair of Common Elements, as hereinabove described, shall in all events exclude maintenance or repairs caused by the negligence or intentional misconduct of any Owner, his agents, invitees or family members, which shall be the responsibility of that Owner.

Section 5.5 Use of Common Elements. All Owners shall have the right, in common with all other Owners, to the non-exclusive use of the General Common Elements depicted on the Plans. Except as otherwise set forth herein, all Owners of commercial Units shall have the right, in common with all other Owners of commercial Units, to the non-exclusive use of the Retail Limited Common Elements depicted on the Plans. Except as otherwise set forth herein, all Owners of residential Units shall have the right, in common with all other Owners of residential Units, to the non-exclusive use of the Residential Limited Common Elements depicted on the Plans. Owners of residential Units shall have the exclusive right to use Individual Residential Limited Common Elements (e.g., balconies) and Residential Limited Common Elements (e.g., parking spaces and storage units) depicted on the Plans which have

been specifically allocated to that Unit. Notwithstanding the foregoing, the Owners of commercial Units shall also have the right to reasonably use certain Residential Limited Common Elements (e.g., stairwells, trash rooms, ventilation shafts, and corridors) depicted on the Plans as may be reasonably necessary for such Owners to access Common Elements located on the roof of and inside the Building, at times and in such manner as Declarant may approve, in its discretion.

ARTICLE VI DEVELOPMENT RIGHTS

Section 6.1 Creation of New Units and Limited Common Elements. Declarant reserves an option, until the eighth anniversary of the date of recording of this Declaration, to create and construct new residential or commercial Units, reconfigure or subdivide existing residential or commercial Units, and create or construct new, or reconfigure existing, Common Elements and/or, Limited Common Elements in accordance with the provisions of this Article VI, and to have access to and use of all portions of the Building and Land except inside individual residential Units without Owner's prior permission. The maximum number of residential Units within the Condominium that Declarant reserves the right to create or subdivide, including residential Units in existence as of the date of recording of this Declaration, is seventy (70) and the maximum number of commercial Units within the Condominium that Declarant reserves the right to create or subdivide, including commercial Units in existence as of the date of recording of this Declaration, is seven (7). Declarant may exercise this Development Right within the eight (8) year period specified above, without the consent or approval of the Association or any other Owner or Mortgagee, by executing and recording a Supplemental Declaration in the manner provided in Section 6.2 below. If Declarant exercises its Development Right to construct additional, or subdivide existing, Units, Declarant shall not be obligated to construct or subdivide up to the maximum number of Units and Limited Common Elements as specified above but may create any number less than the maximum number specified above.

Section 6.2 Supplemental Declaration. In order to exercise any Development Right reserved under this Article VI, Declarant shall execute and record an amendment to this Declaration in accordance with N.C. Gen. Stat. §47C-2-110 (a "Supplemental Declaration"). Any Supplemental Declaration executed and recorded by Declarant to exercise the Development Right of creating new or subdividing existing Units or Limited Common Elements shall contain an amendment or supplement to the Plans identifying the new Units and Limited Common Elements so created, as well as in an amendment to Exhibit B attached to this Declaration, assigning and identifying numbers to each new Unit and reallocating the Common Elements Interests among all Units in accordance with the formula set forth in Section 5.3 of this Declaration. Any such Supplemental Declaration may also contain such additions to the provisions of this Declaration as may be necessary to reflect the different character of the new Units created by Declarant, so long as such additions are not inconsistent with the overall scheme of the Declaration, and provided that such additions shall not apply to any Unit created prior to recordation of the Supplemental Declaration or to the Owner or Mortgagee of any such Unit.

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**ARTICLE VII
SPECIAL DECLARANT RIGHTS**

Section 7.1 Special Declarant Rights. Special Declarant Rights are those rights reserved for the benefit of Declarant in the Condominium Documents and shall include, without limitation, the following rights:

- (a) the right to complete any improvements shown on the Plans;
- (b) the right to maintain sales offices, model units and signs advertising the Condominium;
- (c) the right to use easements through the Common Elements for the purpose of completing construction;
- (d) the right to appoint or remove officers of the Association or members of the Executive Board during the Declarant Control Period; and
- (e) the right to exercise any other rights granted to or reserved by Declarant in the Condominium Documents expressly including, without limitation, the Development Rights set forth in Section 6.1 above.

Section 7.2 Transfer of Special Declarant Rights. Declarant may transfer any Special Declarant Rights created or reserved under the Condominium Documents to any person or entity by an instrument evidencing the transfer duly recorded in the office of the Register of Deeds of Wake County, North Carolina. The instrument shall not be effective unless it is executed by the transferor and the transferee. Upon the transfer of any Special Declarant Rights, the liability of the transferor and the transferee shall be as set forth in N.C. Gen. Stat. §47C-3 -104.

**ARTICLE VIII
RESTRICTIONS ON USE**

Section 8.1 Residential Use. All residential Units shall be used for residential purposes only, with a home office within the confines of a Unit being a permitted use. Notwithstanding the foregoing, Declarant may maintain any Unit owned by Declarant as a sales office or model Unit and Declarant or Declarant's successors and assigns may use all first floor commercial Units for any commercial purposes allowed by applicable zoning or other regulations of the City of Raleigh.

Section 8.2 Nuisance. No obnoxious, offensive or unlawful activity shall be conducted within any Unit or on or about the Common Elements, nor shall anything be done thereon or therein which may be or which may become an annoyance or nuisance to the other Owners or endanger the health and safety of any Owner. Nothing shall be done or kept in any Unit or in the Common Elements that will result in the termination of, or an increase in the premium for, the policy of property insurance for the Property.

Section 8.3 Prohibitions on Use of Common Elements. The Common Elements (other than storage areas, if any, designated by the Association) shall not be used for the storage of

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personal property of any kind. Stairs, entrances, lobbies, hallways, sidewalks, yards, driveways and parking areas shall not be obstructed in any way or used for other than their intended purposes. In general, no activity shall be carried on nor conditions maintained by any Owner either in his Unit or upon the Common Elements which detracts from the appearance of the Property.

Section 8.4 Garbage. Trash, garbage and other waste shall be kept in sanitary containers within each Unit, and deposited only in the common trash receptacles located within the Common Elements or as otherwise directed by the Association.

Section 8.5 Parking. No Owner or any employee, agent or invitee of any Owner shall park, store or keep any vehicle on the Property except wholly within those portions of the Limited Common Elements designated as Owner's allocated parking space(s) per Section 5.2(g) and in particular shall not block any entrances, drive aisles or fire lanes. Parking spaces allocated to each Unit may be used only by the Owner of the Unit to which the parking spaces are allocated as a Limited Common Element and his agent and invitees. No boat, boat trailer, motor home, travel trailer, camper or other recreational vehicle may be stored on the Property at any time. No significant automobile repair shall be allowed in the parking areas on the Property. The Association shall have the right to tow any vehicle in violation of this Section 8.5 at its owner's expense.

Specifically, but not by way of limitation, the Association shall have the right, and so intends, to enforce the parking restrictions in this Section 8.5. In addition to having the right to tow any vehicle in violation of this Section, the Association shall have the right to levy fines as follows: (i) Fifty and No/100 Dollars (\$50.00) for the first offense during any twelve (12) month period; (ii) Seventy Five and No/100 Dollars (\$75.00) for the second offense during any twelve (12) month period; and (iii) One Hundred and No/100 Dollars (\$100.00) for more than two (2) violations in any twelve (12) month period. Fines imposed for violation of the parking restrictions shall be considered special assessments and shall be due and payable upon receipt of the parking violation. The Association shall have the right to enforce payment of such special assessment in the same manner as it may enforce the collection of any assessments under this Declaration and the Bylaws including charging of interest, payment of late fees and imposing of a lien against the Unit. Each Owner shall be responsible for any parking violation by Owner or anyone in Owner's family, or by any guests or invitees of the Owner.

Section 8.6 Leases of Units. Any lease of a Unit or portion thereof shall be in writing and shall provide that the terms of the lease shall be subject in all respects to the Condominium Documents and that any failure by the lessee to comply with all of the terms of such Condominium Documents shall constitute a default under the lease. No Unit may be leased for a period shorter than six (6) months. A copy of the lease, along with full personal contact information for landlord and tenant, shall be delivered to the Association prior to tenant's occupancy, along with evidence of insurance as required under this Declaration.

Section 8.7 No Timeshares. No interest in any Unit may be subjected to a time share program as that term is defined in N.C. Gen. Stat. §93A-41(10).

Section 8.8 Animals. No animals, livestock or poultry of any kind shall be kept or maintained on the Property or in any dwelling located thereon except that small, common, domestic household pets (less than fifty (50) pounds each, except as may be reasonable and customary for certain large breeds of domesticated dogs) may be kept or maintained in each Unit, provided they are not kept or maintained for commercial purposes and provided that no Owner may have more than two (2) such pets at any one time (excluding fish). No pet shall be permitted upon the Common Elements unless carried or leashed by a person that can control the pet. All pets shall be controlled so as not to create a nuisance or unreasonable disturbance (including loud and excessive barking) on the Property. Pets shall not be permitted to defecate in the Common Elements, and each Owner shall clean up immediately after his pet if an accident occurs. All pets shall be registered, licensed and inoculated as required by law. Each Owner shall hold the Association harmless from any claim resulting from any action of his pet and shall repair at his expense any damage to the Common Elements caused by his pet. If any Owner violates these rules more than twice in any twelve (12) month period, then in addition to any fines provided in the Bylaws, the Association shall have the right to require the Owner to remove the pet permanently from the Property upon not less than ten (10) days written notice.

Section 8.9 Utilities. Total electrical usage in any Unit shall not exceed the capacity of the circuits for that Unit as labeled on the circuit breaker boxes and no electrical device causing overloading of the standard circuits may be used in any Unit without permission of the Association. All clothes dryers will have lint filters and all stove hoods will have grease screens. Such screens and filters shall be used at all times and kept clean and in good order and repair by the Owner of the Unit in which they are located.

Section 8.10 Floor Load. There shall be no floor load in any Unit in excess of forty (40) pounds per square foot, unless an engineering determination of the floor load capacity in the area of heavy use is approved by the Association. Such engineering determinations shall be obtained by the Association at the requesting Owner's expense.

Section 8.11 Windows. Declarant shall install mini blinds in select locations in each Unit which must be maintained and shall not be removed. No curtains or draperies shall be installed or hung in any window of any Unit unless they have a white lining or backing on the side exposed to the window. No storm windows shall be installed in any Unit.

Section 8.12 Architectural Control. No building, landscaping, fence, wall or other structure shall be commenced, erected or maintained upon the Property, nor shall any exterior addition to, change or alteration to either a Unit or the Common Elements be made, until the plans and specification showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing by the Association, in its sole discretion.

Section 8.13 Signs and Flags. No signs or other advertising devices shall be displayed on or about the exterior of any Unit or in the Common Elements except for one building standard name plate or sign not exceeding twenty four (24) square inches in area on the main door to each Unit, marquis identification signage on the ground floor of the Building, security system call box signage, and exterior signage for commercial Units as permitted by municipal code. The security system call box signage may have space for contact information to be listed by Owners

leasing or selling Units in the Building. Each Owner shall have the right to have his Selling Agent or Managing Agent for his Unit listed in lieu of the Owner. Notwithstanding the foregoing, Declarant shall have the right to maintain upon the Property advertising signs independent of this standard during the Declarant Control Period or until all Units owned by Declarant are sold, provided those signs comply with applicable government regulations. Further, no pole or other device for the display of decorative flags shall be erected or displayed on or about the exterior of any Unit or in the Common Elements unless approved in advance by the Association, excluding the display of one (1) standard sized (not to exceed three feet by five feet) flag of the United States of America, not to hang or extend over any perimeter vertical plane of any balcony railing, which form of attachment shall be approved or disapproved by the Association. In the event that the Association approves installation of a pole or device for the display of decorative flags, any such flags displayed by an Owner shall be in good taste and shall not contain lewd or offensive displays or material. Notwithstanding any other provision of this Declaration or the Condominium Documents, Declarant shall implement a signage program for the Property which shall provide signage for the Owner of the retail or office Unit as determined in Declarant's reasonable discretion. Such signage shall be reflected in the Plans.

Section 8.14 Maintenance. The Owner of each Unit is responsible for maintaining his Unit as well as the Limited Common Elements appurtenant thereto. Each Owner shall keep his respective Unit and its appurtenant Limited Common Elements in a clean, neat and orderly condition and in a good state of maintenance and repair. If an Owner fails to comply with the standards or requirements of the Association relative thereto, the Association shall assess the defaulting Owner the cost thereof and shall undertake to effect said compliance.

Section 8.15 Rules and Regulations. In addition to the use restrictions set forth in this Declaration, reasonable rules and regulations governing the use of the Property may be made and amended from time to time by the Association. Copies of such regulations and amendments thereto shall be posted prominently prior to their effective date and shall be furnished by the Association to all Owners upon request. Specifically, and not by way of limitation, the Association shall have the right to make reasonable rules and regulations governing the use of the ground floor parking in the Building, elevators, lobby, common corridors and access to the roof of the Building. No Owner shall be entitled to penetrate the roof of the Building without first providing detailed plans and specifications for the reason of any such penetration to the Association and obtaining prior written approval from the Association, to be granted in the Association's sole discretion.

Section 8.16 Satellite Dishes and Antennas. In no event shall any exterior television antenna or satellite dish be mounted or placed on the exterior surface or patio balcony of any Unit. A rooftop exterior television antenna and satellite dish area has been established for placement of these devices and this shall be the only area in and around the Building that such devices shall be permitted. In addition, the Executive Board may require that in the event the Association contracts with one (1) satellite service vendor to provide building-wide subscription services for the Unit owners, then all Owner's shall obtain satellite service solely from this vendor. In all instances, antenna or satellite dish located on this rooftop area be screened from public view. Only in the event there is no Association authorized service vendor available to provide service as described above, then prior to installing the antenna or satellite dish, the Owner shall furnish to the Executive Board a copy of the Owner's installation plans. The

Association shall have the right to perform any portion of the installation work at the expense of the Owner, or to require that any portion of the work be performed by contractors designated by the Executive Board and in ways consistent with the existing infrastructure, shafts, and penetrations in the Building. The Owner shall also be responsible for removal of any antenna or satellite dish and associated mounting and wiring if and when services for the device are cancelled. In addition, the Owner shall be responsible for any damage caused by the removal of the antenna or satellite dish and associated mounting and wiring, including the sealing of conduits or other roof penetrations. Any Owner installing an antenna or satellite dish under this Section 8.16 shall indemnify, defend and hold the Association harmless from and against any loss, damage, claim or other liability resulting from the installation, maintenance, repair, use and/or removal of the antenna or satellite dish, including but not limited to any damage to the corridor walls and ceilings as well as the roof of the Building or other property damage caused by installation or use or roof leaks.

Section 8.17 Balconies. The balconies adjacent to each Unit shall be kept in a clean, neat and orderly condition at all times and shall not be used for storage, cooking or for the drying of laundry. In particular, towels or banners shall not be hung on the balcony railings and any dead plants shall be removed promptly. No indoor-outdoor carpeting, hot tub or other pool shall be installed on any balcony, nor any furniture that is of such insufficient weight that aloft winds may dislodge them from the balcony and thus cause a hazard.

ARTICLE IX THE ASSOCIATION

Section 9.1 Organization of Association. The Association has been organized to provide for the administration of the Property. The Association shall administer the operation and maintenance of the Property and undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation, the Bylaws and the North Carolina Condominium Act. A true copy of the Bylaws is attached hereto as Exhibit C. Every Owner shall be required to be and shall automatically be a member of the Association by virtue of his ownership interest in a Unit.

Section 9.2 Power Lien for Assessment. In the administration of the operation and management of the Property, the Association shall have and is hereby granted the authority and power to enforce the provisions of this Declaration, levy and collect assessments in the manner provided in Article XI below and in Section 8 of the Bylaws, and adopt, promulgate and enforce such rules and regulations governing the use of the Units and Common Elements as the Association may deem to be in the best interest of the Owners in accordance with the Bylaws. Any sum assessed by the Association remaining unpaid for a period of thirty (30) days or longer shall constitute a lien on the Unit with respect to which such sum was assessed upon filing in accordance with N.C. Gen. Stat. §47C-3-116 and shall be enforceable by the Association in accordance with N.C. Gen. Stat. §47C-3-116 and Section 8 of the Bylaws.

Section 9.3 Declarant Control Period. During the Declarant Control Period, Declarant reserves the right to appoint and remove any Executive Board members; provided, however, that (i) not later than sixty (60) days after conveyance of twenty five percent (25%) of the Units to Owners other than Declarant, at least one member and not less than twenty five percent (25%) of

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the members of the Executive Board shall be elected by Owners other than Declarant; and (ii) not later than sixty (60) days after conveyance of fifty percent (50%) of the Units to Owners other than Declarant, not less than thirty three percent (33%) of the members of the Executive Board shall be elected by Owners other than Declarant.

Section 9.4 Books and Records. The Association shall maintain current copies of (a) the Condominium Documents, as they may be amended from time to time, (b) any rules and regulations adopted under Section 8.15 from time to time, and (c) all financial records of the Association, as required by N.C. Gen. Stat. §47C-3-118. These items shall be available for inspection, during normal business hours and upon reasonable advance notice, by any Owner, any Mortgagee and any insurer or guarantor of a loan secured by a Mortgage.

ARTICLE X EASEMENTS AND PROPERTY RIGHTS

Section 10.1 Access by the Association. The Association, or any person authorized by it, shall have the right of access to each Unit and to the Limited Common Elements to the extent necessary for performance by the Association of its obligations of maintenance, repair or replacement of the Property. Each Owner is required to make one (1) key available to the Association for this purpose, and no Owner is permitted to install new locks or rekey a Unit unless authorized by the Association (which authorization shall not be unreasonably withheld provided the work meets municipal codes and regulations) and provided Owner makes one (1) new key available to the Association as described above.

Section 10.2 Encroachment Easements. If any portion of the Common Elements now encroaches upon any Unit, or if any Unit now encroaches upon any other Unit or upon any portion of the Common Elements, or if such encroachment shall occur hereafter as a result of the settling or shifting of the Building, there shall exist a valid easement for the encroachment and for the maintenance of same for so long as the Building shall stand. If the Building, any Unit, or any portion of the Common Elements is partially or totally destroyed by fire or other casualty or as a result of condemnation or eminent domain proceedings, and subsequently is rebuilt, any encroachment of parts of the Common Elements upon any Unit, or of parts of any Unit upon the Common Elements, due to such rebuilding shall be permitted, and valid easements for such encroachments and the maintenance thereof shall thereafter exist.

Section 10.3 Easements over Common Elements. Declarant, during the Declarant Control Period, and the Association may at any time grant easements for utility purposes for the benefit of the Property, including the right to install, lay, maintain, repair and replace water lines, pipes, ducts, sewer lines, gas mains, telephone and television or cable television wires, cables and equipment, electrical conduits, fiber optic lines and other wires over, under, along and on any portion of the Common Elements and Limited Common Elements outside Unit Boundaries. Each Owner hereby grants to Declarant or the Association, as applicable, an irrevocable power of attorney to execute, acknowledge and record for and in the name of each Owner such instruments as may be necessary to effectuate the foregoing. For so long as Declarant owns and/or controls at least one Unit, Declarant shall have an easement over the Common Elements and Limited Common Elements (and subset distinctions thereof) outside Unit Boundaries as may

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be reasonably necessary to complete the construction of the Building as well as post-construction improvements and modifications within the Property.

Section 10.4 Emergency Access. In case of any emergency originating in or threatening any Unit or the Common Elements, regardless of whether the Owner is present at the time of such emergency, the Association, or any other person authorized by it, shall have the right to enter any Unit or its Limited Common Elements for the purpose of remedying or abating the cause of such emergency and making any other necessary repairs not performed by the Owners, and such right of entry shall be immediate.

Notwithstanding anything in this Declaration to the contrary, each Owner, by acquisition of his Unit, acknowledges that all streets and roadways located within the Property shall be private streets and shall not be maintained by the City of Raleigh or any government entity. The following disclosure is made in accordance with Raleigh City Code §10-3074(b):

In no case shall the City be responsible for failing to provide any emergency or regular fire, police or other public service to any condominium development or their occupants when such failure is due to lack of access to such areas due to inadequate design or construction, blocking of access routes, inadequate maintenance, or any other factor within the control of the developer, homeowners association or occupants.

In no case shall the City or the State be responsible for maintaining any private street. Such responsibility shall rest with the homeowners association and occupants in that such private streets will not be constructed to the minimum standards sufficient to allow their inclusion for public maintenance.

Declarant hereby reserves for the City and its emergency personnel the right, without liability, to enter into the Property when emergency personnel reasonably believe that doing so is urgently necessary to save life, prevent serious bodily harm, put out a fire or to avert or control a public catastrophe.

Section 10.5 Relocation of Boundaries; Subdivision; Partitioning.

(a) Relocation of Boundaries between Adjoining Units. The boundaries between adjoining Units may be relocated upon application to the Association by the Owners of such adjoining Units ("Adjoining Owners") and upon approval by the Association of such application; provided, however, that no such relocation of boundaries shall be binding upon any Mortgagee holding a Mortgage on any Unit whose boundaries are relocated unless consented to in writing by such Mortgagee. Any such application to the Association must be in such form and contain such information as may be reasonably required by the Association and shall be accompanied by a plat detailing the proposed relocation of boundaries. Unless the Association determines within thirty (30) days after submission to it of the application that the proposed relocation of boundaries is unreasonable, the application shall be deemed approved. Any relocation of boundaries shall not affect the interests in the Common Elements allocated to each

Unit. Upon approval of the proposed relocation of boundaries, the Association shall cause to be prepared and filed, at the Adjoining Owners' expense, an amendment to this Declaration and a plat which identifies the Units involved, describes and depicts the altered boundaries, and gives the dimensions of the altered Units. Such amendment shall also contain operative words of conveyance and be signed by the Adjoining Owners and consented to by their Mortgagees, if any, and shall be indexed by the Register of Deeds in the names of the Adjoining Owners.

(b) Subdivision of Units. No Unit may be subdivided except as permitted in Article VI and Article VII of this Declaration.

(c) Partitioning. The interests in the Common Elements allocated to each Unit shall not be conveyed, devised, encumbered, partitioned or otherwise dealt with separately from said Unit, and the interests in the Common Elements allocated to each Unit shall be deemed conveyed, devised, encumbered or otherwise included with the Unit even though such interests are not expressly mentioned or described in the instrument conveying, devising, encumbering or otherwise dealing with such Unit. Any conveyance, mortgage or other instrument which purports to grant any right, interest or lien in, to or upon the Unit, shall be null, void and of no effect insofar as the same purports to affect any interest in a Unit's allocated interests in the Common Elements unless the same purports to convey, devise, encumber or otherwise deal with the entire Unit. Any instrument conveying, devising, encumbering or otherwise dealing with any Unit, which describes said Unit by the identifying number assigned thereto on the Plans shall, without limitation or exception, be deemed and construed to affect the entire Unit and its allocated interest in the Common Elements. Nothing herein contained shall be construed as limiting or preventing ownership of any Unit and its allocated interest in the Common Elements by more than one person or entity as tenants in common, joint tenants, as tenants by the entirety or any other form permitted by law.

Section 10.6 Conveyance or Encumbrance of Common Elements. While the Property remains subject to this Declaration and to the provisions of the North Carolina Condominium Act, no conveyances of or security interests or liens of any nature shall arise or be created against the Common Elements without the prior written consent of at least eighty percent (80%) of all Owners, including at least eighty percent (80%) of all Owners other than Declarant, and at least eighty percent (80%) of all Mortgagees. Every agreement for the performance of labor or the furnishing of materials to the Common Elements, whether oral or in writing, must provide that it is subject to the provisions of this Declaration and that the right to file a mechanic's lien or other similar lien by reason of labor performed or material furnished is subordinated to this Declaration and to the lien of assessments for Common Expenses provided for in Section 9.2 of this Declaration. Nothing in this Section 10.6 shall be construed to limit the right of any Owner to convey or to encumber his allocated interest in the Common Elements as an appurtenance to and in connection with the conveyance or mortgaging of his Unit.

Section 10.7 Nature of Interest in Unit. Every Unit, together with its allocated interest in the Common Elements, shall for all purposes be and is hereby declared to be a separate parcel of real property. The Owner of each Unit shall be entitled to the exclusive fee simple ownership and possession of his Unit subject only to the covenants, conditions, restrictions, easements, uses, limitations, obligations, rules and regulations set forth in the Condominium Documents or adopted by the Executive Board of the Association.

**ARTICLE XI
ASSESSMENTS**

Section 11.1 Taxes. Every Unit, together with its allocated interest in the Common Elements, shall be separately assessed and taxed by each assessing authority for all types of taxes authorized by law. Each Owner shall be liable solely for the amount taxed against his individual Unit; provided, however, the Units will not be separately assessed until transfer of title from Declarant to Owner.

Section 11.2 Common Expenses. Except as otherwise provided in this Declaration or in the Bylaws, each Owner on a monthly basis, and as special assessments may require in addition to, shall contribute an equal base amount plus a proportionate percentage share of the Common Expenses in accordance with the definition of "Common Expenses" set forth in Section 1.7 above, the Bylaws and the provisions of the North Carolina Condominium Act. Based on the initial number of fifty eight (58) residential Units and three (3) commercial Units, each Owner's percentage share of Common Expenses is outlined the "Total Percent Interest" column on Exhibit B attached hereto. Assessments for all Units shall begin as of the date Declarant notifies all Owners, in writing, that assessments shall commence which shall be not earlier than the date of the first conveyance of a Unit to a party other than Declarant. Due dates for payment of such Common Expenses shall be established by the Association and shall be collected at least quarterly and may be collected monthly. Until such time as assessments are commenced, Declarant shall pay all of the Common Expenses of the Association. Furthermore, notwithstanding when assessments are commenced, for calendar year 2005, Declarant agrees to pay any excess of Common Expenses of the Association over the amount of assessments collected from Owners.

Section 11.3 Additional Assessment. Once a Unit has been conveyed by Declarant to an Owner, upon each subsequent sale of the Unit, the then current Owner shall pay to the Association a fee to cover the Association's costs in repairing any damage to the Common Areas of the Building and rekeying or reprogramming the security systems for the Building and secured parking area ("Additional Assessment"). Such Additional Assessment must be paid prior to or at closing on the sale of the Unit and shall be subject to the Association's power of lien with respect to assessments as provided in Section 9.2 of this Declaration.

Section 11.4 Common Surplus. The term "Common Surplus" means and refers to all funds and other assets of the Association, including excess of receipts of the Association from assessments, rents, profits and revenues from whatever source, over the amount of Common Expenses. The Common Surplus shall be owned by the Owners in shares equal to the mathematical proportions shown on Exhibit B, based upon the total number of Units in the Condominium from time to time; provided, however, that the Common Surplus shall be held by the Association in the manner and subject to the terms, provisions and conditions of this Declaration imposing certain limitations and restrictions upon the use and distribution thereof. Except for distribution of any insurance proceeds, which shall be made in the manner provided in Section 12.6, or upon termination of the Condominium, any attribution or distribution of Common Surplus which may be made from time to time shall be made to the then Owners in equal shares, based upon the total number of Units in the Condominium at that time.

ARTICLE XII INSURANCE

Section 12.1 Property Insurance. The Association shall cause to be obtained and maintain at all times a policy of property insurance on all Buildings (ISO special form or its equivalent) and all improvements on the Property owned either by the Association or the unit owners, except such personal property as may be owned by the unit owners, without deduction or allowance for depreciation (as determined annually by the Board of Directors with the assistance of the insurance company such coverage in an amount not less than one hundred percent (100%) of the replacement cost of the Buildings at the time such insurance is purchased and at the time of each renewal thereof with a commercially reasonable deductible not in excess of Ten Thousand and No/100 Dollars (\$10,000.00). The policy shall be issued by an insurance company properly licensed to do business in the State of North Carolina, with a general policyholder's rating of at least "A" in the most recent edition of the Best's Key Rating Guide. The policy shall provide that each Owner is an insured person with respect to his or her Unit and his or her allocated interest in the Common Elements. The policy shall contain an inflation guard endorsement, if available, and a construction code endorsement, if available, as well as a special condominium endorsement providing as follows: (i) for waiver of subrogation against any Owner, and any Owner's employees or agents; (ii) that it may not be cancelled or substantially modified without at least thirty (30) days' prior written notice to the Association and all insureds, including all Owners and Mortgagees; (iii) that no act or omission by any Owner will preclude recovery upon such policy; and (iv) that if, at the time of a loss under the policy, there is other insurance in the name of an Owner covering the same risk covered by the policy, the Association's policy provides primary insurance. Each property insurance policy shall provide that adjustment of loss shall be made by the Association as insurance trustee. Each property insurance policy shall provide for the issuance of certificates or mortgagee endorsements to Mortgagees.

Section 12.2 Liability Insurance. The Association shall obtain and maintain a policy of commercial general liability insurance (current ISO form or its equivalent) in such limits as the Executive Board may from time to time determine, covering each member of the Executive Board, the managing agent, if any, and each Owner with respect to liability arising out of the use, ownership, maintenance or repair of the Common Elements; provided, however, that in no event shall the limits of such policy ever be less than One Million and No/100 Dollars (\$1,000,000.00) per occurrence. The liability insurance policy shall include endorsements covering cross liability claims of one insured against another, including the liability of the Owners as a group to a single Owner, and shall provide that it may not be canceled or substantially modified without at least thirty (30) days prior written notice to the Association and to all insureds, including all Owners and Mortgagees. The Executive Board shall review such limits annually.

Section 12.3 Fidelity Coverage. The Association may obtain such fidelity coverage against dishonest acts on the part of all persons responsible for handling funds belonging to or administered by the Association as it may deem necessary. Any such fidelity insurance policy must name the Association as the named insured and shall be written in an amount as may be determined by the Executive Board, but in no event less than one half the annual budgeted amount of Common Expenses, or the amount required by any Mortgagee, whichever is greater.

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Section 12.4 Other Insurance Policies. The Association shall be authorized to obtain such other insurance coverage, including worker's compensation or employee liability insurance, as the Association shall determine from time to time desirable or necessary.

Section 12.5 Premiums. Premiums upon insurance policies purchased by the Association, and any amounts paid as a result of a deductible, shall be paid by the Association and charged as a Common Expense.

Notwithstanding the preceding sentence to the contrary, in the event that a casualty occurs wholly within the boundaries of a Unit and does not affect any other Units or Common Elements, the Owner of such Unit shall be wholly responsible for any deductible amount in such policy of insurance relating to such claims.

Section 12.6 Distribution of Insurance Proceeds. All insurance policies procured by the Association shall provide that all losses shall be adjusted with and all proceeds shall be payable to the Association as insurance trustee. The sole duty of the Association as insurance trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purposes set forth herein and for the benefit of the Owners and their Mortgagees in the following shares:

(a) Proceeds on account of damage to the Common Elements shall be held in undivided shares for each Owner and his Mortgagee, if any, each Owner's share to be the same as such Owner's allocated Common Elements Interest.

(b) Proceeds on account of damage to Units shall be held in the following undivided shares:

(1) When the damage is to be restored, for the Owners of damaged Units in proportion to the cost of repairing the damage to each such Owner's Unit, which cost shall be determined by the Association.

(2) When the damage is not to be restored, an undivided share for each Owner, such share being the same as each such Owner's allocated Common Elements Interest.

(c) In the event a mortgagee endorsement or certificate has been issued with respect to a Unit, the share of the Owner shall be held in trust for the Mortgagee and the Owner as their respective interests may appear.

(d) Proceeds of insurance policies received by the Association as insurance trustee shall be distributed to or for the benefit of the Owners in the following manner:

(1) If it is determined, as provided in Article XIII below, that the damaged property with respect to which the proceeds are paid shall not be reconstructed or repaired:

(i) the proceeds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the rest of the Condominium;

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(ii) the insurance proceeds attributable to Units and Limited Common Elements which are not rebuilt shall be distributed to the Owners of these Units and Units to which those Limited Common Elements were allocated or to their Mortgagees, in proportion to their respective Common Elements Interests; and

(iii) the remainder of the proceeds shall be distributed to all Owners or Mortgagees, as their interests may appear, in proportion to their respective Common Elements Interests.

(2) If the damage for which the proceeds were paid is to be repaired or reconstructed, the proceeds shall be paid to defray the costs thereof. Any proceeds remaining after payment of such repair costs shall be distributed to the beneficial Owners and their Mortgagees, if any, jointly.

Section 12.7 Insurance Obtained by Owners. Each Owner shall obtain and keep continuously in force additional fire and casualty and extended coverage insurance upon his personal property, public liability insurance and such other insurance coverage as he may desire. Each Owner shall obtain and maintain public liability insurance coverage in the amount of at least One Hundred Thousand and No/100 Dollars (\$100,000.00) for bodily injury, including deaths of persons and property damage, arising out of a single occurrence..

ARTICLE XIII DUTY TO REPAIR OR RECONSTRUCT

Section 13.1 Reconstruction and Repair. In the event of damage to or destruction of the Building as a result of fire or other casualty, the Association shall arrange for the prompt restoration and replacement of the Building unless (i) the Condominium is terminated in accordance with the provisions of Article XVI below, (ii) repair or replacement would be illegal under any state or local health or safety statute or ordinance, or (iii) the Owners decide not to rebuild by an eighty percent (80%) vote, including one hundred percent (100%) of Owners not to be rebuilt and one hundred percent (100%) of Owners to which are assigned Limited Common Elements not to be rebuilt. Unless one of the preceding conditions occurs, the Association shall arrange for the prompt repair and restoration of the Building, not including any decoration or covering for walls, ceilings, or floors, or furniture, furnishings, fixtures or equipment (unless the subject insurance policy covers a portion or all of such loss, in which event the Association shall repair or replace such damaged property), and the Association shall disburse the proceeds of all insurance policies to the contractors engaged in such repair and restoration in appropriate progress payments and in accordance with the provisions of Section 12.6(d)(2) of this Declaration. Any payment for repair and restoration in excess of the insurance proceeds shall constitute a Common Expense. Any reconstruction or repair shall be in accordance with the Plans. If the Owners vote not to rebuild any Unit, that Unit's allocated Common Elements Interests shall be automatically reallocated upon the vote as if the Unit had been condemned under N.C. Gen. Stat. §47C-1-107(a).

Section 13.2 Obligations of Owners. Each Owner will, at his sole cost and expense, keep and maintain his Unit in good order and repair in accordance with the Plans, and will make no structural addition, alteration or improvement to his Unit without the prior written consent of

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the Association, except as specifically permitted by this Declaration or authorized under N.C. Gen. Stat. §47C-2-111. Upon the failure of an Owner to so maintain his Unit, the Association shall be authorized to maintain, repair or restore such Unit and the cost thereof shall be charged to such Owner and constitute a lien on the Unit until paid.

ARTICLE XIV UNITS SUBJECT TO CONDOMINIUM DOCUMENTS

All present and future Owners, tenants, occupants and guests of the Units shall be subject to and shall comply with the provisions of this Declaration, the Bylaws and any rules and regulations as may be adopted in accordance with the Bylaws, as all of the foregoing may be amended and supplemented from time to time. The acceptance of a deed of 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, the Bylaws and any rules and regulations which may be adopted are accepted and ratified by such Owner, tenant or occupant, and an agreement that 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 such provisions were made a part of each and every deed of conveyance or lease.

ARTICLE XV AMENDMENT TO AND SUPPLEMENT OF DECLARATION

Except in cases of amendments that may be permitted by N.C. Gen. Stat. §§47C-1-107, 47C-2-112(a) or 47C-2-108(b), decisions, alterations and changes made by Declarant as provided for in the Declarant Control Period, or as is otherwise specifically authorized herein, this Declaration may be amended only by the vote of not less than seventy percent (70%) of the Owners, and not less than fifty one percent (51%) of the Mortgagees, cast in person or by proxy at a meeting duly held in accordance with the provisions of the Bylaws. Except to the extent expressly permitted by the other provisions of this Declaration, any amendment which amends or alters the Common Elements Interest of any Unit, increases the number of Units, changes the boundaries of any Unit, changes the use to which any Unit is restricted, or modifies the terms of this Article XV, shall require the written approval of all Owners, together with the consent of all their respective Mortgagees. Notwithstanding any other provision of this Declaration or the Condominium Documents, any amendment which materially alters the use of any commercial Unit or makes special limited assessments against the Owner of any commercial Unit, shall require the consent of the Owner of that particular commercial Unit. No amendment to the Declaration shall be effective until executed on behalf of the Association by any officer designated for that purpose and recorded in the office of the Register of Deeds of Wake County, North Carolina. No amendment to this Declaration shall be adopted or passed which shall impair or prejudice the rights and priorities of any Mortgagee without the written consent of such Mortgagee. During the Declarant Control Period, no amendment to this Declaration shall be effective without the written consent of Declarant.

ARTICLE XVI TERMINATION

The Condominium may be terminated and the Property removed from the provisions of the North Carolina Condominium Act only by the vote of not less than eighty percent (80%) of the Owners, and not less than eighty percent (80%) of the Mortgagees, cast in person or by proxy at a meeting duly held in accordance with the provisions of the Bylaws and as evidenced by execution of a termination agreement, or ratification thereof, by the requisite number of Owners and Mortgagees. The termination shall comply with the requirements of N.C. Gen. Stat. §47C-2-118, and must be recorded in the office of the Register of Deeds of Wake County, North Carolina before it becomes effective. Following the recordation of the termination agreement, the interests of the Owners and Mortgagees in the Property shall be as provided in N.C. Gen. Stat. §47C-2-118.

ARTICLE XVII MORTGAGEE PROTECTION

Section 17.1 General Provisions. This Article XVII establishes certain standards and covenants for the benefit of Mortgagees. This Article XVII is supplemental to, and not in substitution for, any other provisions of the Condominium Documents, but in the event of any conflict between the provisions of the Condominium Documents and the provisions of this Article XVII, the provisions of this Article XVII shall control.

Section 17.2 Percentage of Mortgagees. Wherever in the Condominium Documents the approval or consent of a specified percentage of Mortgagees is required, it shall mean the approval or consent of Mortgagees holding Mortgages on Units which have allocated to them that specified percentage of votes in the Association, as compared to the total votes in the Association allocated to all Units then subject to Mortgages held by Mortgagees.

Section 17.3 Rights to Examine Books and Records. Any Mortgagee, and any insurer or guarantor of a loan secured by a Mortgage, shall have the right to examine, during normal business hours and upon reasonable notice, the books and records of the Association including copies of the Condominium Documents, as amended, and the financial statements of the Association, and to be furnished, upon written request, at least one copy of the annual financial statement and report of the Association, such annual statement and report to be furnished within ninety (90) days following the end of each fiscal year. If any Mortgagee requests, and agrees to pay the cost of the audit, the financial statement shall be audited by an independent certified public accountant.

Section 17.4 Mortgagee's Rights to Notice. Any Mortgagee (including, for purposes of this Section 17.4, any insurer or guarantor of a loan secured by a Mortgage that has notified the Association in writing of its name and address, and that it insures or guarantees a Mortgage) shall have the right to receive from the Association prompt written notice of the following:

(a) default under any of the terms and provisions of the Condominium Documents by any Owner owning a Unit encumbered by a Mortgage held, insured or guaranteed by such Mortgagee, which default remains uncured for a period of thirty (30) days;

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(b) any loss or damage to or condemnation or taking of the Common Elements or any loss or damage to or condemnation or taking of a Unit encumbered by a Mortgage held, insured or guaranteed by such Mortgagee;

(c) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and

(d) any proposed action by the Association, the Executive Board or the Owners which, under the terms of the Condominium Documents, requires the consent of all or any portion of the Mortgagees.

The failure of any Mortgagee to respond within thirty (30) days to any written request of the Association, sent by registered or certified mail, return receipt requested, for approval of an addition or amendment to the Condominium Documents wherever Mortgagee approval is required shall constitute an implied approval by that Mortgagee of the proposed addition or amendment.

Section 17.5 Consent and Notice Required. Notwithstanding any other provision of this Declaration or the Condominium Documents, no amendment of any material provision of the Condominium Documents described in this Section 17.5 shall be effective without notice to all Mortgagees, as required by Section 17.4, the vote of at least seventy percent (70%) of the Owners (or any greater percentage required by the terms of the Condominium Documents), and the approval of at least fifty one percent (51%) of the Mortgagees (or any greater percentage required by the terms of the Condominium Documents). A change to any of the following items will be considered material:

(a) voting rights;

(b) increases in assessments that raise the previous calendar year's assessed amount by more than twenty five percent (25%), assessment liens or the priority of assessment liens;

(c) reductions in reserves for maintenance, repair and replacement of the Common Elements;

(d) responsibility for maintenance and repairs of the Units, the Limited Common Elements or the Common Elements;

(e) except for the Development Rights of Declarant reserved as Special Declarant Rights under Article VII above, reallocation of interests in the Common Elements or the Limited Common Elements, except that when Limited Common Elements are reallocated by agreement between Owners, then only those Owners and only the Mortgagees holding Mortgages on those Units need approve such reallocations;

(f) redefinition of boundaries of Units, except that when the boundaries of only adjoining Units are involved, then only the Owners of those Units and the Mortgagees holding Mortgages on those Units must approve such action;

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(g) convertibility of Units into Common Elements, or Common Elements into Units;

(h) except for the Development Rights of Declarant reserved as Special Declarant Rights under Article VII above, the expansion or contraction of the Condominium, or the addition, annexation or withdrawal of property to or from the Condominium;

(i) the requirements for insurance and fidelity bonds;

(j) the imposition of any restrictions on the leasing of Units;

(k) the imposition of any restrictions on an Owner's right to sell or transfer his Unit;

(l) the restoration or repair of the Property after casualty damage or partial condemnation in a manner other than that specified in the Condominium Documents;

(m) any termination of the Condominium after occurrence of substantial destruction or condemnation; and

(n) any provision that expressly benefits the Mortgagees.

Section 17.6 Other Mortgagee Rights. Notwithstanding any other provision of this Declaration or the Bylaws, the Association may not change the period for collection of regularly budgeted Common Expenses to other than monthly without the consent of all Mortgagees. Any representative of a Mortgagee may attend and address any meeting that an Owner may attend.

Section 17.7 Enforcement. The provisions of this Article XVII are for the benefit of all Mortgagees and their successors, and may be enforced by any of them by any available means.

ARTICLE XVIII CONDEMNATION

If all or any part of the Property is taken in condemnation or by eminent domain, the award for such taking shall be distributed in accordance with the procedure set forth in N.C. Gen. Stat. §47C-1-107.

ARTICLE XIX MISCELLANEOUS PROVISIONS

Section 19.1 Invalid. The invalidity of any provision of this Declaration shall not be deemed to impair or affect in any manner the validity and enforceability of the remainder of this Declaration, and in such event, all the other provisions of this Declaration shall continue in full force and effect as if such invalid provision had never been included herein.

Section 19.2 Waiver. No provisions contained in the 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.

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Section 19.3 Captions. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Declaration or the intent of any provision hereof.

Section 19.4 Law Controlling. This Declaration and the Condominium Documents shall be construed and controlled by and under the laws of the State of North Carolina.

Section 19.5 Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan of condominium ownership as provided in the North Carolina Condominium Act. Throughout this Declaration wherever appropriate, the singular shall include the plural and the masculine gender the feminine or neuter as the context permits or requires.

ARTICLE XX ENFORCEMENT ARBITRATION

Section 20.1 Actions by the Association. The Association, or the Executive Board acting on its behalf, shall have the right, in addition to any other remedies provided for in the Condominium Documents, to bring a civil action against any Owner to enforce any obligation, covenant or restriction set forth in this Declaration or the Condominium Documents.

Section 20.2 Actions by Owners. Any Owner may also bring a civil action against any other Owner, the Association, the Executive Board or any one or more of them, to enforce any obligation, covenant or restriction set forth in this Declaration or the other Condominium Documents.

Section 20.3 Arbitration. The Association, the Executive Board and each Owner, by accepting a deed to a Unit, agrees that any party may require that any unresolved matter between the parties be submitted to binding arbitration pursuant to the Uniform Arbitration Act set forth in N.C. Gen. Stat. §1-567.1 et seq. as the same shall be amended from time to time. The fees and expenses of arbitration shall be paid as set forth in the award and shall not be a Common Expense unless all Owners so agree in writing or unless such award is to be paid by the Association.

ARTICLE XXI CONSENT OF MORTGAGEE

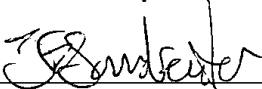
The Land and the Building are currently encumbered by the lien of a Deed of Trust, Assignment of Leases, Security Agreement and Fixture Filing dated January 23, 2004, executed and delivered by Declarant to PRLAP, Inc. as Trustee for Bank of America, N.A. A Consent of Mortgagee executed by PRLAP, Inc. as Trustee, and Bank of America, N.A., as the mortgage lender for the Project, and Marathon Structured Finance Fund, LP, the mezzanine lender for the Project, consenting to the execution and recordation of this Declaration is attached to and made a part of this Declaration.

(The remainder of this page is intentionally left blank. Signature page follows.)

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IN WITNESS WHEREOF, Declarant has executed this Declaration the day and year first above written.

DAWSON DEVELOPERS INC.,
a North Carolina corporation

By: 
Gregg E. Sandreuter, President

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STATE OF NORTH CAROLINA

COUNTY OF WAKE

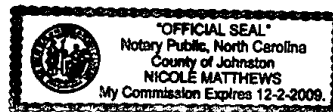
I, Nicole Matthews, Notary Public of ^{Johnston} ~~the aforesaid~~ ^{aforesaid} County and State, hereby certify that Gregg E. Sandreuter personally appeared before me this day and acknowledged that he is the President of Dawson Developers Inc., a North Carolina corporation, and that by authority duly given and as an act of the corporation, he executed the foregoing instrument on behalf of the corporation.

WITNESS my hand and official stamp or seal, this the 22 day of March, 2005.

Nicole Matthews
Notary Public

My Commission Expires:

(NOTARY SEAL)



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CONSENT OF MORTGAGEE

**ATTACHED TO DECLARATION OF CONDOMINIUM
FOR DAWSON ON MORGAN CONDOMINIUM**

Bank of America, N.A., being the Beneficiary under that certain Deed of Trust, Assignment of Leases, Security Agreement and Fixture Filing from Declarant to PRLAP, Inc., as Trustee, recorded in Book 10638, Page 1066, Wake County Registry, conveying the property described on Exhibit A attached to this Declaration, does consent to the recordation of this Declaration and the imposition of the provisions hereof and the provisions of the North Carolina Condominium Act to the real property described in such Exhibit A. The execution of this Consent of Mortgagee by the Beneficiary shall not be deemed or construed to have the effect of creating between the Beneficiary and Declarant the relationship of partnership or of joint venture, nor shall it be deemed to impose upon the Beneficiary any of the liabilities, duties or obligations of Declarant under the Declaration. Beneficiary executes this Consent of Mortgagee solely for the purposes set forth above. The Trustee also joins in and executes this Consent as Trustee for the purposes set forth above.

TRUSTEE:

PRLAP, INC.,
a North Carolina corporation

By: Danna E. Freeman
Name: Danna E. Freeman
Title: Vice President

BENEFICIARY:

BANK OF AMERICA, N.A.,
a national banking association

By: Edwin L. Pugh
Name: Edwin L. Pugh
Title: Vice President

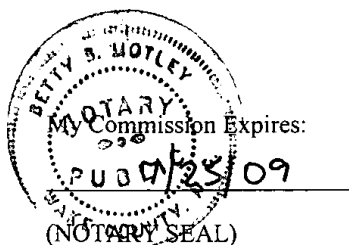
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STATE OF NORTH CAROLINA

COUNTY OF Wake

I, Betty B. Motley, Notary Public of the aforesaid County and State, hereby certify that Danna F. Freeman personally appeared before me this day and acknowledged that he/she is the Vice President of PRLAP, Inc., a North Carolina corporation, and that by authority duly given and as an act of the corporation, he/she executed the foregoing instrument.

WITNESS my hand and official stamp or seal, this the 15th day of March, 2005.



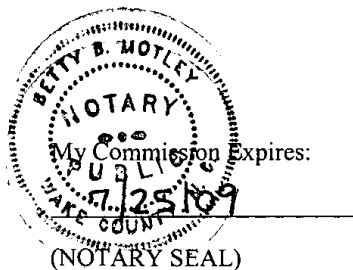
Betty B. Motley
Notary Public

STATE OF NORTH CAROLINA

COUNTY OF Wake

I, Betty B. Motley, Notary Public of the aforesaid County and State, hereby certify that Edwin L. Pugh personally appeared before me this day and acknowledged that he/she is the Vice President of Bank of America, N.A., a national banking association, and that by authority duly given and as an act of the banking association, he/she executed the foregoing instrument.

WITNESS my hand and official stamp or seal, this the 15th day of March, 2005.



Betty B. Motley
Notary Public

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CONSENT OF MEZZANINE LENDER

**ATTACHED TO DECLARATION OF CONDOMINIUM
FOR DAWSON ON MORGAN CONDOMINIUM**

Marathon Structured Finance Fund, LP, being the mezzanine lender for the Project described in this Declaration, does consent to the recordation of this Declaration and the imposition of the provisions hereof and the provisions of the North Carolina Condominium Act to the real property described in Exhibit A to the Declaration. The execution of this Consent of Mezzanine Lender by the undersigned shall not be deemed or construed to have the effect of creating between the undersigned and Declarant the relationship of partnership or of joint venture, nor shall it be deemed to impose upon the undersigned any of the liabilities, duties or obligations of Declarant under the Declaration. The undersigned executes this Consent of Mezzanine Lender solely for the purposes set forth above.

MEZZANINE LENDER:

MARATHON STRUCTURED FINANCE FUND,
LP, a Delaware limited partnership

By: [Signature]
Name: Scott Schwartz
Title: Director

STATE OF NEW YORK

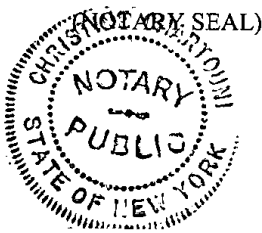
COUNTY OF NEW YORK

I, Christine Chartouni, Notary Public of the aforesaid County and State, hereby certify that Scott Schwartz personally appeared before me this day and acknowledged that he/she is the Director of Marathon Structured Finance Fund, LP, a Delaware limited partnership, and that by authority duly given and as an act of the partnership, he/she executed the foregoing instrument.

WITNESS my hand and official stamp or seal, this the 16th day of March, 2005.

[Signature]
Notary Public

CHRISTINE CHARTOUNI
Notary Public, State of New York
No. 02CH6107439
Qualified in New York County
Commission Expires March 28, 2008



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**EXHIBIT A
TO THE DECLARATION**

LEGAL DESCRIPTION OF LAND

BEING all of that tract or parcel of land lying and being in the City of Raleigh, County of Wake, State of North Carolina, and being more particularly described as follows:

BEGINNING at a new iron pipe in or on a planter, marking the southern right of way of Morgan Street (a 66 foot public right of way) and the western right of way of Dawson Street (a 66 foot public right of way), said new iron pipe also being located South 59°50'19" West 1219.19 feet from NCGS Monument "Saled" SPC 83, N=739497.4245 feet E=2106792.4803 feet, CF – 0.9999152; thence from said established POINT OF BEGINNING, and with the western right of way of Dawson Street, South 01°57'40" West 167.22 feet to a found PK nail, said PK nail being located North 70°11'58" West 1030.00 feet from NCGS Monument "Harsal" SPC 83, N=738368.9501 feet E=2106701.7454 feet CF – 0.9999147, thence cornering and with the northern property line of now or formerly Charles W. & Betsey A. Bradshaw (Deed Book 1626, Page 284) North 88°02'20" West 209.68 feet to an existing iron pipe, thence cornering and continuing with the aforementioned northwestern property line of Bradshaw, South 02°27'58" East 42.80 feet to an existing iron pipe; thence cornering and continuing North 86°49'27" West 70.01 feet to an existing iron pipe; thence cornering and with the eastern property line of now or formerly Greene Realty Co. Inc. (Deed Book 1201, Page 3) the following three (3) courses: (1) North 02°07'12" East 50.63 feet to an existing iron pipe; (2) South 87°54'21" East 4.98 feet to an existing iron pipe; and (3) North 02°15'21" East 159.32 feet to an existing iron pipe along the southern right of way of Morgan Street (a 66 foot right of way); thence cornering and with the southern right of way of Morgan Street South 87°44'39" East 274.11 to a new iron pipe, said pipe being the POINT AND PLACE OF BEGINNING, containing 1.11 acres, more or less, and being commonly known as 317 West Morgan Street, as shown on that survey by Rice & Associates dated April 10, 2000.

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**EXHIBIT B TO THE DECLARATION
COMMON ELEMENTS INTEREST**

unit type	unit #	approx sq. ft.	residential percent interest	commercial percent interest	total percent interest
a -1	200	3,048	3.09%	0.00%	2.95%
f-1	201	1,625	1.65%	0.00%	1.57%
f-2	203	1,347	1.37%	0.00%	1.30%
b	204	2,206	2.24%	0.00%	2.13%
d	205	1,150	1.17%	0.00%	1.11%
c	206	1,387	1.41%	0.00%	1.34%
d-1	207	1,186	1.20%	0.00%	1.15%
c	208	1,387	1.41%	0.00%	1.34%
e	209	959	0.97%	0.00%	0.93%
b-1	210	2,155	2.18%	0.00%	2.09%
d-1	211	1,186	1.20%	0.00%	1.15%
a - 1	212	2,975	3.02%	0.00%	2.88%
d	213	1,150	1.17%	0.00%	1.11%
g-1	215	1,164	1.18%	0.00%	1.13%
g-2	217	1,719	1.74%	0.00%	1.66%
a -1	300	3,048	3.09%	0.00%	2.95%
f-1	301	1,625	1.65%	0.00%	1.57%
f-2	303	1,347	1.37%	0.00%	1.30%
b	304	2,206	2.24%	0.00%	2.13%
d	305	1,150	1.17%	0.00%	1.11%
c	306	1,387	1.41%	0.00%	1.34%
d-1	307	1,186	1.20%	0.00%	1.15%
c	308	1,387	1.41%	0.00%	1.34%
e	309	959	0.97%	0.00%	0.93%
b-1	310	2,155	2.18%	0.00%	2.09%
d-1	311	1,186	1.20%	0.00%	1.15%
a - 1	312	2,975	3.02%	0.00%	2.88%
d	313	1,150	1.17%	0.00%	1.11%
g-1	315	1,164	1.18%	0.00%	1.13%
g-2	317	1,719	1.74%	0.00%	1.66%

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a -1	400	3,048	3.09%	0.00%	2.95%
f-1	401	1,625	1.65%	0.00%	1.57%
f-2	403	1,347	1.37%	0.00%	1.30%
b	404	2,206	2.24%	0.00%	2.13%
d	405	1,150	1.17%	0.00%	1.11%
c	406	1,387	1.41%	0.00%	1.34%
d-1	407	1,186	1.20%	0.00%	1.15%
c	408	1,387	1.41%	0.00%	1.34%
e	409	959	0.97%	0.00%	0.93%
b-1	410	2,155	2.18%	0.00%	2.09%
d-1	411	1,186	1.20%	0.00%	1.15%
a - 1	412	2,975	3.02%	0.00%	2.88%
d	413	1,150	1.17%	0.00%	1.11%
g-1	415	1,164	1.18%	0.00%	1.13%
g-2	417	1,719	1.74%	0.00%	1.66%
a -1	500	3,048	3.09%	0.00%	2.95%
f	503	3,014	3.06%	0.00%	2.92%
b	504	2,206	2.24%	0.00%	2.13%
d	505	1,150	1.17%	0.00%	1.11%
c	506	1,387	1.41%	0.00%	1.34%
d-1	507	1,186	1.20%	0.00%	1.15%
c	508	1,387	1.41%	0.00%	1.34%
e	509	959	0.97%	0.00%	0.93%
b-1	510	2,155	2.18%	0.00%	2.09%
d-1	511	1,186	1.20%	0.00%	1.15%
a - 1	512	2,975	3.02%	0.00%	2.88%
d	513	1,150	1.17%	0.00%	1.11%
g	515	2,913	2.95%	0.00%	2.82%
total residential		98,648	100.00%		95.45%
commercial	101	540		11.48%	0.52%
commercial	102	390		8.29%	0.38%
commercial	103	3,775		80.23%	3.65%
total commercial		4,705		100.00%	4.55%
grand total		103,353			100.00%

* ground floor commercial is not part of the residential sf calcs

* ground floor commercial sq ft may increase or decrease based on actual usable area

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EXHIBIT C
TO THE DECLARATION
BYLAWS

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**BYLAWS
OF
DAWSON ON MORGAN CONDOMINIUM OWNERS ASSOCIATION INC.**

**ARTICLE I
DEFINITIONS**

The words, phrases and terms used in these Bylaws shall have the meanings as set forth in the Declaration of Condominium for Dawson on Morgan Condominium, recorded in the office of the Register of Deeds of Wake County, North Carolina.

**ARTICLE II
ADMINISTRATION OF CONDOMINIUM**

2.1 Authority and Responsibility. Except as otherwise specifically provided in the Condominium Documents, the Association shall be responsible for administering, operating and managing the Common Elements.

2.2 Official Action. Unless specifically required in the Condominium Documents, all actions taken or to be taken by the Association shall be valid when such are approved by the Executive Board as hereinafter set forth or when taken by the committee, person or entity to whom such authority has been duly delegated by the Executive Board as set forth in the Condominium Documents or these Bylaws. The Association, its Executive Board, officers and Members shall at all times act in conformity with the Nonprofit Corporation Act of the State of North Carolina, the Condominium Documents and the North Carolina Condominium Act.

**ARTICLE III
OFFICES - SEAL - FISCAL YEAR**

3.1 Principal Office and Registered Office. The initial principal office and registered office of the Association shall be located at 1500 Sunday Drive, Suite 300, Raleigh, Wake County, North Carolina 27607.

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

3.3 Seal. The seal of the Association shall contain the name of the Association, the word "Seal," year of incorporation and such other words and figures as desired by the Executive Board.

3.4 Fiscal Year. The fiscal year of the Association shall be June 1 to May 31.

**ARTICLE IV
MEMBERSHIP**

4.1 Qualification. Membership in the Association shall be limited to the Owners, and every Owner of a Unit shall automatically be a Member of the Association. Membership in the Association shall be appurtenant to and may not be separated from Unit ownership.

Membership in the Association shall inure automatically to Owners upon acquisition of the fee simple title (whether encumbered or not) to any one or more Units. The date of recordation in the office of the Register of Deeds of Wake County, North Carolina of the conveyance of the Unit in question shall govern the date of ownership of each particular Unit. However, in the case of death the transfer of ownership shall occur on date of death in the case of intestacy or date of probate of the will in the case of testacy. Until a decedent's will is probated, the Association may rely on the presumption that a deceased Owner died intestate.

4.2 Place of Meetings. All meetings of the Members shall be held at a place in Wake County, North Carolina designated by the Executive Board.

4.3 Annual Meeting. A meeting of the Members shall be held at least once each year. The first annual meeting of the Members shall be held on the date and hour designated by Declarant. Thereafter, the annual meeting of the Members shall be held on the third Monday in June of each year at 8:00 p.m., Eastern Standard Time. If the third Monday in June shall be a legal holiday, the annual meeting shall be held at the same hour on the first day following which is not a legal holiday. At such meetings, the Executive Board shall be elected in accordance with Section 5.3 of these Bylaws and the Members shall transact such other business as may properly come before them.

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

4.5 Special Meeting. After the first annual meeting of the Members, special meetings of the Members may be called at any time by the President, by not less than twenty percent (20%) of all Owners, or by not less than sixty percent (60%) of the Executive Board members. Business to be acted upon at all special meetings shall be confined to the subjects stated in the notice of such meeting.

4.6 Notice of Meeting. The delivery of any item and the giving of notice in compliance with these Bylaws shall be accomplished in writing by personal delivery, facsimile/fax or email with evidence of recipient receipt, or by certified mail addressed to each Unit. Such notice shall state the time and place of the meeting of the Members, including an annual meeting, and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes and any proposal to remove a director or officer, and shall be delivered not less than ten (10) nor more than thirty (30) days before the date of any such meeting of the Members. Any notice given in accordance with the provisions of this Section 4.6 shall be deemed to be effective, if personally delivered or faxed or

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emailed, on the date of such delivery, or if mailed by registered or certified mail, on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case may be.

Notice given to any one tenant in common, tenant by entirety or other joint Owner of a Unit shall be deemed notice to all joint Owners of the subject Unit.

The notice of meeting shall specifically state the purpose or purposes for which the meeting is called.

4.7 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of the Members entitled to cast forty percent (40%) of the votes which may be cast for election of the Executive Board shall constitute a quorum at all meetings of the Members. If a quorum is not present or represented at a meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than the announcement at the meeting, until a quorum is present or is represented. The Members at any meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

4.8 Voting Right. The total number of votes of the Members shall be equal to the number of Units contained within the Condominium from time to time and each Member shall be entitled to one (1) vote. If fee simple title to a Unit is owned of record by more than one person or entity, all such persons or entities shall be Members of the Association, but the vote with respect to any such jointly owned Unit shall be cast as hereinafter provided.

If the fee simple title to any Unit is owned of record by two (2) or more persons or entities (whether individually or in a fiduciary capacity), the vote with respect to any such jointly owned Unit may be cast by any one of the joint Owners in person or by proxy, except that the holder or holders of a life estate in a Unit shall have the sole right to cast the votes allocated to the Unit. If more than one of the joint Owners vote or more than one life estate holder in a Unit vote, the unanimous action of all joint Owners or joint life estate holders voting shall be necessary to effectively cast the votes allocated to the particular Unit.

Such unanimous action shall be conclusively presumed if any one of such multiple Owners casts the votes allocated to that Unit without protest being made promptly to the person presiding over the meeting by any of the other of such joint Owners.

In no event may the vote which may be cast with respect to any Unit be divided among joint Owners of the Unit or cast in any manner other than as a whole, it being the intention of this Section 4.8 that there be no "splitting" of votes that may be cast by any Member or Members.

4.9 Proxies. The Members may vote either in person or by agents duly authorized by written proxy executed by the subject Member or by his duly authorized attorney-in-fact. A proxy is not valid after the earlier of the term stated therein or the expiration of twelve (12) months from the date of its execution. Unless a proxy otherwise provides, any proxy holder may appoint in writing a substitute to act in his place. In order to be effective, all proxies must be filed with the Secretary of the Association or duly acting secretary of the meeting either during or prior to the meeting in question. A Member may not revoke a proxy given pursuant to this

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Section 4.9 except by written notice of revocation delivered to the person presiding over a meeting of the Members.

All of the above provisions concerning voting by joint Owners shall apply to the vote cast for any one Unit by two (2) or more proxy holders.

4.10 Majority Vote. The casting of a majority of the votes represented at a meeting at which a quorum is present, in person or by proxy, shall be binding for all purposes except where a different percentage vote is stipulated by these Bylaws, the Declaration, the Articles of Incorporation, or the North Carolina Condominium Act.

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

ARTICLE V EXECUTIVE BOARD

5.1 General Powers. The business and affairs of the Association shall be managed by the Executive Board or by such committees as the Executive Board may establish pursuant to Section 6 of these Bylaws; provided, however, the Executive Board may not act on behalf of the Association to amend the Declaration, to terminate the Condominium, to elect members of the Executive Board or to determine the qualifications, powers, duties or terms of office of Executive Board members. The Executive Board may, however, fill vacancies in the Executive Board for the unexpired portion of any term.

5.2 Number, Term and Qualification. The initial Executive Board shall consist of the five (5) individuals appointed by Declarant whose names are set forth in the Articles of Incorporation. During the Declarant Control Period, the Executive Board shall have one (1) member and Declarant may appoint and remove such member of the Executive Board in Declarant's sole discretion, subject to the limitations contained in Section 7.1 of the Declaration. Following the expiration of the Declarant Control Period, the Members of the Association shall elect five (5) Executive Board members. Executive Board members may succeed themselves in office but in no event shall an Executive Board member serve for a term exceeding three (3) years. After a one (1) year absence from the Executive Board, a person is eligible for reelection. The President, Secretary and Treasurer shall each serve a one (1) year term on the Executive Board. The Vice President and the Assistant Secretary shall each serve a two (2) year term on the Executive Board and, during their second year as Executive Board members, shall also serve as the President and Secretary, respectively, of the Association.

5.3 Election of Executive Board Members. The election of all Executive Board members shall be by ballot. Persons receiving the highest number of votes shall be elected. Cumulative voting is not permitted.

5.4 Removal. Any Executive Board member, other than a member appointed by Declarant, may be removed from the Executive Board, with or without cause, by a vote of at

least seventy percent (70%) of the votes entitled to be cast by all Members present and entitled to vote at any meeting of the Members at which a quorum is present; provided, however, the notice of the meeting must state that the question of such removal will be acted upon at the subject meeting. If any Executive Board members are so removed, their successors as Executive Board members may be elected by the Members at the same meeting to fill the unexpired terms of the Executive Board members so removed.

5.5 Vacancies. Subject to Section 5.4 above, a vacancy occurring in the Executive Board may only be filled by a majority of the remaining Executive Board members, though less than a quorum, or by the sole remaining Executive Board member. A vacancy created by an increase in the authorized number of Executive Board members shall be filled only by election at an annual or substitute annual meeting, at a special meeting of the Members called for that purpose, or by unanimous consent of the Members without meeting. The Members may elect a Executive Board member at any time to fill any vacancy not filled by the Executive Board members. As indicated in Section 5.4, the Members shall have the first right to fill any vacancy created by the Members' removal of a Executive Board member.

5.6 Chairman. A member of the Executive Board shall be elected as Chairman of the Executive Board by the Executive Board members at the first meeting of the Executive Board. The Chairman shall preside at all meetings of the Executive Board and perform such other duties as may be directed by the Executive Board. Prior to election of a Chairman and/or in the event that the Chairman is not present at any meeting of the Executive Board, the President of the Association shall preside.

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

5.8 Loans to Executive Board Members and Officers. No loans shall be made by the Association to its Executive Board members or officers. The Executive Board members who vote for or assent to the making of a loan to a Executive Board member or officer of the Association, and any officer or officers participating in the making of such loan, shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof

5.9 Liability of Executive Board Members. To the extent permitted by the provisions of the North Carolina Nonprofit Corporation Act in effect at the applicable time, each Executive Board member is hereby indemnified by the Association with respect to any liability and expense of litigation arising out of his activities as a Executive Board member. Such indemnity shall be subject to approval by the Members only when such approval is required by said Act.

5.10 Meetings of the Executive Board.

(a) Regular Meeting. Regular meetings of the Executive Board shall be held monthly at such hour and address as may be fixed from time to time by resolution of the Executive Board. Should any such meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

(b) Special Meetings. Special meetings shall be held when called by the President of the Association or by any Executive Board member, after not less than three (3) or more than thirty (30) days written notice to each Executive Board member.

(c) Notices of Special Meetings. The notice provided for herein may be waived by written instrument signed by those Executive Board members who do not receive said notice. Except to the extent otherwise required by law, the purpose of a special meeting of the Executive Board members need not be stated in the notice. Notices shall be deemed received upon that date the notice is personally delivered or faxed or emailed, or if mailed by registered or certified mail, on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case may be. Attendance by a Executive Board member at a meeting shall constitute a waiver of notice of such meeting unless the subject Executive Board member gives a written statement at the meeting to the person presiding objecting to the transaction of any business because the meeting is not lawfully called and gives such notice prior to the vote on any resolution.

(d) Approved Meeting Place. All Executive Board meetings shall be held in Wake County, North Carolina.

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

5.11 Action Without Meeting. The Executive Board members shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the unanimous written approval of all the Executive Board members. Such written approval shall be valid if obtained via facsimile or electronic mail. Any action so approved shall have the same effect as though taken at a meeting of the Executive Board. Said written approval shall be filed with the minutes of the proceedings of the Executive Board, whether done before or after the action so taken.

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

5.13 Powers and Duties. The Executive Board shall have the authority to exercise all powers and duties of the Association necessary for the administration of the affairs of the Condominium except such powers and duties as by law or by the Condominium Documents may not be delegated by the Owners to the Executive Board. The powers and duties to be exercised by the Executive Board shall include, but shall not be limited to, the following:

- (a) operation, care, upkeep and maintenance of the Common Elements to the extent such operation, care, upkeep and maintenance is not the obligation of the Owners;
- (b) determination of the funds required for operation, administration, maintenance and other affairs of the Condominium and collection of the Common Expenses from the Owners as provided in the Condominium Documents;
- (c) employment and dismissal of personnel (including without limitation the Independent Manager, as defined in Section 5.18 below) necessary for the efficient operation, maintenance, repair and replacement of the Common Elements;
- (d) adoption of rules and regulations covering the details of the operation, maintenance, repair, replacement, use and modification of the Common Elements;
- (e) opening of bank accounts on behalf of the Association and designating the signatories required therefor;
- (f) obtaining insurance as required or permitted under the terms of the applicable provisions of the Declaration;
- (g) keeping detailed, accurate records of the receipts and expenditures of the Association; obtaining annual reviews of the financial records of the Association certified by the Association's public accountant; furnishing the annual reports; and furnishing current budgets (All books and records shall be kept in accordance with good and accepted accounting practices and the same shall be available for examination by all Owners or their duly authorized agents or attorneys, at convenient hours on working days.);
- (h) keeping a complete record of the minutes of all meetings of the Executive Board and the Members in which minute book shall be inserted actions taken by the Executive Board and/or the Members by consent without meeting;
- (i) supervising all officers, agents and employees of the Association and insuring that their duties are properly performed;
- (j) making of repairs, additions and improvements to or alterations or restoration of the Property in accordance with the other provisions of these Bylaws and the Declaration after damage or destruction by fire or other casualty or as a result of a condemnation or eminent domain proceeding;
- (k) maintaining and repairing any Unit, if such maintenance or repair is required by the Declaration or is necessary in the discretion of the Executive Board to protect the Common Elements or any other Unit, or if the Owner of such Unit has failed or refused to

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perform such maintenance or repair within a reasonable time after written notice of the necessity of said maintenance or repair has been delivered or mailed by the Executive Board to said Owner, provided that the Executive Board shall levy a special assessment against such Owner for the costs of said maintenance or repair;

(l) entering any Unit when necessary in connection with any maintenance or construction for which the Executive Board is responsible; provided, however, such entry shall be made during reasonable hours with as little inconvenience to the Owner as practicable, and any damage caused thereby shall be repaired by the Executive Board and such expenses shall be treated as a Common Expense; and entering any Unit for the purpose of correcting or abating any condition or situation deemed by the Executive Board to be an emergency;

(m) signing all agreements, contracts, deeds and vouchers for payment of expenditures and other instruments in such manner as from time to time shall be determined by written resolution of the Executive Board (In the absence of such determination by the Executive Board, such documents shall be signed by either the Treasurer or the Assistant Treasurer of the Association, and countersigned by any Executive Board member.);

(n) furnishing certificates setting forth the amounts of unpaid assessments that have been levied upon a Unit to the Owner or Mortgagee of such Unit, or a proposed purchaser or Mortgagee of such Unit, and imposing and collecting reasonable charges therefor;

(o) enforcing, on behalf of the Association, the obligations and assessments provided in the Declaration including, but not limited to, the institution of civil actions to enforce payment of the assessments as provided in the Declaration, the institution of actions to foreclose liens for such assessments in accordance with the terms of N.C. Gen. Stat. §47C-3-116, the imposition of charges for late payment of assessments, and after notice and an opportunity to be heard, levying reasonable fines not to exceed One Hundred Fifty and No/100 Dollars (\$150.00), or the highest amount permitted by law, for violations of the Declaration, these Bylaws or the rules and regulations of the Association;

(p) enforcing by any legal means or proceeding the provisions of the Articles of Incorporation, these Bylaws, the Declaration or the rules and regulations hereinafter promulgated governing use of the Common Elements;

(q) paying all taxes and assessments which are or may become liens against any part of the Condominium, other than the Units, and to assess the same against the Owners in the manner herein provided;

(r) hiring attorneys and other professionals; and

(s) exercising any other powers and duties reserved to the Association exercisable by the Executive Board in the Declaration, the Articles of Incorporation, these Bylaws or the North Carolina Condominium Act.

5.14 Independent Manager. Prior to expiration of the Declarant Control Period, the Declarant may employ or enter into a management contract with any individual, firm or entity (the "Independent Manager") it deems appropriate and in the best interest of the Association

concerning the routine management of the Condominium. After expiration of the Declarant Control Period, the Executive Board may delegate to the Independent Manager such duties and responsibilities in the management of the Property as the Executive Board deems appropriate; provided, however, the Executive Board may not delegate to the Independent Manager the complete and total responsibilities and duties of the Association in violation of the Nonprofit Corporation Act of North Carolina or the North Carolina Condominium Act. The Independent Manager's contract shall be for a term not to exceed three (3) years, renewable by agreement between the Executive Board and such Independent Manager for successive one-year terms; provided, however, that any such contract shall provide that it is terminable by the Association, with or without cause, upon not more than ninety (90) days prior written notice and without payment of any penalty, and any such contract entered into during the Declarant Control Period also shall be terminable as required by N.C. Gen. Stat. §47C-3105. The Executive Board shall have authority to fix the reasonable compensation for the Independent Manager. The Independent Manager shall at all times be answerable to the Executive Board and subject to its direction.

ARTICLE VI COMMITTEES

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

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

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

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

6.5 Responsibility of Executive Board Members. The designation of committees and the delegation of authority thereto shall not operate to relieve the Executive Board or any member thereof of any responsibility or liability imposed upon it or him by law.

If action taken by a committee is not thereafter formally considered by the Executive Board, a Executive Board member may dissent from such action by filing his written objection with the Secretary with reasonable promptness after learning of such action.

ARTICLE VII OFFICERS

7.1 Enumeration of Officers. The officers of the Association shall consist of a President, Vice President, Secretary, Assistant Secretary, and Treasurer, all of whom shall be members of the Executive Board. The Executive Board may in its discretion elect such Assistant Vice Presidents, Assistant Treasurers and other officers as the Executive Board may from time to time deem necessary or advisable.

7.2 Election and Term. The officers of the Association shall be elected annually by the Executive Board. Such elections shall be held at the first meeting of the Executive Board next following the annual or substitute annual meeting of the Members. Each officer shall hold office until his death, resignation, removal or until his successor is elected and qualified. These Bylaws contemplate the Vice President shall the subsequent year's President and the Assistant Secretary shall be the subsequent year's Secretary unless so otherwise voted by the Executive Board.

7.3 Removal. Any officer elected or appointed by the Executive Board may be removed by a majority vote of the Executive Board whenever in its judgment the best interest of the Association will be served thereby.

7.4 Vacancy. A vacancy in any office may be filled by the Executive Board's election of a successor to such office. Such election may be held at any meeting of the Executive Board. The officer elected to such vacancy shall serve for the remaining term of the officer he replaces.

7.5 Multiple Offices. The person holding the office of President shall not also hold the office of Secretary or Treasurer at the same time. Any other offices may be simultaneously held by one person. Any officer may also be a member of the Executive Board.

7.6 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Members. In the absence of an elected Chairman, he shall also preside at all meetings of the Executive Board. He shall see that the orders and resolutions of the Executive Board are carried out, sign all written instruments regarding the Common Elements and co-sign all promissory notes of the Association, if any, and have all of the general powers and duties which are incident to the office of President of a corporation organized under Chapter 55A of the North Carolina General Statutes in the supervision and control of the management of the Association in accordance with these Bylaws.

7.7 Vice President. The Vice President shall, in the absence or disability of the President, perform the duties and exercise the powers of that office. In addition, the Vice President shall perform such other duties and have such other powers as the Executive Board shall prescribe.

7.8 Secretary. The Secretary shall keep the minutes of all meetings of the Members and of the Executive Board, have charge of such books and papers as the Executive Board may direct and, in general, perform all duties incident to the office of Secretary of a corporation organized under Chapter 55A of the General Statutes of North Carolina.

7.9 Assistant Secretary. The Assistant Secretary shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of that office and, in general, perform such other duties as shall be assigned to him by the Vice President, Secretary, Treasurer, President or Executive Board.

7.10 Treasurer. The Treasurer shall have the responsibility for the Association's funds and securities, be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and be responsible for the preparation of all required financial statements. He shall co-sign promissory notes of the Association, prepare a proposed annual budget (to be approved by the Executive Board) and other reports to be furnished to the Members as required in the Declaration. He shall perform all duties incident to the office of Treasurer of a corporation organized under Chapter 55A of the General Statutes of North Carolina.

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

7.12 Compensation. Officers shall not be compensated on a regular basis for the usual and ordinary services rendered to the Association incident to the offices held by such officers. The Executive Board may, however, compensate any officer or officers who render unusual and extraordinary services to the Association beyond that called for to be rendered by such person or persons on a regular basis. Each officer, by assuming office, waives his right to institute suit against or make claim upon the Association for compensation based upon *quantum meruit*.

7.13 Indemnification. To the extent permitted by the provisions of the North Carolina Nonprofit Corporation Act in effect at the applicable times, each officer is hereby indemnified by the Association with respect to any liability and expense of litigation arising out of his activities as an officer. Such indemnity shall be subject to approval by the Members only when such approval is required by said Act.

ARTICLE VIII OPERATION OF THE PROPERTY

8.1 Determination of Common Expenses and Fixing of the Common Charges. The Executive Board shall from time to time, and at least annually, prepare and adopt a proposed budget for the Condominium, determine the amount of the Common Expenses payable by the Owners to meet the proposed budget of the Condominium, and allocate and assess such proposed Common Expenses among the Owners in equal shares (based upon the total number of Units in the Condominium), all in accordance with the procedure set forth in this Section 8, but subject to the limitations set forth in Article XI of the Declaration. The Common Expenses shall include, among other things, the cost of all insurance premiums on all policies of insurance required to be or which have been obtained by the Executive Board pursuant to the provisions of the Declaration. The Common Expenses shall also include such amounts as the Executive Board deems necessary for the operation and maintenance of the Property including, without limitation,

an amount for working capital of the Condominium, an amount for a general operating reserve, an amount for a reserve fund for losses due to insurance deductibles, an amount for a reserve fund for repair and replacement of the Common Elements, and such amounts as may be necessary to make up any deficit in the Common Expenses for any prior year. Within thirty (30) days after adoption of any proposed budget for the Condominium, the Executive Board shall provide a summary of the budget to all the Owners and shall set a date for a meeting of the Owners to consider ratification of the budget no less than fourteen (14) nor more than thirty (30) days after mailing of the summary. Notwithstanding any other provisions of these Bylaws, there shall be no requirement that a quorum be present at such meeting. Notwithstanding any other provision of these Bylaws, the proposed budget shall be deemed ratified unless at that meeting a majority of all the Owners present and entitled to cast a vote reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Owners ratify a subsequent budget proposed by the Executive Board.

The Association, acting through the Executive Board, may levy a special assessment during any calendar year for the purpose of defraying, in whole or in part, the cost of any reconstruction, repair or replacement of any capital improvement comprising or to comprise a portion of the Common Elements including fixtures and personal property; provided, however, that any such special assessment must be approved by the vote of Owners of Units to which at least seventy percent (70%) of the votes in the Association are allocated cast in person or by proxy at a meeting duly held in accordance with the provisions of these Bylaws. In the event that any Owner fails to maintain his Unit and the Association takes action to do so as set forth in Section 5.13 hereof, or any Owner defaults under his obligations under the Declaration or these Bylaws and the Association incurs any additional costs and expenses as a result of such default, the Association shall have the right to levy a special assessment against such Owner for the purposes of defraying, in whole or in part, such costs or expenses.

The Declarant, as the agent of the Association, shall collect from each initial purchaser of a Unit at the time of closing an "initial capital assessment" equal to twice the estimated monthly assessment for Common Expenses but not to exceed Five Hundred and No/100 Dollars (\$500.00). Such funds shall not be considered advance payments of assessments. The Declarant will deliver the funds so collected to the Association to provide the necessary working capital for the Association. In addition, upon the expiration of the Declarant Control Period, the Declarant shall forward to the Association a contribution to the working capital fund, in the amount specified above, for each unsold Unit in the Condominium held by Declarant and, in that event, Declarant shall be entitled to retain as a reimbursement the working capital contributions ultimately made by the initial purchasers of such Units. Such funds may be used for certain prepaid items, initial equipment and supplies, organizational expenses and other start-up costs, and for such other purposes as the Executive Board may determine. Except for the permitted reimbursement of prepaid contributions referred to above, the Declarant may not use the working capital fund to defray any of the Declarant's expenses, reserve contributions or construction costs, or to make up any budget deficits of the Association during the Declarant Control Period.

8.2 Payment of Common Expenses. All Owners shall be obligated to pay the Common Expenses assessed by the Executive Board pursuant to the provisions of Section 8.1 hereof at such time or times as the Executive Board shall determine.

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No Owner shall be liable for the payment of any part of the Common Expenses 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. A purchaser of a Unit shall be jointly and severally liable with the seller for the payment of Common Expenses assessed against such Unit prior to the acquisition by the purchaser of such Unit without prejudice to the purchaser's rights to recover from the seller the amounts paid by the purchaser therefor.

8.3 Collection of Assessments. The Executive Board shall assess Common Expenses against the Units from time to time, and at least monthly, in accordance with the allocations set forth in the Declaration. The Executive Board shall take prompt action to collect any Common Expenses which remain unpaid for more than thirty (30) days from the due date for payment thereof.

The Executive Board shall notify the holder of the Mortgage on any Unit (of which it has notice) for which any Common Expenses assessed pursuant to these Bylaws remain unpaid for more than thirty (30) days from the due date for payment thereof and in any other case where the Owner of such Unit is in default with respect to the performance of any other obligation hereunder for a period in excess of thirty (30) days.

8.4 Default in Payment of Common Expenses; Remedies. In the event of default by any Owner in paying to the Executive Board the Common Expenses as determined by the Executive Board, such Owner shall be obligated to pay interest on such Common Expenses from the due date thereof at the rate of eighteen percent (18%) per annum together with all expenses, including reasonable attorney's fees (if permitted by law), incurred by the Executive Board in any proceeding brought to collect such unpaid Common Expenses. In addition, the Executive Board shall have the authority to levy a late charge on any assessment not paid within fifteen (15) days after its due date in the amount of five percent (5%) of the overdue assessment.

The Executive Board shall have the right and duty to attempt to recover such Common Expenses, together with interest thereon, and the expenses of the proceedings, including reasonable attorneys' fees (if permitted by law), in an action to recover a money judgment for the same brought against such Owner, or by foreclosure of the lien on such Unit in like manner as a deed of trust or mortgage of real property. The Executive Board shall also have the right to impose uniform late payment charges for delinquent Common Expense payments which charges shall be recoverable by the proceedings specified above.

In the event of the failure of an Owner to pay any assessment imposed hereunder or any installment thereof for more than sixty (60) days after such assessment or installment thereof shall become due, in addition to the other remedies available under the Condominium Documents and the North Carolina Condominium Act, the Executive Board shall have the right to declare all other Common Expense assessments and installments thereof with respect to such Owner's Unit that are to fall due during the then current fiscal year of the Association to be immediately due and payable.

8.5 Lien and Personal Obligations. All Common Expenses and special assessments provided for in this Article, together with the interest and expenses, including reasonable

attorneys' fees (if permitted by law), as provided for herein, shall be a charge on and a continuing lien upon the Unit against which the assessment is made, which such lien shall be prior to all other liens excepting only (i) assessments, liens and charges for real estate taxes due and unpaid on the Unit, and (ii) all sums unpaid on Mortgages and other liens and encumbrances duly recorded against the Unit prior to the docketing of such lien. Such lien shall become effective when a notice thereof has been filed in the office of the Clerk of Superior Court of Wake County, North Carolina, provided such notice of lien shall not be recorded until such sums assessed remain unpaid for a period of more than thirty (30) days after the same shall become due. Such notice of lien shall also secure all assessments against the Unit becoming due thereafter until the lien has been satisfied.

The lien for unpaid assessments shall not be affected by the sale or transfer of the Unit, except in the case of a foreclosure of a Mortgage, in which event the purchaser at foreclosure shall not be liable for any assessments against such Unit that became due prior to the date of acquisition of title by such purchaser. Such unpaid assessments shall be deemed Common Expenses collectible from all Owners of Units, including the purchaser at foreclosure. In addition, each Owner shall be personally liable for any assessment against his Unit. No Owner may exempt himself from such liability by nonuse or enjoyment of any portion of the Common Elements or by the abandonment or sale of his Unit.

8.6 Foreclosure of Liens for Unpaid Common Expenses. In any action brought by the Executive Board to foreclose on a Unit because of unpaid Common Expenses or special assessments, the 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.

8.7 Abatement and Enjoyment of Violations by Owners. The violation of any rule or regulation adopted by the Executive Board, the breach of any provision of these Bylaws, or the breach of any provision of the Declaration shall give the Executive Board the right, in addition to any other rights set forth in the Declaration, these Bylaws or at law or in equity: (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 Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Executive Board shall not thereby be deemed guilty in any manner of trespass; (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach at the expense of the defaulting Owner, and/or (c) after notice and opportunity to be heard, to levy reasonable fines not to exceed One Hundred Fifty and No/100 Dollars (\$150.00) per day, or the highest amount permitted by law, for continuing violations.

8.8 Maintenance and Repair. Except as is specifically provided in the Declaration, all maintenance and any repairs to any Unit and the Limited Common Elements allocated thereto, whether ordinary or extraordinary, shall be made by the Owner of such Unit. Each Owner shall be responsible for all damages to any and all other Units and/or to the Common Elements that his failure to do so may engender. Except as is specifically provided in the Declaration, all maintenance, repairs and replacements to the Common Elements (unless necessitated by the negligence, misuse or neglect of an Owner, in which case such expense shall be charged to and paid by such Owner), shall be made by the Executive Board; provided, however, there is

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excluded from the provisions contained in this section any repairs necessitated by casualty insured against by the Executive Board to the extent the Executive Board receives insurance proceeds for such repairs.

8.9 Additions, Alterations or Improvements by Owners. No Owner shall make any improvements or alterations in or to his Unit that impair the structural integrity or mechanical systems or lessen the support of any portion of the Condominium or to any Limited Common Element, or any change in the exterior appearance thereof, except in accordance with N.C. Gen. Stat. §47C-2-111 and in accordance with the terms of the Declaration.

8.10 Use of Common Elements. An Owner shall not interfere with the use of the Common Elements by the other Owners and their employees and invitees.

8.11 Right of Access. An Owner shall grant a right of access to his Unit and the Limited Common Elements appurtenant thereto to the Independent Manager and/or any other person authorized by the Executive Board or the Independent Manager for the purpose of making inspections, or for the purpose of correcting any condition originating in his Unit and/or threatening another Unit or the Common Elements, or for the purpose of performing installations, alterations or repairs to any building system or element (including, but not limited to, the mechanical, plumbing or electrical equipment or other Common Elements in or adjoining his Unit); provided, however, such requests for entry (except in the case of emergencies where no request shall be required) are made in advance and any such entry is at a time reasonably convenient to the Owner. In the case of an emergency, such right of entry shall be immediate whether the Owner is present at the time or not.

8.12 Rules of Conduct. Rules and regulations concerning the use of the Units and the Common Elements shall be promulgated and amended by the Executive Board with the approval of a majority of Owners. Copies of such rules and regulations shall be furnished by the Executive Board to each Owner prior to the time when the same shall become effective.

8.13 Common Expenses for Utilities. Any utilities which may be provided to the Units through a single or common meter or facility, and utilities furnished to any portion of the Common Elements, shall be paid by each Owner as and when billed according to the extent of such Owner's use or, at the option of the Executive Board, such may be paid by the Executive Board and assessed against the Units as a Common Expense.

8.14 Approval of Members Required for Certain Transactions. The Association shall not, without the prior written approval of a Supermajority in Interest of the Members, institute any legal action in the name of the Association, other than lawsuits for the payment of Common Expenses, special assessments or other assessments, or for the enforcement of any rules and regulations or breach of any provision in the Declaration, all of which are expressly permitted under these Bylaws. For the purposes of this section 8.14, "Supermajority in Interest" shall mean a combination of any Members who, in the aggregate, own eighty percent (80%) or more of the Units.

**ARTICLE IX
AMENDMENTS**

Subject to the provisions of Article XV of the Declaration, these Bylaws may be amended at any time by an instrument in writing signed and acknowledged by Owners holding at least seventy percent (70%) of the votes in the Association, which instrument shall be effective only upon recordation in the office of the Register of Deeds of Wake County, North Carolina; provided, however, where a larger vote in the Association is required for the Association to take or refrain from taking a specific action, as set forth in the Condominium Documents, no amendment of these Bylaws shall be made unless and until the Owners holding such larger percentage of the vote in the Association execute said amending instrument. All persons or entities who own or hereafter acquire any interest in the Property shall be bound to abide by any amendment to these Bylaws which is duly passed, signed, acknowledged and recorded as provided herein. No amendment to these Bylaws shall be adopted or passed which shall impair or prejudice the rights and priorities of any Mortgagee without the consent of such Mortgagee. No amendment to these Bylaws shall be adopted or passed which shall impair or prejudice the rights of Declarant provided for in the Condominium Documents without the consent of Declarant.

**ARTICLE X
MISCELLANEOUS**

10.1 Severability. Invalidation of any covenant, condition, restriction or other provisions of the Declaration or these Bylaws shall not affect the validity of the remaining portions thereof which shall remain in full force and effect.

10.2 Successors Bound. The rights, privileges, duties and responsibilities set forth in the Condominium Documents, as amended from time to time, shall run with the ownership of the Property and shall be binding upon all persons who own or hereafter acquire any interest in the Property.

10.3 Gender, Singular, Plural. Whenever the context so permits, the use of the singular or plural shall be interchangeable in meaning and the use of any gender shall be deemed to include all genders.

10.4 Nonprofit Corporation. No part of the Association's assets or net income shall inure to the benefit of any of the Members, the officers of the Association, the members of the Executive Board, or any other private individual either during its existence or upon dissolution except as reasonable compensation paid or distributions made in carrying out its declared nonprofit purposes as set forth in the Articles of Incorporation and these Bylaws.



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Yellow probate sheet is a vital part of your recorded document.
Please retain with original document and submit for rerecording.



Wake County Register of Deeds
Laura M. Riddick
Register of Deeds

North Carolina – Wake County

The foregoing certificate ___ of Nicole Matthews,
Betty B Motley, & Christine Charbonni

_____. Notary(ies) Public is (are) certified to be correct. This instrument
and this certificate are duly registered at the date and time and in the book and
page shown on the first page hereof.

Laura M. Riddick, Register of Deeds

By George W. Riddick
Assistant/Deputy Register of Deeds

This Customer Group

_____ # of Time Stamps Needed

This Document

_____ New Time Stamp
53 # of Pages

**EXHIBIT B
TO THE PUBLIC OFFERING STATEMENT**

**BYLAWS
OF
DAWSON ON MORGAN CONDOMINIUM OWNERS ASSOCIATION INC.**

**ARTICLE I
DEFINITIONS**

The words, phrases and terms used in these Bylaws shall have the meanings as set forth in the Declaration of Condominium for Dawson on Morgan Condominium, recorded in the office of the Register of Deeds of Wake County, North Carolina.

**ARTICLE II
ADMINISTRATION OF CONDOMINIUM**

2.1 Authority and Responsibility. Except as otherwise specifically provided in the Condominium Documents, the Association shall be responsible for administering, operating and managing the Common Elements.

2.2 Official Action. Unless specifically required in the Condominium Documents, all actions taken or to be taken by the Association shall be valid when such are approved by the Executive Board as hereinafter set forth or when taken by the committee, person or entity to whom such authority has been duly delegated by the Executive Board as set forth in the Condominium Documents or these Bylaws. The Association, its Executive Board, officers and Members shall at all times act in conformity with the Nonprofit Corporation Act of the State of North Carolina, the Condominium Documents and the North Carolina Condominium Act.

**ARTICLE III
OFFICES - SEAL - FISCAL YEAR**

3.1 Principal Office and Registered Office. The initial principal office and registered office of the Association shall be located at 1500 Sunday Drive, Suite 300, Raleigh, Wake County, North Carolina 27607.

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

3.3 Seal. The seal of the Association shall contain the name of the Association, the word "Seal," year of incorporation and such other words and figures as desired by the Executive Board.

3.4 Fiscal Year. The fiscal year of the Association shall be June 1 to May 31.

ARTICLE IV MEMBERSHIP

4.1 Qualification. Membership in the Association shall be limited to the Owners, and every Owner of a Unit shall automatically be a Member of the Association. Membership in the Association shall be appurtenant to and may not be separated from Unit ownership.

Membership in the Association shall inure automatically to Owners upon acquisition of the fee simple title (whether encumbered or not) to any one or more Units. The date of recordation in the office of the Register of Deeds of Wake County, North Carolina of the conveyance of the Unit in question shall govern the date of ownership of each particular Unit. However, in the case of death the transfer of ownership shall occur on date of death in the case of intestacy or date of probate of the will in the case of testacy. Until a decedent's will is probated, the Association may rely on the presumption that a deceased Owner died intestate.

4.2 Place of Meetings. All meetings of the Members shall be held at a place in Wake County, North Carolina designated by the Executive Board.

4.3 Annual Meeting. A meeting of the Members shall be held at least once each year. The first annual meeting of the Members shall be held on the date and hour designated by Declarant. Thereafter, the annual meeting of the Members shall be held on the third Monday in June of each year at 8:00 p.m., Eastern Standard Time. If the third Monday in June shall be a legal holiday, the annual meeting shall be held at the same hour on the first day following which is not a legal holiday. At such meetings, the Executive Board shall be elected in accordance with Section 5.3 of these Bylaws and the Members shall transact such other business as may properly come before them.

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

4.5 Special Meeting. After the first annual meeting of the Members, special meetings of the Members may be called at any time by the President, by not less than twenty percent (20%) of all Owners, or by not less than sixty percent (60%) of the Executive Board members. Business to be acted upon at all special meetings shall be confined to the subjects stated in the notice of such meeting.

4.6 Notice of Meeting. The delivery of any item and the giving of notice in compliance with these Bylaws shall be accomplished in writing by personal delivery, facsimile/fax or email with evidence of recipient receipt, or by certified mail addressed to each Unit. Such notice shall state the time and place of the meeting of the Members, including an annual meeting, and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes and any proposal to remove a director or officer, and shall be delivered not less than ten (10) nor more than thirty (30) days before the date of any such meeting of the Members. Any notice given in accordance with the provisions of this Section 4.6 shall be deemed to be effective, if personally delivered or faxed or

emailed, on the date of such delivery, or if mailed by registered or certified mail, on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case may be.

Notice given to any one tenant in common, tenant by entirety or other joint Owner of a Unit shall be deemed notice to all joint Owners of the subject Unit.

The notice of meeting shall specifically state the purpose or purposes for which the meeting is called.

4.7 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of the Members entitled to cast forty percent (40%) of the votes which may be cast for election of the Executive Board shall constitute a quorum at all meetings of the Members. If a quorum is not present or represented at a meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than the announcement at the meeting, until a quorum is present or is represented. The Members at any meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

4.8 Voting Right. The total number of votes of the Members shall be equal to the number of Units contained within the Condominium from time to time and each Member shall be entitled to one (1) vote. If fee simple title to a Unit is owned of record by more than one person or entity, all such persons or entities shall be Members of the Association, but the vote with respect to any such jointly owned Unit shall be cast as hereinafter provided.

If the fee simple title to any Unit is owned of record by two (2) or more persons or entities (whether individually or in a fiduciary capacity), the vote with respect to any such jointly owned Unit may be cast by any one of the joint Owners in person or by proxy, except that the holder or holders of a life estate in a Unit shall have the sole right to cast the votes allocated to the Unit. If more than one of the joint Owners vote or more than one life estate holder in a Unit vote, the unanimous action of all joint Owners or joint life estate holders voting shall be necessary to effectively cast the votes allocated to the particular Unit.

Such unanimous action shall be conclusively presumed if any one of such multiple Owners casts the votes allocated to that Unit without protest being made promptly to the person presiding over the meeting by any of the other of such joint Owners.

In no event may the vote which may be cast with respect to any Unit be divided among joint Owners of the Unit or cast in any manner other than as a whole, it being the intention of this Section 4.8 that there be no "splitting" of votes that may be cast by any Member or Members.

4.9 Proxies. The Members may vote either in person or by agents duly authorized by written proxy executed by the subject Member or by his duly authorized attorney-in-fact. A proxy is not valid after the earlier of the term stated therein or the expiration of twelve (12) months from the date of its execution. Unless a proxy otherwise provides, any proxy holder may appoint in writing a substitute to act in his place. In order to be effective, all proxies must be filed with the Secretary of the Association or duly acting secretary of the meeting either during or prior to the meeting in question. A Member may not revoke a proxy given pursuant to this

Section 4.9 except by written notice of revocation delivered to the person presiding over a meeting of the Members.

All of the above provisions concerning voting by joint Owners shall apply to the vote cast for any one Unit by two (2) or more proxy holders.

4.10 Majority Vote. The casting of a majority of the votes represented at a meeting at which a quorum is present, in person or by proxy, shall be binding for all purposes except where a different percentage vote is stipulated by these Bylaws, the Declaration, the Articles of Incorporation, or the North Carolina Condominium Act.

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

ARTICLE V EXECUTIVE BOARD

5.1 General Powers. The business and affairs of the Association shall be managed by the Executive Board or by such committees as the Executive Board may establish pursuant to Section 6 of these Bylaws; provided, however, the Executive Board may not act on behalf of the Association to amend the Declaration, to terminate the Condominium, to elect members of the Executive Board or to determine the qualifications, powers, duties or terms of office of Executive Board members. The Executive Board may, however, fill vacancies in the Executive Board for the unexpired portion of any term.

5.2 Number, Term and Qualification. The initial Executive Board shall consist of the five (5) individuals appointed by Declarant whose names are set forth in the Articles of Incorporation. During the Declarant Control Period, the Executive Board shall have one (1) member and Declarant may appoint and remove such member of the Executive Board in Declarant's sole discretion, subject to the limitations contained in Section 7.1 of the Declaration. Following the expiration of the Declarant Control Period, the Members of the Association shall elect five (5) Executive Board members. Executive Board members may succeed themselves in office but in no event shall an Executive Board member serve for a term exceeding three (3) years. After a one (1) year absence from the Executive Board, a person is eligible for reelection. The President, Secretary and Treasurer shall each serve a one (1) year term on the Executive Board. The Vice President and the Assistant Secretary shall each serve a two (2) year term on the Executive Board and, during their second year as Executive Board members, shall also serve as the President and Secretary, respectively, of the Association.

5.3 Election of Executive Board Members. The election of all Executive Board members shall be by ballot. Persons receiving the highest number of votes shall be elected. Cumulative voting is not permitted.

5.4 Removal. Any Executive Board member, other than a member appointed by Declarant, may be removed from the Executive Board, with or without cause, by a vote of at

least seventy percent (70%) of the votes entitled to be cast by all Members present and entitled to vote at any meeting of the Members at which a quorum is present; provided, however, the notice of the meeting must state that the question of such removal will be acted upon at the subject meeting. If any Executive Board members are so removed, their successors as Executive Board members may be elected by the Members at the same meeting to fill the unexpired terms of the Executive Board members so removed.

5.5 Vacancies. Subject to Section 5.4 above, a vacancy occurring in the Executive Board may only be filled by a majority of the remaining Executive Board members, though less than a quorum, or by the sole remaining Executive Board member. A vacancy created by an increase in the authorized number of Executive Board members shall be filled only by election at an annual or substitute annual meeting, at a special meeting of the Members called for that purpose, or by unanimous consent of the Members without meeting. The Members may elect a Executive Board member at any time to fill any vacancy not filled by the Executive Board members. As indicated in Section 5.4, the Members shall have the first right to fill any vacancy created by the Members' removal of a Executive Board member.

5.6 Chairman. A member of the Executive Board shall be elected as Chairman of the Executive Board by the Executive Board members at the first meeting of the Executive Board. The Chairman shall preside at all meetings of the Executive Board and perform such other duties as may be directed by the Executive Board. Prior to election of a Chairman and/or in the event that the Chairman is not present at any meeting of the Executive Board, the President of the Association shall preside.

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

5.8 Loans to Executive Board Members and Officers. No loans shall be made by the Association to its Executive Board members or officers. The Executive Board members who vote for or assent to the making of a loan to a Executive Board member or officer of the Association, and any officer or officers participating in the making of such loan, shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof

5.9 Liability of Executive Board Members. To the extent permitted by the provisions of the North Carolina Nonprofit Corporation Act in effect at the applicable time, each Executive Board member is hereby indemnified by the Association with respect to any liability and expense of litigation arising out of his activities as a Executive Board member. Such indemnity shall be subject to approval by the Members only when such approval is required by said Act.

5.10 Meetings of the Executive Board.

(a) Regular Meeting. Regular meetings of the Executive Board shall be held monthly at such hour and address as may be fixed from time to time by resolution of the Executive Board. Should any such meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

(b) Special Meetings. Special meetings shall be held when called by the President of the Association or by any Executive Board member, after not less than three (3) or more than thirty (30) days written notice to each Executive Board member.

(c) Notices of Special Meetings. The notice provided for herein may be waived by written instrument signed by those Executive Board members who do not receive said notice. Except to the extent otherwise required by law, the purpose of a special meeting of the Executive Board members need not be stated in the notice. Notices shall be deemed received upon that date the notice is personally delivered or faxed or emailed, or if mailed by registered or certified mail, on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case may be. Attendance by a Executive Board member at a meeting shall constitute a waiver of notice of such meeting unless the subject Executive Board member gives a written statement at the meeting to the person presiding objecting to the transaction of any business because the meeting is not lawfully called and gives such notice prior to the vote on any resolution.

(d) Approved Meeting Place. All Executive Board meetings shall be held in Wake County, North Carolina.

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

5.11 Action Without Meeting. The Executive Board members shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the unanimous written approval of all the Executive Board members. Such written approval shall be valid if obtained via facsimile or electronic mail. Any action so approved shall have the same effect as though taken at a meeting of the Executive Board. Said written approval shall be filed with the minutes of the proceedings of the Executive Board, whether done before or after the action so taken.

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

5.13 Powers and Duties. The Executive Board shall have the authority to exercise all powers and duties of the Association necessary for the administration of the affairs of the Condominium except such powers and duties as by law or by the Condominium Documents may not be delegated by the Owners to the Executive Board. The powers and duties to be exercised by the Executive Board shall include, but shall not be limited to, the following:

(a) operation, care, upkeep and maintenance of the Common Elements to the extent such operation, care, upkeep and maintenance is not the obligation of the Owners;

(b) determination of the funds required for operation, administration, maintenance and other affairs of the Condominium and collection of the Common Expenses from the Owners as provided in the Condominium Documents;

(c) employment and dismissal of personnel (including without limitation the Independent Manager, as defined in Section 5.18 below) necessary for the efficient operation, maintenance, repair and replacement of the Common Elements;

(d) adoption of rules and regulations covering the details of the operation, maintenance, repair, replacement, use and modification of the Common Elements;

(e) opening of bank accounts on behalf of the Association and designating the signatories required therefor;

(f) obtaining insurance as required or permitted under the terms of the applicable provisions of the Declaration;

(g) keeping detailed, accurate records of the receipts and expenditures of the Association; obtaining annual reviews of the financial records of the Association certified by the Association's public accountant; furnishing the annual reports; and furnishing current budgets (All books and records shall be kept in accordance with good and accepted accounting practices and the same shall be available for examination by all Owners or their duly authorized agents or attorneys, at convenient hours on working days.);

(h) keeping a complete record of the minutes of all meetings of the Executive Board and the Members in which minute book shall be inserted actions taken by the Executive Board and/or the Members by consent without meeting;

(i) supervising all officers, agents and employees of the Association and insuring that their duties are properly performed;

(j) making of repairs, additions and improvements to or alterations or restoration of the Property in accordance with the other provisions of these Bylaws and the Declaration after damage or destruction by fire or other casualty or as a result of a condemnation or eminent domain proceeding;

(k) maintaining and repairing any Unit, if such maintenance or repair is required by the Declaration or is necessary in the discretion of the Executive Board to protect the Common Elements or any other Unit, or if the Owner of such Unit has failed or refused to

perform such maintenance or repair within a reasonable time after written notice of the necessity of said maintenance or repair has been delivered or mailed by the Executive Board to said Owner, provided that the Executive Board shall levy a special assessment against such Owner for the costs of said maintenance or repair;

(l) entering any Unit when necessary in connection with any maintenance or construction for which the Executive Board is responsible; provided, however, such entry shall be made during reasonable hours with as little inconvenience to the Owner as practicable, and any damage caused thereby shall be repaired by the Executive Board and such expenses shall be treated as a Common Expense; and entering any Unit for the purpose of correcting or abating any condition or situation deemed by the Executive Board to be an emergency;

(m) signing all agreements, contracts, deeds and vouchers for payment of expenditures and other instruments in such manner as from time to time shall be determined by written resolution of the Executive Board (In the absence of such determination by the Executive Board, such documents shall be signed by either the Treasurer or the Assistant Treasurer of the Association, and countersigned by any Executive Board member.);

(n) furnishing certificates setting forth the amounts of unpaid assessments that have been levied upon a Unit to the Owner or Mortgagee of such Unit, or a proposed purchaser or Mortgagee of such Unit, and imposing and collecting reasonable charges therefor;

(o) enforcing, on behalf of the Association, the obligations and assessments provided in the Declaration including, but not limited to, the institution of civil actions to enforce payment of the assessments as provided in the Declaration, the institution of actions to foreclose liens for such assessments in accordance with the terms of N.C. Gen. Stat. §47C-3-116, the imposition of charges for late payment of assessments, and after notice and an opportunity to be heard, levying reasonable fines not to exceed One Hundred Fifty and No/100 Dollars (\$150.00), or the highest amount permitted by law, for violations of the Declaration, these Bylaws or the rules and regulations of the Association;

(p) enforcing by any legal means or proceeding the provisions of the Articles of Incorporation, these Bylaws, the Declaration or the rules and regulations hereinafter promulgated governing use of the Common Elements;

(q) paying all taxes and assessments which are or may become liens against any part of the Condominium, other than the Units, and to assess the same against the Owners in the manner herein provided;

(r) hiring attorneys and other professionals; and

(s) exercising any other powers and duties reserved to the Association exercisable by the Executive Board in the Declaration, the Articles of Incorporation, these Bylaws or the North Carolina Condominium Act.

5.14 Independent Manager. Prior to expiration of the Declarant Control Period, the Declarant may employ or enter into a management contract with any individual, firm or entity (the "Independent Manager") it deems appropriate and in the best interest of the Association

concerning the routine management of the Condominium. After expiration of the Declarant Control Period, the Executive Board may delegate to the Independent Manager such duties and responsibilities in the management of the Property as the Executive Board deems appropriate; provided, however, the Executive Board may not delegate to the Independent Manager the complete and total responsibilities and duties of the Association in violation of the Nonprofit Corporation Act of North Carolina or the North Carolina Condominium Act. The Independent Manager's contract shall be for a term not to exceed three (3) years, renewable by agreement between the Executive Board and such Independent Manager for successive one-year terms; provided, however, that any such contract shall provide that it is terminable by the Association, with or without cause, upon not more than ninety (90) days prior written notice and without payment of any penalty, and any such contract entered into during the Declarant Control Period also shall be terminable as required by N.C. Gen. Stat. §47C-3105. The Executive Board shall have authority to fix the reasonable compensation for the Independent Manager. The Independent Manager shall at all times be answerable to the Executive Board and subject to its direction.

ARTICLE VI COMMITTEES

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

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

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

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

6.5 Responsibility of Executive Board Members. The designation of committees and the delegation of authority thereto shall not operate to relieve the Executive Board or any member thereof of any responsibility or liability imposed upon it or him by law.

If action taken by a committee is not thereafter formally considered by the Executive Board, a Executive Board member may dissent from such action by filing his written objection with the Secretary with reasonable promptness after learning of such action.

ARTICLE VII OFFICERS

7.1 Enumeration of Officers. The officers of the Association shall consist of a President, Vice President, Secretary, Assistant Secretary, and Treasurer, all of whom shall be members of the Executive Board. The Executive Board may in its discretion elect such Assistant Vice Presidents, Assistant Treasurers and other officers as the Executive Board may from time to time deem necessary or advisable.

7.2 Election and Term. The officers of the Association shall be elected annually by the Executive Board. Such elections shall be held at the first meeting of the Executive Board next following the annual or substitute annual meeting of the Members. Each officer shall hold office until his death, resignation, removal or until his successor is elected and qualified. These Bylaws contemplate the Vice President shall the subsequent year's President and the Assistant Secretary shall be the subsequent year's Secretary unless so otherwise voted by the Executive Board.

7.3 Removal. Any officer elected or appointed by the Executive Board may be removed by a majority vote of the Executive Board whenever in its judgment the best interest of the Association will be served thereby.

7.4 Vacancy. A vacancy in any office may be filled by the Executive Board's election of a successor to such office. Such election may be held at any meeting of the Executive Board. The officer elected to such vacancy shall serve for the remaining term of the officer he replaces.

7.5 Multiple Offices. The person holding the office of President shall not also hold the office of Secretary or Treasurer at the same time. Any other offices may be simultaneously held by one person. Any officer may also be a member of the Executive Board.

7.6 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Members. In the absence of an elected Chairman, he shall also preside at all meetings of the Executive Board. He shall see that the orders and resolutions of the Executive Board are carried out, sign all written instruments regarding the Common Elements and co-sign all promissory notes of the Association, if any, and have all of the general powers and duties which are incident to the office of President of a corporation organized under Chapter 55A of the North Carolina General Statutes in the supervision and control of the management of the Association in accordance with these Bylaws.

7.7 Vice President. The Vice President shall, in the absence or disability of the President, perform the duties and exercise the powers of that office. In addition, the Vice President shall perform such other duties and have such other powers as the Executive Board shall prescribe.

7.8 Secretary. The Secretary shall keep the minutes of all meetings of the Members and of the Executive Board, have charge of such books and papers as the Executive Board may direct and, in general, perform all duties incident to the office of Secretary of a corporation organized under Chapter 55A of the General Statutes of North Carolina.

7.9 Assistant Secretary. The Assistant Secretary shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of that office and, in general, perform such other duties as shall be assigned to him by the Vice President, Secretary, Treasurer, President or Executive Board.

7.10 Treasurer. The Treasurer shall have the responsibility for the Association's funds and securities, be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and be responsible for the preparation of all required financial statements. He shall co-sign promissory notes of the Association, prepare a proposed annual budget (to be approved by the Executive Board) and other reports to be furnished to the Members as required in the Declaration. He shall perform all duties incident to the office of Treasurer of a corporation organized under Chapter 55A of the General Statutes of North Carolina.

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

7.12 Compensation. Officers shall not be compensated on a regular basis for the usual and ordinary services rendered to the Association incident to the offices held by such officers. The Executive Board may, however, compensate any officer or officers who render unusual and extraordinary services to the Association beyond that called for to be rendered by such person or persons on a regular basis. Each officer, by assuming office, waives his right to institute suit against or make claim upon the Association for compensation based upon *quantum meruit*.

7.13 Indemnification. To the extent permitted by the provisions of the North Carolina Nonprofit Corporation Act in effect at the applicable times, each officer is hereby indemnified by the Association with respect to any liability and expense of litigation arising out of his activities as an officer. Such indemnity shall be subject to approval by the Members only when such approval is required by said Act.

ARTICLE VIII OPERATION OF THE PROPERTY

8.1 Determination of Common Expenses and Fixing of the Common Charges. The Executive Board shall from time to time, and at least annually, prepare and adopt a proposed budget for the Condominium, determine the amount of the Common Expenses payable by the Owners to meet the proposed budget of the Condominium, and allocate and assess such proposed Common Expenses among the Owners in equal shares (based upon the total number of Units in the Condominium), all in accordance with the procedure set forth in this Section 8, but subject to the limitations set forth in Article XI of the Declaration. The Common Expenses shall include, among other things, the cost of all insurance premiums on all policies of insurance required to be or which have been obtained by the Executive Board pursuant to the provisions of the Declaration. The Common Expenses shall also include such amounts as the Executive Board deems necessary for the operation and maintenance of the Property including, without limitation,

an amount for working capital of the Condominium, an amount for a general operating reserve, an amount for a reserve fund for losses due to insurance deductibles, an amount for a reserve fund for repair and replacement of the Common Elements, and such amounts as may be necessary to make up any deficit in the Common Expenses for any prior year. Within thirty (30) days after adoption of any proposed budget for the Condominium, the Executive Board shall provide a summary of the budget to all the Owners and shall set a date for a meeting of the Owners to consider ratification of the budget no less than fourteen (14) nor more than thirty (30) days after mailing of the summary. Notwithstanding any other provisions of these Bylaws, there shall be no requirement that a quorum be present at such meeting. Notwithstanding any other provision of these Bylaws, the proposed budget shall be deemed ratified unless at that meeting a majority of all the Owners present and entitled to cast a vote reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Owners ratify a subsequent budget proposed by the Executive Board.

The Association, acting through the Executive Board, may levy a special assessment during any calendar year for the purpose of defraying, in whole or in part, the cost of any reconstruction, repair or replacement of any capital improvement comprising or to comprise a portion of the Common Elements including fixtures and personal property; provided, however, that any such special assessment must be approved by the vote of Owners of Units to which at least seventy percent (70%) of the votes in the Association are allocated cast in person or by proxy at a meeting duly held in accordance with the provisions of these Bylaws. In the event that any Owner fails to maintain his Unit and the Association takes action to do so as set forth in Section 5.13 hereof, or any Owner defaults under his obligations under the Declaration or these Bylaws and the Association incurs any additional costs and expenses as a result of such default, the Association shall have the right to levy a special assessment against such Owner for the purposes of defraying, in whole or in part, such costs or expenses.

The Declarant, as the agent of the Association, shall collect from each initial purchaser of a Unit at the time of closing an "initial capital assessment" equal to twice the estimated monthly assessment for Common Expenses but not to exceed Five Hundred and No/100 Dollars (\$500.00). Such funds shall not be considered advance payments of assessments. The Declarant will deliver the funds so collected to the Association to provide the necessary working capital for the Association. In addition, upon the expiration of the Declarant Control Period, the Declarant shall forward to the Association a contribution to the working capital fund, in the amount specified above, for each unsold Unit in the Condominium held by Declarant and, in that event, Declarant shall be entitled to retain as a reimbursement the working capital contributions ultimately made by the initial purchasers of such Units. Such funds may be used for certain prepaid items, initial equipment and supplies, organizational expenses and other start-up costs, and for such other purposes as the Executive Board may determine. Except for the permitted reimbursement of prepaid contributions referred to above, the Declarant may not use the working capital fund to defray any of the Declarant's expenses, reserve contributions or construction costs, or to make up any budget deficits of the Association during the Declarant Control Period.

8.2 Payment of Common Expenses. All Owners shall be obligated to pay the Common Expenses assessed by the Executive Board pursuant to the provisions of Section 8.1 hereof at such time or times as the Executive Board shall determine.

No Owner shall be liable for the payment of any part of the Common Expenses 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. A purchaser of a Unit shall be jointly and severally liable with the seller for the payment of Common Expenses assessed against such Unit prior to the acquisition by the purchaser of such Unit without prejudice to the purchaser's rights to recover from the seller the amounts paid by the purchaser therefor.

8.3 Collection of Assessments. The Executive Board shall assess Common Expenses against the Units from time to time, and at least monthly, in accordance with the allocations set forth in the Declaration. The Executive Board shall take prompt action to collect any Common Expenses which remain unpaid for more than thirty (30) days from the due date for payment thereof.

The Executive Board shall notify the holder of the Mortgage on any Unit (of which it has notice) for which any Common Expenses assessed pursuant to these Bylaws remain unpaid for more than thirty (30) days from the due date for payment thereof and in any other case where the Owner of such Unit is in default with respect to the performance of any other obligation hereunder for a period in excess of thirty (30) days.

8.4 Default in Payment of Common Expenses; Remedies. In the event of default by any Owner in paying to the Executive Board the Common Expenses as determined by the Executive Board, such Owner shall be obligated to pay interest on such Common Expenses from the due date thereof at the rate of eighteen percent (18%) per annum together with all expenses, including reasonable attorney's fees (if permitted by law), incurred by the Executive Board in any proceeding brought to collect such unpaid Common Expenses. In addition, the Executive Board shall have the authority to levy a late charge on any assessment not paid within fifteen (15) days after its due date in the amount of five percent (5%) of the overdue assessment.

The Executive Board shall have the right and duty to attempt to recover such Common Expenses, together with interest thereon, and the expenses of the proceedings, including reasonable attorneys' fees (if permitted by law), in an action to recover a money judgment for the same brought against such Owner, or by foreclosure of the lien on such Unit in like manner as a deed of trust or mortgage of real property. The Executive Board shall also have the right to impose uniform late payment charges for delinquent Common Expense payments which charges shall be recoverable by the proceedings specified above.

In the event of the failure of an Owner to pay any assessment imposed hereunder or any installment thereof for more than sixty (60) days after such assessment or installment thereof shall become due, in addition to the other remedies available under the Condominium Documents and the North Carolina Condominium Act, the Executive Board shall have the right to declare all other Common Expense assessments and installments thereof with respect to such Owner's Unit that are to fall due during the then current fiscal year of the Association to be immediately due and payable.

8.5 Lien and Personal Obligations. All Common Expenses and special assessments provided for in this Article, together with the interest and expenses, including reasonable

attorneys' fees (if permitted by law), as provided for herein, shall be a charge on and a continuing lien upon the Unit against which the assessment is made, which such lien shall be prior to all other liens excepting only (i) assessments, liens and charges for real estate taxes due and unpaid on the Unit, and (ii) all sums unpaid on Mortgages and other liens and encumbrances duly recorded against the Unit prior to the docketing of such lien. Such lien shall become effective when a notice thereof has been filed in the office of the Clerk of Superior Court of Wake County, North Carolina, provided such notice of lien shall not be recorded until such sums assessed remain unpaid for a period of more than thirty (30) days after the same shall become due. Such notice of lien shall also secure all assessments against the Unit becoming due thereafter until the lien has been satisfied.

The lien for unpaid assessments shall not be affected by the sale or transfer of the Unit, except in the case of a foreclosure of a Mortgage, in which event the purchaser at foreclosure shall not be liable for any assessments against such Unit that became due prior to the date of acquisition of title by such purchaser. Such unpaid assessments shall be deemed Common Expenses collectible from all Owners of Units, including the purchaser at foreclosure. In addition, each Owner shall be personally liable for any assessment against his Unit. No Owner may exempt himself from such liability by nonuse or enjoyment of any portion of the Common Elements or by the abandonment or sale of his Unit.

8.6 Foreclosure of Liens for Unpaid Common Expenses. In any action brought by the Executive Board to foreclose on a Unit because of unpaid Common Expenses or special assessments, the 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.

8.7 Abatement and Enjoyment of Violations by Owners. The violation of any rule or regulation adopted by the Executive Board, the breach of any provision of these Bylaws, or the breach of any provision of the Declaration shall give the Executive Board the right, in addition to any other rights set forth in the Declaration, these Bylaws or at law or in equity: (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 Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Executive Board shall not thereby be deemed guilty in any manner of trespass; (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach at the expense of the defaulting Owner, and/or (c) after notice and opportunity to be heard, to levy reasonable fines not to exceed One Hundred Fifty and No/100 Dollars (\$150.00) per day, or the highest amount permitted by law, for continuing violations.

8.8 Maintenance and Repair. Except as is specifically provided in the Declaration, all maintenance and any repairs to any Unit and the Limited Common Elements allocated thereto, whether ordinary or extraordinary, shall be made by the Owner of such Unit. Each Owner shall be responsible for all damages to any and all other Units and/or to the Common Elements that his failure to do so may engender. Except as is specifically provided in the Declaration, all maintenance, repairs and replacements to the Common Elements (unless necessitated by the negligence, misuse or neglect of an Owner, in which case such expense shall be charged to and paid by such Owner), shall be made by the Executive Board; provided, however, there is

excluded from the provisions contained in this section any repairs necessitated by casualty insured against by the Executive Board to the extent the Executive Board receives insurance proceeds for such repairs.

8.9 Additions, Alterations or Improvements by Owners. No Owner shall make any improvements or alterations in or to his Unit that impair the structural integrity or mechanical systems or lessen the support of any portion of the Condominium or to any Limited Common Element, or any change in the exterior appearance thereof, except in accordance with N.C. Gen. Stat. §47C-2-111 and in accordance with the terms of the Declaration.

8.10 Use of Common Elements. An Owner shall not interfere with the use of the Common Elements by the other Owners and their employees and invitees.

8.11 Right of Access. An Owner shall grant a right of access to his Unit and the Limited Common Elements appurtenant thereto to the Independent Manager and/or any other person authorized by the Executive Board or the Independent Manager for the purpose of making inspections, or for the purpose of correcting any condition originating in his Unit and/or threatening another Unit or the Common Elements, or for the purpose of performing installations, alterations or repairs to any building system or element (including, but not limited to, the mechanical, plumbing or electrical equipment or other Common Elements in or adjoining his Unit); provided, however, such requests for entry (except in the case of emergencies where no request shall be required) are made in advance and any such entry is at a time reasonably convenient to the Owner. In the case of an emergency, such right of entry shall be immediate whether the Owner is present at the time or not.

8.12 Rules of Conduct. Rules and regulations concerning the use of the Units and the Common Elements shall be promulgated and amended by the Executive Board with the approval of a majority of Owners. Copies of such rules and regulations shall be furnished by the Executive Board to each Owner prior to the time when the same shall become effective.

8.13 Common Expenses for Utilities. Any utilities which may be provided to the Units through a single or common meter or facility, and utilities furnished to any portion of the Common Elements, shall be paid by each Owner as and when billed according to the extent of such Owner's use or, at the option of the Executive Board, such may be paid by the Executive Board and assessed against the Units as a Common Expense.

8.14 Approval of Members Required for Certain Transactions. The Association shall not, without the prior written approval of a Supermajority in Interest of the Members, institute any legal action in the name of the Association, other than lawsuits for the payment of Common Expenses, special assessments or other assessments, or for the enforcement of any rules and regulations or breach of any provision in the Declaration, all of which are expressly permitted under these Bylaws. For the purposes of this section 8.14, "Supermajority in Interest" shall mean a combination of any Members who, in the aggregate, own eighty percent (80%) or more of the Units.

ARTICLE IX AMENDMENTS

Subject to the provisions of Article XV of the Declaration, these Bylaws may be amended at any time by an instrument in writing signed and acknowledged by Owners holding at least seventy percent (70%) of the votes in the Association, which instrument shall be effective only upon recordation in the office of the Register of Deeds of Wake County, North Carolina; provided, however, where a larger vote in the Association is required for the Association to take or refrain from taking a specific action, as set forth in the Condominium Documents, no amendment of these Bylaws shall be made unless and until the Owners holding such larger percentage of the vote in the Association execute said amending instrument. All persons or entities who own or hereafter acquire any interest in the Property shall be bound to abide by any amendment to these Bylaws which is duly passed, signed, acknowledged and recorded as provided herein. No amendment to these Bylaws shall be adopted or passed which shall impair or prejudice the rights and priorities of any Mortgagee without the consent of such Mortgagee. No amendment to these Bylaws shall be adopted or passed which shall impair or prejudice the rights of Declarant provided for in the Condominium Documents without the consent of Declarant.

ARTICLE X MISCELLANEOUS

10.1 Severability. Invalidation of any covenant, condition, restriction or other provisions of the Declaration or these Bylaws shall not affect the validity of the remaining portions thereof which shall remain in full force and effect.

10.2 Successors Bound. The rights, privileges, duties and responsibilities set forth in the Condominium Documents, as amended from time to time, shall run with the ownership of the Property and shall be binding upon all persons who own or hereafter acquire any interest in the Property.

10.3 Gender, Singular, Plural. Whenever the context so permits, the use of the singular or plural shall be interchangeable in meaning and the use of any gender shall be deemed to include all genders.

10.4 Nonprofit Corporation. No part of the Association's assets or net income shall inure to the benefit of any of the Members, the officers of the Association, the members of the Executive Board, or any other private individual either during its existence or upon dissolution except as reasonable compensation paid or distributions made in carrying out its declared nonprofit purposes as set forth in the Articles of Incorporation and these Bylaws.



RULES AND REGULATIONS

1. **ANIMALS – AS STATED IN THE RESTRICTIVE COVENANTS** - Pet owners should always use the freight elevator to take pets to and from their residence. Under no circumstances are pets allowed on the passenger elevator unless they are being carried. No Owner shall have more than two (2) pets at any one time (excluding fish). No pet shall be permitted on the Common Elements unless carried or leashed by a person that can control the pet. All pets shall be controlled so as not to create a nuisance or unreasonable disturbance (including loud and excessive barking). Owners shall clean-up immediately after their pet if an accident occurs and shall be responsible for any damages. If any owner violates these rules more than twice in any twelve (12) month period, then in addition to any fines levied, the Association shall have the right to require the Owner to remove the pet permanently from the Property upon not less than ten (10) days' written notice.
2. **ARCHITECTURAL CONTROL** – No exterior change or alteration of any type is permitted. Further, no building, landscaping, fence, wall, or other structure shall be commenced, erected, or maintained upon the Property, nor shall any exterior addition to or change or alteration to either the Unit or the Common Elements be made, until the plans, and specification showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing by the Association, in its sole discretion. No owner shall make any improvements or alterations in or to his Unit that may impair the structural integrity or mechanical systems or lessen the support of any portion of the Condominium or to any Limited Common Element; for example (but not limited to), moving walls, removing flooring, penetrating concrete, etc.. A request must be made in writing to Towne and submitted for approval. If in doubt, it is best to submit the application to avoid any potential damages. A copy of the required application is located on your community website. The architectural review committee may or may not approve the request. A written reply will be made by the managing agent after the application is reviewed. See the Condominium Declaration for more information.
3. **ASSESSMENTS** – Homeowner Association fees are due on the first of each month. Assessments that are not received by the fifteenth day of each month are delinquent and legal action may be taken for collection. Unpaid assessments are subject to an 18% interest charge over fifteen days late. Costs of collection including, but not limited to, legal fees and court costs are borne by the delinquent property owner.
4. **AUTOMOTIVE REPAIRS** – No significant automobile repair shall be allowed in the parking areas. No automobile parts may be stored on or about the common areas in the parking lots.
5. **BALCONIES** – The balconies adjacent to each unit shall always be kept in a clean, neat and orderly condition and shall not be used for storage (i.e. coolers, stacked chairs, indoor furniture, etc.), cooking, or for the drying of laundry. Towels, banners, hanging planters, flags, and bird and/or squirrel feeders are prohibited on the balcony patios. Any dead plants shall be removed promptly. No indoor-outdoor carpeting, hot tub, or other pool shall be installed on any balcony.
6. **CLOTHESLINES** – No clotheslines are permitted.

7. **COMMON AREAS** – Each owner should protect their interest in the common area. Please do not litter or restrict enjoyment of the common areas.
8. **DAMAGES CAUSED BY OWNER, HIS AGENTS, INVITEES OR FAMILY MEMBERS** – Any damage caused by negligence or intentional misconduct from the named above will be the responsibility of that Owner. The association shall be responsible for the maintenance and repair of all Common Elements, except for the Limited Common Elements, exclusive to a unit (excluding the parking areas, and the common elevators and corridors within each Building, all of which shall be maintained by the Association). The Association may repair the damages and charge the costs of the repair to the owner responsible for the damage.
9. **HAZARDS** – The discharge of firearms, fireworks and other noisemaking or explosive devices are not permitted at The Dawson on Morgan. The storage and use of any hazardous material are restricted in type and quantity to those which are appropriate for use in or about the home and must be in strict accordance with safety requirements and applicable law.
10. **HOT WATER HEATER** – Each owner is **required** to show documented proof that their individual hot water heaters have been replaced within or at the suggested 10-year lifespan.
11. **HVAC** -- Each HVAC system has one air handler and one rooftop compressor. The air handler is located above the ceiling through an access panel in the washer/dryer or closet area. The rooftop compressor is located on the roof on specially designed platforms. Most units have one HVAC system conditioning their space, and larger units have two systems (one thermostat = one unit). Thermostats are 7-day 24 hour programmable, with the instruction guide provided in your warranty package. An overflow alarm is required in the drip pan.
12. **INTERIOR CONSTRUCTION** – Should any owner wish to perform major interior construction in a unit, the owner must first obtain prior written approval from the Association for the full scope of work to be performed. Major interior construction will include any structural changes and modifications, hardwood floors and tiling. Interior construction does not include such items as occasional painting of one or two rooms, replacing appliances including hot water heaters, and/or any work already authorized by and through the Association such as HVAC repair and replacement.

****Any work requiring use of the parking lot/spaces (such as HVAC replacement with the assistance of a crane) should be coordinated through the Towne office. ****

Owner shall submit written plans and specs in enough detail to describe the full scope of work, along with a list of all vendors/contractor with full contact information and insurance certificates, to the Association for review and approval. The Association has fifteen (15) days to approve or disapprove of any work to be performed, with such approval not to be unreasonably withheld. No work shall require access to any other unit, above or below, except with the unit owner's expressed written permission.

Prior to construction commencement, vendors/contractors shall coordinate access to the building through Towne. All construction materials and vendors should only use the freight elevator. Owners are responsible for ensuring that contractors have reserved the use of the loading dock and freight elevator through Towne Properties Raleigh District. **A fine of \$500 per occurrence will be imposed to the homeowners account if the passenger elevator is used to transport any construction material in addition to any damages resulting.** Construction vehicles must only park in the owner's assigned space or they will be subject to immediate towing. Owners shall always be responsible for the performance and actions of all vendors/subcontractors under its employ. **Work shall take place only between the hours of 8:00 am and 5:00 pm Monday through Friday and 9:00 am to 3:00 pm on Saturdays and no work shall be performed during nationally recognized holidays. Owners are prohibited from performing work on or about the common areas without prior written permission. Failure to do so shall carry a fine of \$500**

When the work is completed, the Association and owner shall inspect the common areas to determine if any damage is deemed to have been caused by owner's vendor/contractors. The owner will be responsible for the cost of all repairs to the common areas or other property owners' units.

- 13. INSURANCE** – The Association does provide an all risk blanket insurance coverage plan for the exterior of the building for property, liability and fidelity insurance at a rate of 100% of the replacement cost of the Building at the time such insurance is purchased. A separate policy designed for condominiums is required for personal property, and as well as a minimum liability insurance as established by the Association. The individual Property Owner is responsible for the Association's \$5,000 deductible. Coverage to pay this expense should be added to the owner's policy. The owner is responsible for liability claims that arise inside the unit, their own personal belongings and for displacement.
- 14. KEYS** -- Each Owner is required to make one (1) key available to the Association for the unit's entry door. No Owner is permitted to install new locks or rekey a Unit unless authorized by the Association (which authorization shall not be unreasonably withheld provided the work meets municipal codes and regulations) and provided Owner makes one (1) new key available to the Association. Keys are kept in a secure location and Towne will not access any unit without the owner's advanced approval, unless in the case of an emergency, (water, smoke, fire). Only bonded and insured vendors authorized by Towne to perform maintenance in the Units (HVAC maintenance, for example) may be given access to keys. It is recommended each Owner keep an extra set of keys to their Unit in their personal lock box in case they lock themselves out. All owners will be given two swipe card keys for doors that require this type of access along with two regular keys to common area doors and stairwells. Should an electronic entry door lock be installed, a code must be provided to the management company for purposes set forth above.
- 15. LEASES/TENANTS (Sec 8.6)** – Any lease of a Unit or a portion thereof shall be in writing and all tenants, guests and invitees must comply with the by-laws of the Association including Rules and Regulations established by the Board of Directors. Tenants must be informed of this responsibility and supplied a copy of the Rules and Regulations by the owner. All leases shall be subject in all respects to the Condominium Documents and any failure by the lessee to comply with all terms of the Condominium Documents shall constitute a default under the lease. A copy of the lease, along with full personal contact information for the landlord and the tenant shall be delivered to the Association prior to the tenant's occupancy. Evidence of insurance is also required. No Unit may be leased for a period shorter than six (6) months. Failure to provide a copy of the lease may subject the owner to a fine of **\$50/per day** once noted.
- 16. MAINTENANCE & REPAIRS** – Owners are responsible for all interior repairs and maintenance of their units. The condition of the common areas (everything outside the condominium units) is the responsibility of the Homeowners Association as directed by the Board. Details about maintenance responsibility can be found in the "Maintenance Responsibility Chart" you will find inserted further in this package. The Covenants authorize the Board to have right-of-access to the condominiums should a situation adversely impact the common areas or endanger other units.
- 17. MAILBOXES** – Mailboxes are located adjacent to the lobby entrance and parking area. Federal law prohibits unauthorized entry of mailboxes. If you have lost your mailbox key or require additional mailbox keys, please contact your local post office. It's recommended to make a spare mailbox key.
- 18. NOISE** – The Dawson on Morgan is inside the City of Raleigh and therefore falls within the city's noise ordinance. If you are disturbed by loud noise, you should first attempt to contact the source of the noise. If the source is uncooperative and the problem persists, contact the Raleigh Police Department. You can report noise complaints to 919-831-6311.
- 19. PARKING** – Parking space number(s) are assigned to each Unit at The Dawson on Morgan and a schedule of assigned spaces is provided in this package. Each unit is assigned a license authorizing that unit owner to use certain parking spaces. This license is provided when the unit is first purchased, and thereafter parking spaces are not reassigned. Please note that there are no visitor parking spaces. Public parking is conveniently located in several parking garages near the community for your guests, vendors, and other visitors to use while at the Dawson. The Association maintains the entire parking area: spaces drive isles, security gates, and fencing. The Association also maintains a master list of each owner's licensed parking space. Each unit owner is asked to use common courtesy: do not park in other owner's assigned spaces, keep your vehicle inside the parking lines, drive slowly, and be careful opening your car

doors. No owner, or any employee, agent, or invitee of any Owner, shall park, store, or keep any vehicle on the Property except wholly within the designated parking spaces and shall not block any entrance, drive aisles, and fire lanes. No boat, boat trailer, motor home, travel trailer, camper or other recreational vehicle may be stored on the Property at any time. The Association shall have the right to tow any vehicle in violation of this at the owner's expense. In addition to having the rights to tow, the Association shall have the right to levy fines as follows: First offense during any twelve (12) month period - \$50.00; Second Offense during any twelve (12) month period - \$75.00; any violations over two (2) in any twelve (12) month period - \$100.00. Fines imposed for parking violations shall be considered special assessments and shall be due and payable upon receipt of the parking violation.

- 20. PET WASTE** -- The only area designated for walking pets is the exterior of the building. Please take pets in and out through either the stairwell or the freight elevator only as pets are not allowed in the passenger elevator at any time. All excrement from pets should be immediately cleaned up and removed and disposed of in a closed container. The City of Raleigh requires that all pets be curbed and that the owner dispose of the waste as stated above. The Association will assess a fine of \$250 to any owner that does not pick up pet waste. Do not allow pets to relieve themselves in the parking garage or any other common areas.
- 21. RECYCLING** – Grime Control Cleaning Service is responsible for recycling pick up. There are 3 recycling containers located in the trash room. The trash room can be accessed by first entering door to left of freight elevator (facing the elevator) with your access card and/or key fob and then through the door to your right (unlocked). Plastic bottles, glass, aluminum, newspapers (and their inserts) and magazines will be accepted. You do not have to separate the items; Grime Control Cleaning Service will sort through the items once the recyclables have been delivered to their facility. Thank you for choosing to recycle!
- 22. SECURITY SYSTEMS** - The building has a security system for the entry lobby and vehicle entry gate that are owner specific which records door and time/date of entry information. In addition to unit keys, owners will be supplied two (2) entry fobs to operate the first-floor lobby doors and vehicle entry gate. Additional entry fobs are available for \$15.00 each from Towne. Vehicle sticker transponders are available at owner request for \$15.00. Nine security cameras are included in the security system package.
- 23. SIGNS AND FLAGS** – No signs or other advertising devices shall be displayed on or about the exterior of any Unit, or in the Common Elements, except for one (1) building standard unit number sign as part of the uniform signage program for the building not exceeding twenty-four (24) square inches in area on the main door to each unit. No pole or other device for the display of decorative flags shall be erected or displayed on or about the exterior of any Unit, or in the Common Elements unless approved in advance by the Association.
- 24. SPEED LIMIT** – The speed limit inside the Common area shall be 10 miles per hour. Exercise caution when driving through the parking lot of The Dawson on Morgan in order to ensure the safety of residents and guests.
- 25. TRASH** -- Trash removal is provided by Waste Industries. For all household trash, there is a trash chute located near the freight elevator on each floor that dumps into a trash compactor on the first floor. Only bagged household trash goes in the trash chute. DO NOT put the following in the trash chute: pizza boxes (unless cut into small pieces and bagged), newspapers, and cardboard. Furniture, mattresses, and other large trash items require special hauling; please contact Towne to arrange for removal, for which there will be an extra charge depending on the scope of work. The Association is authorized to charge owners for the cost of removing unauthorized trash left in and around the building. It is imperative that the trash chutes on each floor are closed completely after each use. Christmas Trees **are not permitted** to be placed in the community compactor or left in the trash room. Each homeowner must call the City to arrange pick up service. Failure to do so may result in fines.
- 26. YARD SALES** – Yard sales are not permitted.
- 27. PERSONAL PROPERTY** – Personal property including toys, bicycles, skateboards, garbage cans and recycling bins should not be left in the Common or parking areas.

28. SATELLITE DISH SERVICE -- In no event shall any exterior television antenna or satellite dish be mounted or placed on the exterior surface or patio balcony of any unit. A rooftop exterior television antenna and satellite dish area has been established for placement of these devices and this shall be the only area in and around the Building that such devices shall be permitted. In addition, in the event the Association contracts with one (1) satellite service vendor to provide building-wide subscription services for unit owners, then all owners shall obtain satellite service solely from this vendor. In all instances, antenna or satellite dish located on this rooftop area shall be screened from public view. Only in the event there is no Association authorized service vendor available to provide service as described above shall an owner be permitted to install a satellite dish or antenna on the roof. In this case, prior to installing the antenna or satellite dish, the owner shall furnish to the Association a copy of the owner's installation plans. The Association shall have the right to perform any portion of the installation work at the expense of the owner, or to require that any portion of the work be performed by contractors designated by the Association and in ways consistent with the existing infrastructure, shafts, and penetrations in the Building. The owner shall also be responsible for removal of any antenna or satellite dish and associated mounting and wiring when services for the device are cancelled. In addition, the owner shall be responsible for any damage caused by the removal of the antenna or satellite dish and associated mounting and wiring, including the sealing of conduits or other roof penetrations. Owners installing an antenna or satellite dish shall indemnify, defend and hold the Association harmless from and against any loss, damage, claim or other liability resulting from the installation, maintenance, repair, use and/or removal of the antenna or satellite dish, including but not limited to any damage to the corridor walls and ceilings as well as the roof of the Building or other property damage caused by installation or use or roof leaks.

29. STORM DOORS – No storm doors are allowed.