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DECLARATION

THIS DECLARATION is made and executed by Salem Square Properties, a North Carolina general partnership with its principal office in Lexington, North Carolina ("declarant"), pursuant to the provisions of the Unit Ownership Act, North Carolina General Statutes, Chapter 47A, hereinafter referred to as the "Act."

1. Recitals

1.1 Declarant and the persons joining in this declaration are the owners of the real property and improvements ("property") located in Winston-Salem, North Carolina, hereinafter more particularly described.

1.2 Declarant, by recording this declaration, submits the property to the provisions of the Act.

1.3 The covenants, conditions, and restrictions contained in this declaration and in the Exhibits hereto shall be enforceable equitable servitudes and shall run with the land.

1.4 Declarant has filed simultaneously herewith a plat of survey depicting the location and dimensions of the submitted land, and plans of every structure which contains all or part of any unit or units.

1.5

The property shall be known as Salem Square Condominium. The address of the property is 3812, 3814, 3816, 3818, 3820, 3822, 3824, 3826, 3828, and 3830 Country Club Road, Winston-Salem, North Carolina, 27104.

2. Definitions

The terms used herein shall have the same meaning set forth in the Act and as follows, unless the context otherwise requires:

a. "association of unit owners"--All of the unit owners acting as a group in accordance with the bylaws and declaration to govern the affairs of the Salem Square Condominium through the Salem Square Owners Association, a nonprofit corporation.

b. "building"--A structure containing one or more units that has been constructed on the land.

c. "common areas and facilities"--The land within the condominium project; the foundation, columns, girders, beams, supports, main walls, roofs, and entrances and exits of the buildings; the walkways, stairways, yards, gardens, and parking areas; all limited common areas and facilities as hereinafter described; installation such as power, light, gas, hot and cold water, existing for common use; heating and air conditioning plants, units, ducts, lines and equipment; basements, recreational and other community facilities; and all other parts of the property necessary or convenient to its existence, maintenance, and safety, or normally in common use, and all areas and facilities designated as common areas and facilities in the act.

d. "common expenses"--All expenditures lawfully made or incurred by or on behalf of the unit owners association, together with all funds lawfully assessed for the creation and/or maintenance of reserves.

e. "common profits"--All income collected or accrued by or on behalf of the unit owners association, other than income derived from assessments.

f. "condominium unit"--A unit together with the undivided interest in the common areas and facilities appertaining to that unit.

g. "declarant"--All persons who execute the declaration or The Partnership on whose behalf the declaration is executed. Any successors of the partnership referred to in this subsection who come to stand in the same relation to the condominium as their predecessors did shall also come within this definition.

h. "declaration" --The instrument by which the property is submitted to the provisions of the Unit Ownership Act and its lawful amendments.

i. "limited common areas and facilities" --Common areas and facilities designated in the declaration as reserved for use of certain units to the exclusion of the others.

j. "majority" or "majority of unit owners" --The majority of voting unit owners determined by their interest in the common property.

k. "property" --The land, the buildings, improvements, and structures, all easements, servitudes, rights and appurtenances belonging thereto, and all chattels intended for use in connection therewith, which have been or are intended to be submitted to the provisions of the Unit Ownership Act.

l. "unit" --A portion of the condominium designed and intended for individual ownership and use.

3. Description of the Condominium

3.1 Description of Land

The land on which the buildings and other improvements are located is in Winston-Salem, a municipal corporation, Forsyth County, North Carolina, and is more particularly described as follows, to wit:

BEGINNING at an iron (found) on the south side of Country Club Drive, the Northwest corner of Mini-Skools Ltd's tract as recorded in Deed Book 1134, Page 1356; thence with the south side of Country Club Drive, South 78 degrees 04' 15" West 78.92 feet to an iron (found); thence South 89 degrees 03' 58" West 230.99 feet to an iron (found) on the south side of Country Club Drive and in Griffin's line; thence with his line and the line of Widener, Miller, Nichols, Landreth, Windsor, and South Fork Baptist Church, South 3 degrees 13' 46" West, crossing an iron (found) at 945.63 feet and continuing for a total distance of 960.73 feet to a point on the north side of Wayne Avenue; thence with the North side of Wayne Avenue, South 35 degrees 27' 25" East 290.84 feet to an iron (found); thence South 86 degrees 52' 13" East 30.19 feet to an iron (found) on the north side of Wayne Avenue, Taylor's corner; thence with his line North 3 degrees 36' 39" East 224.74 feet to an iron (found), Wilson's corner; thence with his line North 2 degrees 09' 41" East 154.70 feet to an iron (found); thence continuing with Wilson's line and the line of H & V Construction,

Hubbard Realty, Montfort, and Mini-Skools Ltd., North 2 degrees 02' 16" East 625.47 feet to the beginning, containing 7.10 acres, more or less, as surveyed July, 1981, by Charles Bernhardt, R. L. S. 1737.

3.2 Description of the Buildings and Other Improvements

The Salem Square Condominium project consists of eleven buildings containing one hundred twenty-five (125) units. The buildings are twelve-plex, one single and one sixteen-plex structures constructed of wood, brick and masonry. Ten buildings are two story buildings. Three of the buildings have basements. The interior partitions between units consist of stud walls faced with sheetrock. The interior floors are of concrete and plywood construction with carpet, vinyl, and tile floor coverings. The buildings are supplied with electricity, water, sewage, and garbage collection service. There are two heating and air-conditioning systems which furnish heat and air conditioning to all the buildings. The buildings are more fully depicted in the condominium plat and floor plans, which are annexed hereto and made a part hereof as Exhibit A.

Other significant improvements in the Salem Square Condominium project include roadways, walkways, landscaping, swimming pool, fencing and a playground area.

Limited common areas include the fenced in frontyard areas in front of some buildings, and the front porch or deck area in front of upper units. Each of the lower unit owners is entitled to exclusive use of the fenced in area in front of his unit. Where a fenced in area serves two units, the owners of the two units will jointly have exclusive use of such fenced in area. The owners of the two upper units served by a porch or deck will jointly have exclusive use of such porch or deck.

4. Unit Number and Undivided Interest in Common Areas and Facilities

4.1 Each condominium unit shall be conveyed and treated as an individual property capable of independent use and fee simple ownership, and the Owner of each unit shall also own, as an appurtenance to the ownership of each said condominium unit, an undivided interest in the common property. The unit number and undivided interest in the common areas and facilities appurtenant to each unit and its owner for all purposes, including voting is set forth in Exhibit B. The undivided interest in the common areas and facilities appurtenant to any unit shall not be changed except with the unanimous consent of all of the unit owners in the condominium project expressed in an amendment to this declaration duly executed by all such owners and recorded.

4.2 The location, area, and number of rooms of each unit and the immediate common area to which it has access are set forth on Exhibit A.

5.1 Purpose of Property and Use Restrictions Thereon

5. The purpose of the property is to provide residential housing, parking, and recreational facilities for unit owners, their respective families, tenants, guests, and servants.

5.2 The units and common areas and facilities shall be occupied and used as follows:

5.2.1 No commercial business shall be permitted within the property other than the renting or leasing of residential units.

5.2.2 There shall be no obstruction of the common areas and facilities. Except in the case of designated storage areas, nothing shall be stored in the common areas and facilities without the prior written consent of the Board of Directors.

5.2.3 Nothing shall be done or kept in any unit or in the general or limited common areas and facilities which shall increase the rate of insurance on the general or limited common areas and facilities without the prior written consent of the Board of Directors. No owner shall permit anything to be done or kept in his unit or in the general or limited common areas and facilities which will result in the cancellation of insurance of any unit or which would be in violation of any law. No waste will be committed of the general common areas and facilities or limited common areas and facilities.

5.2.4 No sign of any kind shall be displayed to the public view or from any unit or from the general or limited common areas and facilities without the prior written consent of the Board of Directors.

5.2.5 No animals, livestock, or poultry of any kind shall be raised, bred, or kept in any unit or in the general or limited common areas and facilities; except that dogs, cats or other household pets may be kept in units, subject to rules and regulations adopted by the Board of Directors.

5.2.6 No noxious, dangerous, or offensive activity shall be carried on in any unit or in the general or limited common areas and facilities, nor shall anything be done therein which may be or become an annoyance or nuisance to other owners.

5.2.7 Nothing shall be altered or constructed in or removed from the general or limited common areas and facilities, except upon the prior written consent of the Board of Directors.

5.2.8 The Board of Directors is authorized to adopt rules for the use of the general or limited common areas and facilities, including the right to assign parking spaces, and prescribe penalties for any violation thereof, and shall furnish such rules in writing to the owners, who shall be bound thereby.

5.2.9 None of the rights and obligations of the owners created herein, or by the deeds conveying to the condominiums, shall be altered in any way by encroachments due to settlement or shifting of structures or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist; provided, however, that in no event shall a valid easement for encroachment be created in favor of an owner or owners if said encroachment occurred due to willful conduct of said owner or owners.

5.2.10 Declarant, and persons it may select, shall have the right of ingress and egress over, upon, and across the general and limited common areas and facilities and the right to store materials thereon and make such other use thereof as may be reasonably necessary incident to construction, development, and sales of the condominiums and operation of

the units and common areas and facilities in connection with the Salem Square Condominium Project and the overall development of which the property is a part. Declarant and its agents shall retain the right to use of the sales office and model units and the general and limited common areas and facilities in connection therewith during the period of development and sale of the Salem Square Condominium Project.

6. Model Units and Sales Office

Declarant and declarant's duly authorized agents, representatives, and employees shall have the right to maintain model units and a sales office on land within the project, and to use the model units and sales office during the period that units remain unsold. No more than four model units and one sales office will be maintained by Declarant.

7. Reservation of Easement to Facilitate Creation of Improvements on Land Within Project

Declarant, and persons it may select, shall have the right of ingress and egress over, upon, and across the general and limited common areas and facilities and the right to store materials thereon and make such other use thereof as may be reasonably necessary incident to construction, development, and sales of the condominiums and operation of the units and common areas and facilities in connection with the Salem Square Condominium and the overall development of which the property is a part. Declarant and its agent shall retain the right to use the sales office and model units and the general and limited common areas and facilities during the period of development and sale of Salem Square Condominium.

8. Board of Directors

8.1 The governing board of Salem Square Condominium shall be the Board of Directors of the Salem Square Owners Association, a nonprofit corporation, which shall manage and maintain the property and business of the project pursuant to the provisions of this Declaration, its Articles of Incorporation and its Bylaws.

8.2 Until January 1, 1983, all rights, duties, and functions of the Board of Directors shall, at Declarant's option, be exercised by Declarant. Declarant shall have the option at any time after the date of the filing of this declaration to turn the responsibility of electing all of the members of the Board of Directors to the Salem Square Owners Association.

9. Maintenance, Alteration, and Improvement

9.1 The maintenance, replacement, and repair of the common areas including water, gas and sewer lines, wiring, heating and air conditioning plants, lines, ducts and equipment and other facilities shall be the responsibility of the Board of Directors and the cost thereof shall be a common expense. All incidental damages caused to a unit by the maintenance, replacement, and repair of the common areas and facilities or utility services shall be repaired promptly at the expense of the Board of Directors. Replacement of windows, window panes and exterior doors shall be the responsibility of the Board of Directors and shall be a common expense unless the damage causing the replacement was caused by the unit owner, his family, guests or invitees.

9.2 The unit owners shall have the responsibility to maintain, repair, replace, and keep in a clean and sanitary condition, at the unit owner's expense, all portions of the unit owner's unit, except those portions to be maintained, repaired, and replaced by the Board of Directors. The unit owners shall keep clean and in a sanitary condition their fenced in areas, porches or decks and other limited common areas, if any. Every owner shall perform promptly all maintenance and repair work within his condominium unit which, if omitted, would affect the condominium either in its entirety or in a part belonging to other owners, every owner being expressly responsible for the damages and liability which his failure to do so may engender. The owner of each condominium unit shall be liable and responsible for the maintenance, repair and replacement of all stoves, refrigerators, fans, or other appliances or equipment, including all fixtures and/or their connections required to provide water, light, power, telephone, gas, sewage and sanitary service to his condominium unit. Such owner shall further be responsible and liable for the maintenance, repair and replacement of the interior surfaces of all exterior doors and windows, walls, ceilings and floors within his unit including painting, decorating and furnishings, and all other accessories which such owner may desire to place or maintain in his condominium unit. Owners shall be responsible for maintenance of any improvements in the limited common areas adjacent to their condominium units, to include but not to be limited to patios, porches and fences. The Board of Directors shall set maintenance standards and in the event any individual owner fails to properly maintain the improvements in accordance with such standards, the Board of Directors shall give the owner written notice of its maintenance requirements and thirty days to meet these requirements. Upon the owner's failure to meet these requirements within the time allowed, the Board of Directors shall cause the maintenance to be done and shall add such cost to the owner's next monthly assessment after such maintenance is completed. The association shall have the right to collect these sums in accordance with this Declaration.

10. Destruction or Damage

10.1 In the case of fire or any other disaster which causes damage or destruction to any or part of the property, the Board of Directors, with the help of an independent appraisal, shall determine the percentage of the property that was destroyed or substantially damaged. If less than two-thirds (2/3) of the total property was destroyed or substantially damaged, the Board of Directors shall arrange for the prompt repair and restoration of said property using the proceeds of insurance on the same for that purpose, and the unit owners shall be liable for assessment for any deficiency, if any, in proportion to their respective percentages of undivided interest in the common areas and facilities. Reconstruction of the property shall mean the restoring of the building to substantially the same condition it was in prior to the damage or destruction, with each unit and the common areas and facilities having the same vertical and horizontal boundaries as before, unless the destruction or damage is by reason of eminent domain, in which event the provisions of paragraph 13 hereto shall apply.

10.2 If two-thirds (2/3) or more of the total property is destroyed or substantially damaged, the Board of Directors shall, within one hundred (100) days after such destruction or damage, call a special meeting of the unit owners for the purpose of deciding whether or not the property shall be repaired and restored. Unless at least three-fourths (3/4) of the unit owners, in person or by proxy, vote not to repair or restore the

building or buildings, the Board of Directors shall promptly arrange for the reconstruction of the same using the proceeds of insurance on the buildings affected for that purpose, and the unit owners shall be liable for assessment for any deficiency, if any, in proportion to their respective percentage of undivided interest in the common areas and facilities. However, in the event at least two-thirds (2/3) of the total property is destroyed or substantially damaged, and three-fourths (3/4) of the unit owners vote not to make provision for reconstruction, the Board of Directors shall record, with the County Recorder, a notice setting forth such facts; and upon the recording of such notice: (i) the property shall be deemed to be owned in common by the unit owners; (ii) the undivided interest in the property owned in common which shall appertain to each unit owner shall be the percentage of undivided interest previously owned by such owner in the common areas and facilities; (iii) any liens affecting any of the units shall be deemed to be transferred in accordance with the existing priorities to the undivided interest of the unit owner in the property; and (iv) the property shall be subject to an action for partition at the suit of any unit owner, in which event the net proceeds of sale, together with the net proceeds of the insurance on the property, shall be considered as one fund and shall be divided among all unit owners in accordance with the percentage of undivided interest owned by each unit owner in the common property, after first paying out of the respective shares of the unit owners, to the extent sufficient for such purposes, all sums necessary to satisfy liens on the undivided interest in the property owned by each unit owner.

10.3 For purposes of this paragraph 10, the terms "disaster," "destruction," or "substantial damage" shall mean and include a temporary or permanent taking, injury, or destruction of all or part of the common areas and facilities or one or more units or portions thereof by the exercise of the power of or power in the nature of eminent domain or by an action or deed in lieu of condemnation.

11. Insurance

11.1 The Board of Directors shall obtain and maintain at all times insurance coverage to carry out the purposes of paragraph 10 of the Declaration. Such coverage shall be of the type and kind as provided herein and include insurance for such other risks, of a similar or dissimilar nature, as are or shall hereafter customarily be covered with respect to other properties similar to the property in construction, design, and use. The Board of Directors shall make every reasonable effort to obtain insurance with the following provisions or endorsements.

11.1.1 Exclusive authority to adjust losses shall be vested in the Board of Directors as insurance trustee;

11.1.2 The insurance coverage shall not be brought into contribution with insurance purchased by individual unit owners or their respective mortgagees;

11.1.3 Each unit owner may obtain additional insurance covering his real property interest at his own expense;

11.1.4 The insurer waives its right of subrogation as to any claims against each unit owner;

11.1.5 The insurance coverage cannot be canceled, invalidated, or suspended because of the conduct of any one

or more individual unit owners or their respective lessees, employees, agents, contractors, and guests.

11.1.6 The insurance coverage cannot be canceled, invalidated, or suspended because of the conduct of any officer or employee of the association or Board of Directors or their employees, agents, or contractors, without prior demand in writing that the Board of Directors cure the defect and then only if the defect is not cured within fifteen (15) days.

11.2 The Board of Directors, for the benefit of the property and the unit owners shall maintain a policy or policies of casualty and multiperil, "all risk" insurance on the property with the provisions and endorsements as set forth in Paragraph 11.1 above, if obtainable, also with extended coverage endorsements, for the full insurance replacement value of the units, common areas and facilities, items of common personal property and fixtures, payable to the Board of Directors as insurance trustee to be disbursed in accordance with the terms of the Declaration. The limits and coverage of said insurance shall be reviewed at least annually by the Board of Directors and shall include an appraisal of the property by a qualified representative of the insurance company writing the master policy on the property. Said policy or policies shall provide for a separate loss payable endorsement in favor of the mortgagee or mortgagees, if any, of each unit.

11.3 The Board of Directors shall obtain a policy or policies of insurance insuring the Board of Directors and its employees, including the manager, the unit owners and their respective lessees, servants, agents or guests against any liability to the public or to the owners of units, members of the households of unit owners, their respective invitees or tenants, incident to the ownership and/or use of the property, and including the personal liability exposure to the unit owners, incident to the ownership and/or use of the property. Limits of liability under such insurance shall not be less than \$200,000.00 for any one person injured, \$500,000.00 for all persons injured in any one occurrence, and shall not be less than \$50,000.00 for property damage in each occurrence. The limits in coverage of said liability policy or policies shall be reviewed at least annually by the Board of Directors and increased in its discretion. Said policy or policies shall be issued on a comprehensive liability basis and, if possible, shall provide cross-liability endorsements for possible claims for any one or more or group of insureds against any one or more group of insureds, without prejudice to the right of a named insured under the policies to maintain an action against another named insured.

11.4 Each unit owner shall be required to notify the Board of Directors of, and shall be liable for, any increased insurance premium for insurance maintained by the Board of Directors on all improvements made by the unit owner to his unit, the value of which is in excess of One Thousand (\$1,000.00). Each unit owner shall bear the risk of loss for all improvements made to his unit which were not the subject of notice to the Board of Directors.

11.5 Any unit owner who obtains individual insurance coverage covering any portion of the property, other than personal property belonging to such unit owner, shall be required to file a copy of such individual policy or policies with the Board of Directors within thirty (30) days after obtaining such insurance coverage.

11.6 No unit owner shall be entitled to exercise his right to maintain insurance coverage in such a way as to decrease the amount that the Board of Directors, on behalf of all of the unit owners, may realize under any insurance policy that the Board of Directors may have in force covering the property or any part thereof at any time.

12. Termination

12.1 In the event two-thirds (2/3) of the property is destroyed or substantially damaged, and if three-fourths of the unit owners vote not to reconstruct the buildings, the property shall be removed from the provisions of the Act without further agreement one hundred and one (101) days after such destruction or damage.

12.2 If at least 85 percent of the unit owners in person or by proxy vote to remove the property from the provisions of the Act, the property shall be removed from the provisions of the Act by an instrument duly recorded to that effect, provided that the holders of any liens affecting any of the units consent or agree by instruments duly recorded, that their liens be transferred to the percentage of the undivided interest of the unit owners in the property.

12.3 After removal of the property from the Act, the unit owners shall own the property and all assets of the association as tenants in common and the respective mortgagees and lienors shall have mortgages and liens upon the respective interests of the unit owners. Such undivided interests of the unit owners shall be the same as the percentage of undivided interest in the common areas and facilities appurtenant to the owners' units prior to removal from the Act.

12.4 This paragraph 12 cannot be amended without consent of all unit owners and all record owners or mortgagees on units.

13. Eminent Domain

13.1 Whenever any proceeding is instituted that could result in the temporary or permanent taking, injury, or destruction of all or part of the common areas and facilities or one or more units or portions thereof by the exercise of the power of or power in the nature of eminent domain or by an action or deed in lieu of condemnation, the Board of Directors and each unit owner shall be entitled to notice thereof and the Board of Directors shall and the unit owners at their respective expense may participate in the proceedings incident thereto.

13.2 With respect to common areas and facilities, any damages or awards shall be determined for such taking, injury or destruction as a whole and not for each unit owner's interest therein. After such determination, each unit owner shall be entitled to a share in the damages in the same proportion as his percentage of undivided interest in the common areas and facilities. This provision does not prohibit a majority of unit owners from authorizing the Board of Directors to use such damages or awards for replacing or restoring the common areas and facilities so taken on the remaining land, or on other acquired land, provided that this Declaration and floor plans are duly amended.

13.3 With respect to one or more units or portions thereof, the damages or awards for such taking shall be

deemed to be proceeds from insurance on account of damage or destruction, pursuant to paragraph 10 hereof and shall be deposited with the Board of Directors as trustee. Even though the damage or awards may be payable to one or more unit owners the unit owners shall deposit the damages or awards with the Board of Directors as trustee, and in the event of failure to do so, at the option of the Board of Directors, either a special assessment shall be made against a defaulting unit owner in the amount of this award or the amount of such award shall be set off against the sums hereafter made payable to such unit owner. The proceeds of the damages or awards shall be distributed or used in a manner and the unit owners of affected units shall have the rights provided in paragraph 10 for insurance proceeds provided that the property is removed from the provisions of the Act. If the property is not removed from the provisions of the Act, and one or more units are taken, in whole or in part, the taking shall have the following effects:

13.3.1 If the taking reduces the size of a unit and the remaining portion of the unit may be made tenantable, the unit shall be made tenantable. If the cost of such work exceeds the amount of the award, the additional funds required shall be assessed against the owner of the unit. The balance of the award, if any, shall be distributed to the unit to the extent of the unpaid balance of its mortgage and the excess, if any, shall be distributed to the unit owner. If there is a balance of the award distributed to the unit owner or a mortgagee, the unit owners's percentage of undivided interest in the common areas and facilities shall be equitably reduced. This shall be done by reducing such interest in the proportion by which the floor area of the unit is reduced by the taking, and then recomputing the percentages of undivided interest of all unit owners in the common areas and facilities.

13.3.2 If the taking destroys or so reduces the size of a unit that it cannot be made tenantable, the award shall be paid to the mortgagee of the unit to the extent of the unpaid balance of its mortgage and the excess, if any, shall be paid to the unit owner. The percentages of undivided interests in the common areas and facilities appurtenant to the units that continue as part of the property shall be equitably adjusted to distribute the ownership of the common areas and facilities among the reduced number of unit owners.

13.3.3 Changes in units, in the common areas and facilities, and in the ownership of the common areas and facilities that are affected by the taking referred to in this paragraph 13 shall be evidenced by an amendment to this Declaration and the floor plans, which must be approved by all unit owners.

14. Mortgage Protection

14.1 The term "mortgage" as used herein shall mean any recorded mortgage having priority over other mortgages and shall include a recorded deed of trust. The term "mortgagee" shall mean the owner and holder of a mortgage and shall include a beneficiary under a deed of trust.

14.2 The Board of Directors shall maintain a roster of unit owners from the evidence of change of ownership furnished to the Board of Directors, which roster shall include the mailing addresses of unit owners. If the Board of Directors has been given sufficient information by unit owners or

their mortgagees, the Board of Directors shall maintain another roster which shall contain the name and address of each mortgagee of a unit. Each notice shall consist of a certified copy of the recorded instrument evidencing the title of the mortgagee.

14.3 Any mortgagee on any unit is entitled to written notification from the Board of Directors of any default by the mortgagor of such unit in the performance of such mortgagor's obligation under the declaration which is not cured within thirty (30) days.

14.4 The Board of Directors, when giving notice to a unit owner of a default in paying common charges or unit owner charges or any other default, shall send a copy of such notice to any listed mortgagee holding a listed mortgage covering the unit or units affected by such default.

14.5 A mortgagee of any unit who comes into possession of the unit pursuant to the remedies provided in the mortgage, foreclosure or deed (or assignment) in lieu of foreclosure, shall take the property free of any claims for unpaid assessments or charges against the mortgaged unit which accrued prior to the time such mortgagee comes into possession of the unit (except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessment or charges to all units, including the mortgaged unit).

14.6 The liens created under the Act or pursuant to the declaration or the bylaws upon any unit shall be subject and subordinate to, and shall not affect the rights of, a mortgagee upon such interest made in good faith and for value, provided that after the foreclosure sale, said liens, if any claimed, shall have the same effect and be enforced in the same manner as provided herein.

14.7 No amendment to this paragraph shall affect the rights of a mortgagee whose interest evidenced by a mortgage was recorded prior to the recordation of any such amendment.

15. Conveyances, Easements

15.1 Every deed, lease, mortgage, or other instrument may describe a unit by its identifying number set forth in Exhibit B and in the floor plans, Exhibit A. Every such description shall be deemed good and sufficient for all purposes and shall be deemed to convey, transfer, encumber, or otherwise effect the unit owner's corresponding percentage of undivided ownership in the common areas and facilities, as a tenant in common, as set forth in Exhibit B, even though the same is not exactly mentioned or described. No condominium may be divided or subdivided into a smaller unit or units than as shown on Exhibit B or in the unit ownership file nor shall any condominium unit or portion thereof be added to or incorporated into any other condominium unit. The undivided interest in the common property declared to be an appurtenance to each condominium unit shall not be conveyed, demised, encumbered or otherwise dealt with separately from said Condominium unit.

15.2 Every deed, lease, mortgage, or other similar instrument shall be deemed to:

15.2.1 Except and reserve with respect to a unit: (1) any portion of the common areas and facilities

lying within said unit; (2) easements through said unit, appurtenant to the common areas and facilities and all other units, for support and repair of the common areas and facilities and all other units; (3) easements, appurtenant to the common areas and facilities, for encroachment upon the air space of said unit by those portions of the common areas and facilities located within said unit.

15.2.2 Include with respect to a unit nonexclusive easements for ingress and support of said unit through the common areas and facilities for the repair of said unit through all other units and through the common areas and facilities.

15.2.3 Except and reserve, with respect to the undivided percentage interest in the common areas and facilities, nonexclusive easements appurtenant to all units for ingress, egress, support, and repair.

15.2.4 Include, with respect to the undivided percentage interest in the common areas and facilities, nonexclusive easements through each unit for support and repair of the common areas and facilities and nonexclusive easements for encroachments upon the air space of all of the units and for the portions of the common areas and facilities lying within the units.

16. Assessments

16.1 Agreement to pay assessments. Each owner of a unit by the acceptance of a deed or contract therefor, whether or not it be so expressed in the deed or contract, shall be deemed to covenant and agree with each other and with the Board of Directors to pay his proportionate share of the common expenses and special assessments for capital improvements and other matters in such amounts and at such times as determined by the Board of Directors in accordance with the terms of the Bylaws.

16.2 Lien for unpaid assessments. All sums assessed to any unit together with interest thereon, shall be secured by a lien on such unit in favor of the Board of Directors. Such lien shall be superior to all other liens and encumbrances, except as provided for herein and in the Bylaws and foreclosure and collection shall be as therein provided for.

16.3 The Board of Directors, in establishing the Annual Budget for operation, management and maintenance of the condominium, shall designate a sum to be collected and maintained as a reserve fund for replacement of and capital improvements to the common property (herein "Capital Improvement Fund") which shall be for the purpose of enabling the Board of Directors to replace structural elements, roofs and mechanical heating and air conditioning equipment constituting a part of the common property, and the replacement of personal property constituting a portion of the common property held for the joint use and benefit of the owners of condominium units. The amount to be allocated to the Capital Improvement Fund may be established by the Board of Directors to collect and maintain a sum reasonably necessary to anticipate the need for replacement of common property. The amount collected for the Capital Improvement Fund shall be maintained in a separate account by the association and shall be used only to make capital improvements to common property. Any interest earned on the Capital Improvement Fund may be expended for

current operation and maintenance.

16.4 The owner or owners of each condominium unit shall be personally liable, jointly and severally to the association for the payment of all assessments, regular or special, which may be levied by the association against such condominium unit while such party or parties are owner or owners of a condominium unit. In the event that any unit owner or owners are in default in payment of any assessment or installment owed to the association, such unit owner or owners shall be personally liable, jointly and severally, for interest on such delinquent assessments or installment therefore as above provided, and for all costs of collecting such assessments or installment and interest thereon, including reasonable attorney's fees, whether suit be brought or not.

16.5 No owner of a condominium unit may exempt himself from liability for any assessment levied against him or his condominium unit by waiver of the use or enjoyment of any of the common property, or by abandonment of the condominium unit or in any other way.

16.6 The Board of Directors, in establishing the annual budget for operation, maintenance and management of the condominium, shall include a sum to pay for the gas and electricity for operating the heating and air conditioning systems to provide heat and air conditioning for each unit. A unit owner, with written permission from the Board of Directors, may, at his own expense, install his own individual heating and air conditioning system, in which case he will pay for his own utilities and other costs of operating his system, including repairs. If any unit owner installs his own heating and air conditioning systems in accordance with this paragraph, his dues will be reduced by his pro rata portion of the sum to be collected to pay for the gas and electricity used to operate the heating and air conditioning system, based upon his percentage interest in the common property; however, such unit owner will not be exempt from paying his pro rata share of repairs and reserve for replacement of the heating and air conditioning system unless the Board of Directors by unanimous consent agrees to such exemption.

17. Amendment

Except as provided below and except as prohibited by the Act, the provisions of this Declaration may be amended only by an instrument in writing signed and acknowledged by owners who own undivided percentage interest of not less than 75 percent of the Salem Square Condominium Project, which amendment shall be effective upon recording.

18. Enforcement

Each unit owner shall strictly comply with the provisions of the Declaration, the Bylaws, the community rules and regulations and decisions issued pursuant thereto. Failure to so comply shall be grounds for an action to recover sums due for damages or injunctive relief or both, maintainable by the Board of Directors or its designee on behalf of the unit owners, or in an appropriate case, by an aggrieved unit owner.

19. Unit Boundaries and Area

Each condominium unit comprises the interior dwelling area of such unit excluding all spaces or improvements lying or being:

- (1) Beneath the subflooring material of all floors;
- (2) Beneath or behind the sheetrock or other interior surfacing material of all walls;
- (3) Above the sheetrock or other interior surfacing material of the ceilings;

and further excluding all pipes, wires, ducts, conduits, heating or air control equipment, and other facilities for furnishing of utilities, heat, air conditioning and other services.

20. Severability

The provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion hereof shall not affect the validity or enforceability of the other provisions hereof.

21. Captions

The captions to this Declaration 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.

22. Law Controlling

This Declaration, the condominium plat and plans, and Bylaws shall be construed and controlled by and under the laws of the State of North Carolina.

23. Service of Process

The name and address of the person to receive notices or service of process are: Robert L. Grubb, Vice President of R. G. Real Estate, Inc., 15 East Center Street, Lexington, North Carolina.

24. Effective Date

This Declaration shall take effect when recorded.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 12 day of November, 1981.

SALEM SQUARE PROPERTIES
By R. G. Real Estate, Inc., Partner

By: Robert L. Grubb
Vice President

ATTEST:

Stella M. Cassel
Secretary

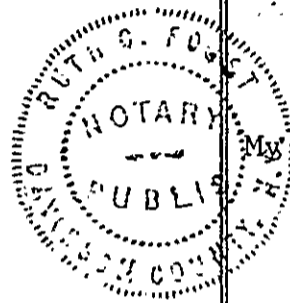
NORTH CAROLINA

DAVIDSON COUNTY

I, Ruth G. Foust, a notary public, do hereby certify that Stella M. Cappel personally came before me this day and acknowledged that she is Secretary of R. G. Real Estate, Inc., General Partner of Salem Square Properties; and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal, and attested by herself as its Secretary.

WITNESS my hand and official seal, this the 12th day of November, 1981.

Ruth G. Foust
Notary Public



My commission expires May 5, 1985.

STATE OF NORTH CAROLINA—Forsyth County

The foregoing (or annexed) certificate of Ruth G. Foust N.P.
(here give name and official title of the officer signing the certificate passed upon)

Davidson Co. N.C.

is ~~(is)~~ certified to be correct. This the 23rd day of November 19 81.

PRESENTED FOR Eunie Ayers, Register of Deeds
REGISTRATION

Probate fee \$1.00 paid.

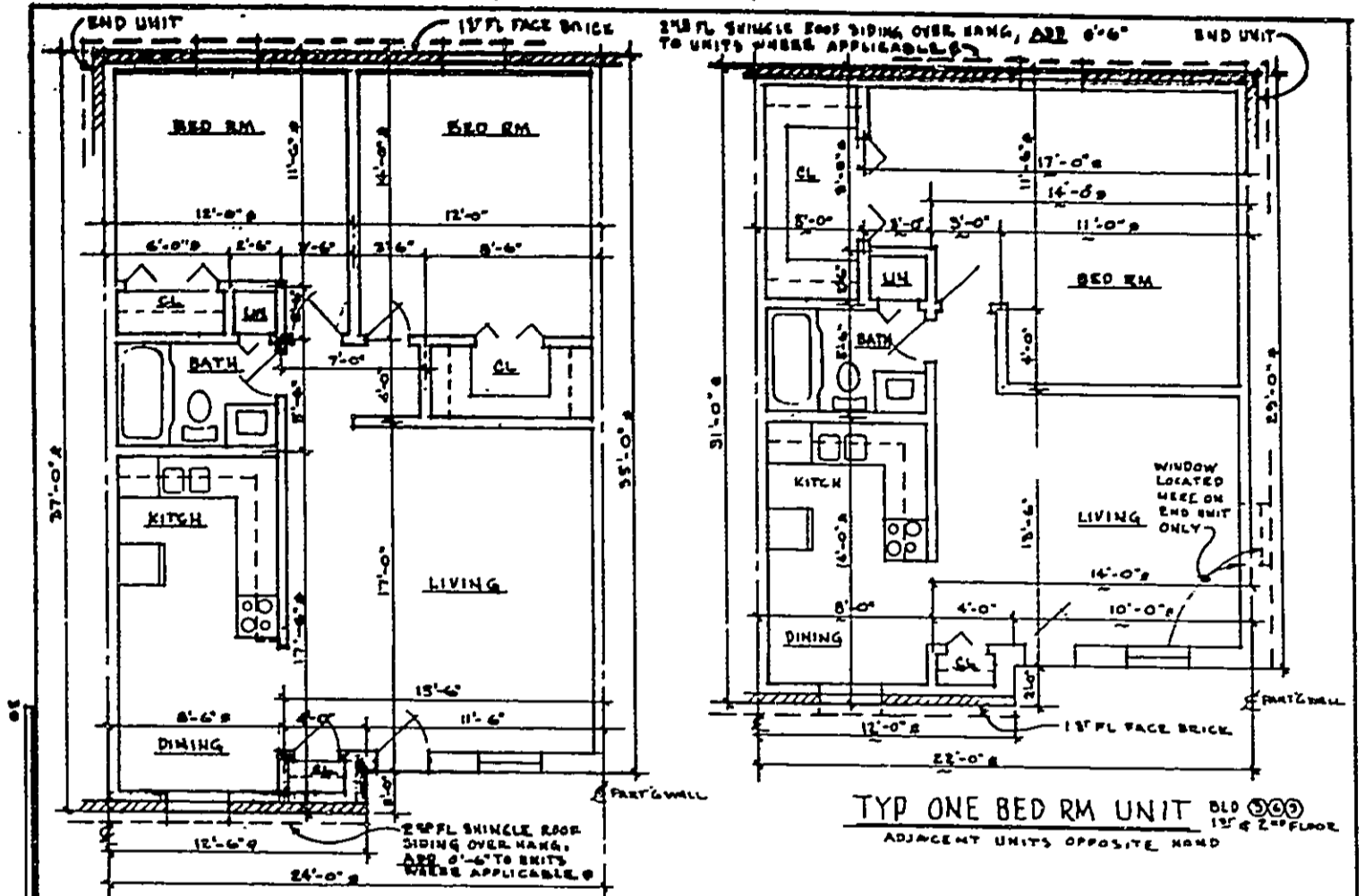
RECORDED By Jessie Golden Deputy ~~Assistant~~

Nov 23 2 46 PM '81

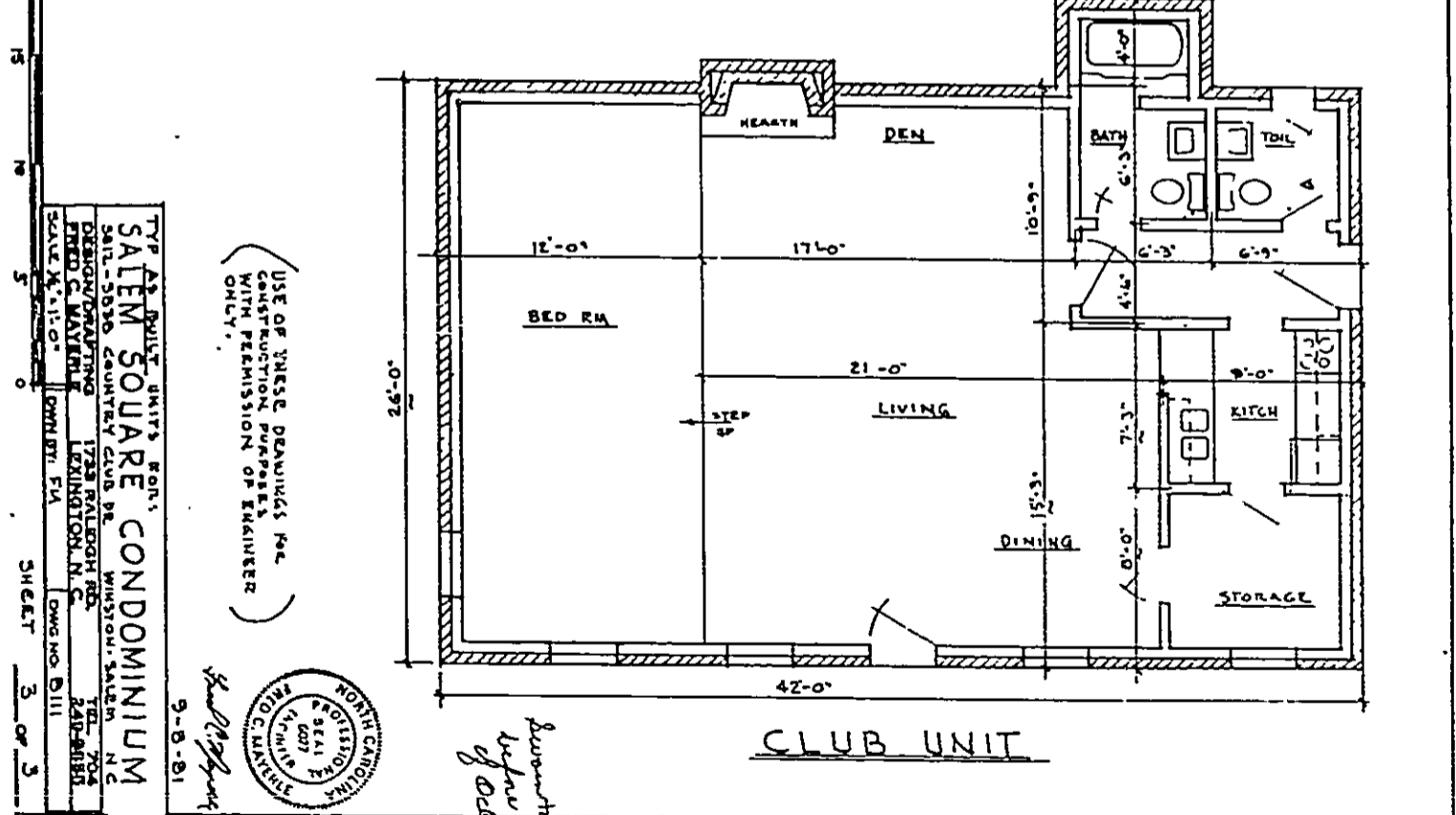
EUNICE AYERS
REGISTER OF DEEDS
FORSYTH CTY., N.C.
\$62.50 cc

ESL 1349P 1306

Exhibit A



TYP TWO BED RM UNIT
ADJACENT UNITS OPPOSITE HAND



TYP A & B UNITS
 SALEM SQUARE CONDOMINIUM
 DESIGN/DATE: 1725 RALEIGH RD. WILMINGTON, N.C.
 PREPARED BY: C. M. MAYER, INC. 241-BARRIE
 SCALE: 1/8" = 1'-0"
 SHEET 3 OF 3

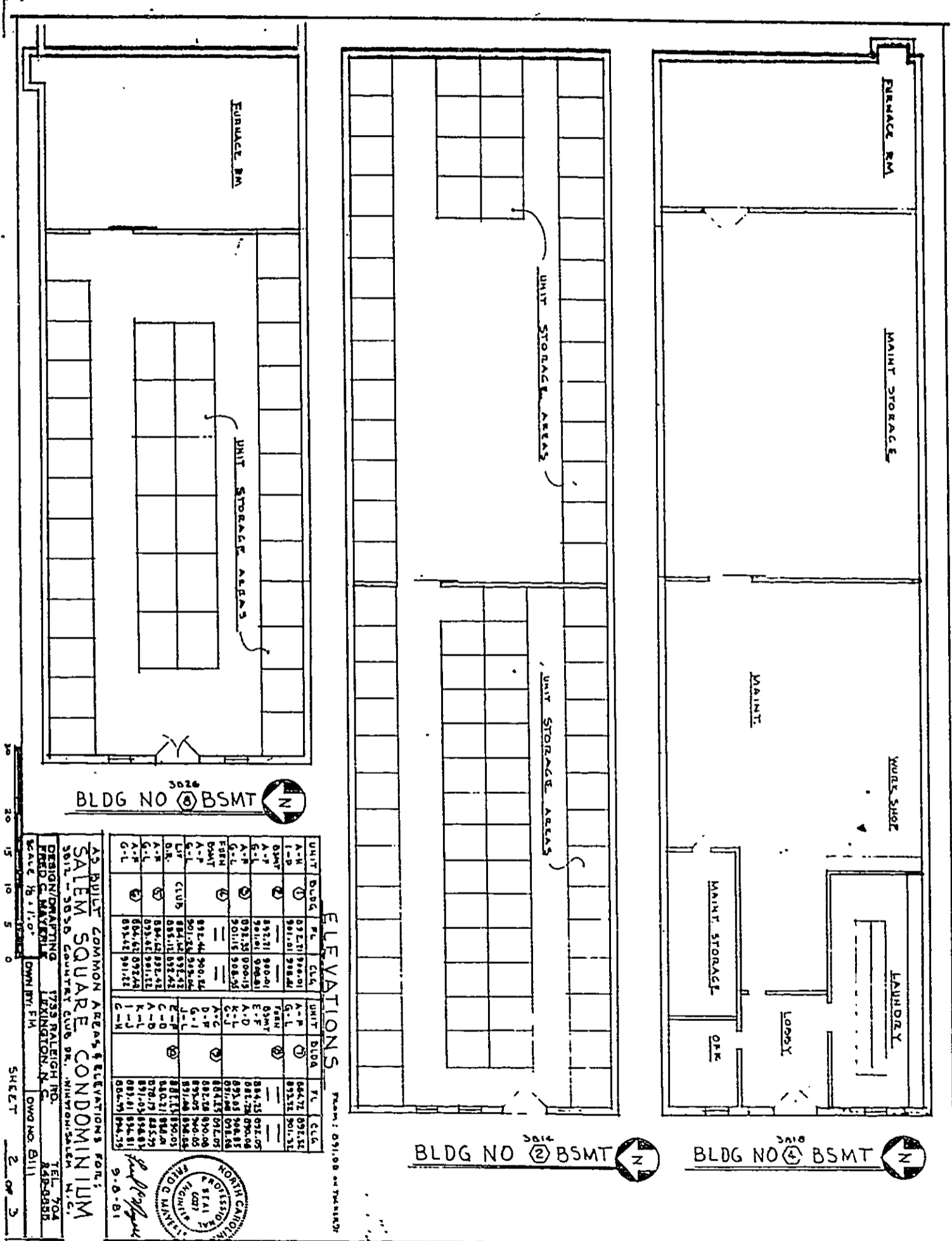
(USE OF THESE DRAWINGS FOR
 CONSTRUCTION PURPOSES
 WITHOUT PERMISSION OF ENGINEER
 ONLY.)



Survey and platting
 before me this 15th day
 of October, 1981.
 Fred S. Smith
 Notary Public
 My Commission Expires
 May 5, 1985.

LOCATION - LOTS 101,
 102, 110, 114, 115, 116, &
 117-TAK BLOCK 2800 -
 FORSYTH COUNTY, N.C.
 OWNER:
 SALEM SQUARE
 PROPERTIES
 15 EAST CENTER ST.
 LENINGTON, N.C.

Exhibit A



ELEVATIONS

UNIT	BLDG	FL	CLL	UNIT	BLDG	FL	CLL
A-N	3026	1-D	92.70	A-N	3014	1-D	92.70
A-P	3026	1-D	92.70	A-P	3014	1-D	92.70
A-R	3026	1-D	92.70	A-R	3014	1-D	92.70
A-S	3026	1-D	92.70	A-S	3014	1-D	92.70
A-T	3026	1-D	92.70	A-T	3014	1-D	92.70
A-U	3026	1-D	92.70	A-U	3014	1-D	92.70
A-V	3026	1-D	92.70	A-V	3014	1-D	92.70
A-W	3026	1-D	92.70	A-W	3014	1-D	92.70
A-X	3026	1-D	92.70	A-X	3014	1-D	92.70
A-Y	3026	1-D	92.70	A-Y	3014	1-D	92.70
A-Z	3026	1-D	92.70	A-Z	3014	1-D	92.70
B-1	3026	1-D	92.70	B-1	3014	1-D	92.70
B-2	3026	1-D	92.70	B-2	3014	1-D	92.70
B-3	3026	1-D	92.70	B-3	3014	1-D	92.70
B-4	3026	1-D	92.70	B-4	3014	1-D	92.70
B-5	3026	1-D	92.70	B-5	3014	1-D	92.70
B-6	3026	1-D	92.70	B-6	3014	1-D	92.70
B-7	3026	1-D	92.70	B-7	3014	1-D	92.70
B-8	3026	1-D	92.70	B-8	3014	1-D	92.70
B-9	3026	1-D	92.70	B-9	3014	1-D	92.70
B-10	3026	1-D	92.70	B-10	3014	1-D	92.70
B-11	3026	1-D	92.70	B-11	3014	1-D	92.70
B-12	3026	1-D	92.70	B-12	3014	1-D	92.70
B-13	3026	1-D	92.70	B-13	3014	1-D	92.70
B-14	3026	1-D	92.70	B-14	3014	1-D	92.70
B-15	3026	1-D	92.70	B-15	3014	1-D	92.70
B-16	3026	1-D	92.70	B-16	3014	1-D	92.70
B-17	3026	1-D	92.70	B-17	3014	1-D	92.70
B-18	3026	1-D	92.70	B-18	3014	1-D	92.70
B-19	3026	1-D	92.70	B-19	3014	1-D	92.70
B-20	3026	1-D	92.70	B-20	3014	1-D	92.70
B-21	3026	1-D	92.70	B-21	3014	1-D	92.70
B-22	3026	1-D	92.70	B-22	3014	1-D	92.70
B-23	3026	1-D	92.70	B-23	3014	1-D	92.70
B-24	3026	1-D	92.70	B-24	3014	1-D	92.70
B-25	3026	1-D	92.70	B-25	3014	1-D	92.70
B-26	3026	1-D	92.70	B-26	3014	1-D	92.70
B-27	3026	1-D	92.70	B-27	3014	1-D	92.70
B-28	3026	1-D	92.70	B-28	3014	1-D	92.70
B-29	3026	1-D	92.70	B-29	3014	1-D	92.70
B-30	3026	1-D	92.70	B-30	3014	1-D	92.70
B-31	3026	1-D	92.70	B-31	3014	1-D	92.70
B-32	3026	1-D	92.70	B-32	3014	1-D	92.70
B-33	3026	1-D	92.70	B-33	3014	1-D	92.70
B-34	3026	1-D	92.70	B-34	3014	1-D	92.70
B-35	3026	1-D	92.70	B-35	3014	1-D	92.70
B-36	3026	1-D	92.70	B-36	3014	1-D	92.70
B-37	3026	1-D	92.70	B-37	3014	1-D	92.70
B-38	3026	1-D	92.70	B-38	3014	1-D	92.70
B-39	3026	1-D	92.70	B-39	3014	1-D	92.70
B-40	3026	1-D	92.70	B-40	3014	1-D	92.70
B-41	3026	1-D	92.70	B-41	3014	1-D	92.70
B-42	3026	1-D	92.70	B-42	3014	1-D	92.70
B-43	3026	1-D	92.70	B-43	3014	1-D	92.70
B-44	3026	1-D	92.70	B-44	3014	1-D	92.70
B-45	3026	1-D	92.70	B-45	3014	1-D	92.70
B-46	3026	1-D	92.70	B-46	3014	1-D	92.70
B-47	3026	1-D	92.70	B-47	3014	1-D	92.70
B-48	3026	1-D	92.70	B-48	3014	1-D	92.70
B-49	3026	1-D	92.70	B-49	3014	1-D	92.70
B-50	3026	1-D	92.70	B-50	3014	1-D	92.70
B-51	3026	1-D	92.70	B-51	3014	1-D	92.70
B-52	3026	1-D	92.70	B-52	3014	1-D	92.70
B-53	3026	1-D	92.70	B-53	3014	1-D	92.70
B-54	3026	1-D	92.70	B-54	3014	1-D	92.70
B-55	3026	1-D	92.70	B-55	3014	1-D	92.70
B-56	3026	1-D	92.70	B-56	3014	1-D	92.70
B-57	3026	1-D	92.70	B-57	3014	1-D	92.70
B-58	3026	1-D	92.70	B-58	3014	1-D	92.70
B-59	3026	1-D	92.70	B-59	3014	1-D	92.70
B-60	3026	1-D	92.70	B-60	3014	1-D	92.70
B-61	3026	1-D	92.70	B-61	3014	1-D	92.70
B-62	3026	1-D	92.70	B-62	3014	1-D	92.70
B-63	3026	1-D	92.70	B-63	3014	1-D	92.70
B-64	3026	1-D	92.70	B-64	3014	1-D	92.70
B-65	3026	1-D	92.70	B-65	3014	1-D	92.70
B-66	3026	1-D	92.70	B-66	3014	1-D	92.70
B-67	3026	1-D	92.70	B-67	3014	1-D	92.70
B-68	3026	1-D	92.70	B-68	3014	1-D	92.70
B-69	3026	1-D	92.70	B-69	3014	1-D	92.70
B-70	3026	1-D	92.70	B-70	3014	1-D	92.70
B-71	3026	1-D	92.70	B-71	3014	1-D	92.70
B-72	3026	1-D	92.70	B-72	3014	1-D	92.70
B-73	3026	1-D	92.70	B-73	3014	1-D	92.70
B-74	3026	1-D	92.70	B-74	3014	1-D	92.70
B-75	3026	1-D	92.70	B-75	3014	1-D	92.70
B-76	3026	1-D	92.70	B-76	3014	1-D	92.70
B-77	3026	1-D	92.70	B-77	3014	1-D	92.70
B-78	3026	1-D	92.70	B-78	3014	1-D	92.70
B-79	3026	1-D	92.70	B-79	3014	1-D	92.70
B-80	3026	1-D	92.70	B-80	3014	1-D	92.70
B-81	3026	1-D	92.70	B-81	3014	1-D	92.70
B-82	3026	1-D	92.70	B-82	3014	1-D	92.70
B-83	3026	1-D	92.70	B-83	3014	1-D	92.70
B-84	3026	1-D	92.70	B-84	3014	1-D	92.70
B-85	3026	1-D	92.70	B-85	3014	1-D	92.70
B-86	3026	1-D	92.70	B-86	3014	1-D	92.70
B-87	3026	1-D	92.70	B-87	3014	1-D	92.70
B-88	3026	1-D	92.70	B-88	3014	1-D	92.70
B-89	3026	1-D	92.70	B-89	3014	1-D	92.70
B-90	3026	1-D	92.70	B-90	3014	1-D	92.70
B-91	3026	1-D	92.70	B-91	3014	1-D	92.70
B-92	3026	1-D	92.70	B-92	3014	1-D	92.70
B-93	3026	1-D	92.70	B-93	3014	1-D	92.70
B-94	3026	1-D	92.70	B-94	3014	1-D	92.70
B-95	3026	1-D	92.70	B-95	3014	1-D	92.70
B-96	3026	1-D	92.70	B-96	3014	1-D	92.70
B-97	3026	1-D	92.70	B-97	3014	1-D	92.70
B-98	3026	1-D	92.70	B-98	3014	1-D	92.70
B-99	3026	1-D	92.70	B-99	3014	1-D	92.70
B-100	3026	1-D	92.70	B-100	3014	1-D	92.70

AD BUILT COMMON AREAS & ELEVATIONS FOR:
SALEM SQUARE CONDOMINIUM
 3014 - 3026 COUNTY CLUB DR., WINTHROP, N.C.
 DESIGN/DRAWING: 1733 FALEIGH RD., TEL: 704
 FRED C. MAYER, INC. 488-9888
 MADE IN U.S.A. OWN NO. 8111
 SHEET 2 OF 3

LOCATION - LOTS 101, 102, 110, 114, 115, 116, & 117, 1747 BLOC. 5500 - FORSYTH COUNTY, N.C.
 OWNERS - SALEM SQUARE PROPERTIES, 15 EAST CENTER ST. LEXINGTON, N.C.

BOOK 1349P 1309

EXHIBIT B

UNIT NUMBER	INTEREST IN COMMON PROPERTY	UNIT NUMBER	INTEREST IN COMMON PROPERTY
3812 A	.0084 or .84%	3822 L	.007 or .7%
3812 B	.0084 or .84%	3824 A	.0084 or .84%
3812 C	.0084 or .84%	3824 B	.0084 or .84%
3812 D	.0084 or .84%	3824 C	.0084 or .84%
3812 E	.0084 or .84%	3824 D	.0084 or .84%
3812 F	.0084 or .84%	3824 E	.0084 or .84%
3812 G	.0084 or .84%	3824 F	.0084 or .84%
3812 H	.0084 or .84%	3824 G	.0084 or .84%
3812 I	.0084 or .84%	3824 H	.0084 or .84%
3812 J	.0084 or .84%	3824 I	.0084 or .84%
3812 K	.0084 or .84%	3824 J	.0084 or .84%
3812 L	.0084 or .84%	3824 K	.0084 or .84%
3812 M	.0084 or .84%	3824 L	.0084 or .84%
3812 N	.0084 or .84%	3826 A	.0084 or .84%
3812 O	.0084 or .84%	3826 B	.0084 or .84%
3812 P	.0084 or .84%	3826 C	.0084 or .84%
3814 A	.0084 or .84%	3826 D	.0084 or .84%
3814 B	.0084 or .84%	3826 E	.0084 or .84%
3814 C	.0084 or .84%	3826 F	.0084 or .84%
3814 D	.0084 or .84%	3826 G	.0084 or .84%
3814 E	.0084 or .84%	3826 H	.0084 or .84%
3814 F	.0084 or .84%	3826 I	.0084 or .84%
3814 G	.0084 or .84%	3826 J	.0084 or .84%
3814 H	.0084 or .84%	3826 K	.0084 or .84%
3814 I	.0084 or .84%	3826 L	.0084 or .84%
3814 J	.0084 or .84%	3828 A	.007 or .7%
3814 K	.0084 or .84%	3828 B	.007 or .7%
3814 L	.0084 or .84%	3828 C	.007 or .7%
3816 A	.007 or .7%	3828 D	.007 or .7%
3816 B	.007 or .7%	3828 E	.007 or .7%
3816 C	.007 or .7%	3828 F	.007 or .7%
3816 D	.007 or .7%	3828 G	.007 or .7%
3816 E	.007 or .7%	3828 H	.007 or .7%
3816 F	.007 or .7%	3828 I	.007 or .7%
3816 G	.007 or .7%	3828 J	.007 or .7%
3816 H	.007 or .7%	3828 K	.007 or .7%
3816 I	.007 or .7%	3828 L	.007 or .7%
3816 J	.007 or .7%	3830 A	.0084 or .84%
3816 K	.007 or .7%	3830 B	.0084 or .84%
3816 L	.007 or .7%	3830 C	.0084 or .84%
3818 A	.0084 or .84%	3830 D	.0084 or .84%
3818 B	.0084 or .84%	3830 E	.0084 or .84%
3818 C	.0084 or .84%	3830 F	.0084 or .84%
3818 D	.0084 or .84%	3830 G	.0084 or .84%
3818 E	.0084 or .84%	3830 H	.0084 or .84%
3818 F	.0084 or .84%	3830 I	.0084 or .84%
3818 G	.0084 or .84%	3830 J	.0084 or .84%
3818 H	.0084 or .84%	3830 K	.0084 or .84%
3818 I	.0084 or .84%	3830 L	.0084 or .84%
3818 J	.0084 or .84%	clubhouse	.0088 or .88%
3818 K	.0084 or .84%		
3818 L	.0084 or .84%		
3920 A	.0084 or .84%	Total	1.0000 or 100%
3820 B	.0084 or .84%		
3820 C	.0084 or .84%		
3820 D	.0084 or .84%		
3820 E	.0084 or .84%		
3820 F	.0084 or .84%		
3820 G	.0084 or .84%		
3820 H	.0084 or .84%		
3820 I	.0084 or .84%		
3820 J	.0084 or .84%		
3820 K	.0084 or .84%		
3820 L	.0084 or .84%		
3822 A	.007 or .7%		
3822 B	.008 or .7%		
3822 C	.007 or .7%		
3822 D	.007 or .7%		
3822 E	.007 or .7%		
3822 F	.007 or .7%		
3822 G	.007 or .7%		
3822 H	.007 or .7%		
3822 I	.007 or .7%		
3822 J	.007 or .7%		
3822 K	.007 or .7%		

EJJK 1349P1310

291122

Exhibit C

FILED
OCT 20 5 43 AM '81
STATE OF NORTH CAROLINA

ARTICLES OF INCORPORATION

OF

SALEM SQUARE OWNERS ASSOCIATION

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

ARTICLE I

The name of the corporation is Salem Square Owners Association, hereinafter called "the Corporation".

ARTICLE II

The principal and registered office of the Corporation is located at 15 East Center Street, Lexington, North Carolina, 27292, Davidson County.

ARTICLE III

Robert L. Grubb, whose address is 15 East Center Street, Lexington, North Carolina, 27292, is hereby appointed the initial registered agent of the Corporation.

ARTICLE IV

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

ARTICLE V

The Corporation shall have the following powers:

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

(a) To make and establish reasonable rules and regulations governing the use of Condominium Units and Common Property

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in the Condominium as said terms may be defined in said Declaration of Condominium to be recorded.

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

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

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

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

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

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

ARTICLE IV

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

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

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

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

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

5. Until such time as the Declaration of Condominium is recorded in the Office of the Register of Deeds for Forsyth County, North Carolina, the membership of the Corporation shall be comprised of the three individuals named in Article XI hereof as the initial Board of Directors of the Corporation.

ARTICLE VII

The Corporation shall have perpetual existence.

ARTICLE VIII

The affairs of the Corporation shall be managed by the President of the Corporation, assisted by the Vice President, Secretary, and Treasurer, subject to the directions of the Board of Directors. The Board of Directors, or the President with the approval of the Board of Directors, may employ a Managing Agent and/or such other managerial and supervisory personnel or entities to administer or assist in the operation and management of the Condominium, and any such person or entity may be so employed without regard to whether such person or entity is a member of the Corporation or a Director or Officer of the Corporation, as the case may be.

ARTICLE IX

The number of members of the first Board of Directors of the Corporation shall be three (3). The number of members of succeeding Boards of Directors shall be as provided from time to time by the By-Laws of the Corporation. The members of the Board of Directors shall be elected by the members of the Corporation at the Annual Meeting of the membership as provided by the By-Laws of the Corporation, and at least a majority of the Board of Directors shall be members of the Corporation or shall be authorized representatives, officers, or employees of a corporate member of the Corporation.

ARTICLE X

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

ARTICLE XI

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

Robert L. Grubb
15 East Center Street
Lexington, North Carolina 27292

Dan Grif Smith
127 West Center Street
Lexington, North Carolina 27292

Stella M. Cappel
15 East Center Street
Lexington, North Carolina 27292

ARTICLE XII

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

ARTICLE XIII

An amendment or amendments to these Articles of Incorporation shall require the assent of seventy-five (75) percent of the membership.

ARTICLE XIV

The name and address of the incorporator are as follows:

Robert L. Grubb
15 East Center Street
Lexington, North Carolina 27292

IN WITNESS WHEREOF, I, being the incorporator, have hereunto set my hand and seal, this the 14 day of October, 1981.

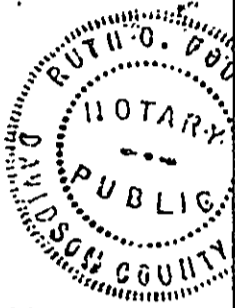
Robert L. Grubb (SEAL)

NORTH CAROLINA
DAVIDSON COUNTY

I, the undersigned Notary Public of the above state and county do hereby certify that Robert L. Grubb personally appeared before me this day and, being by me first duly sworn, declared that he signed the foregoing document in the capacity indicated and that the statements therein contained are true.

WITNESS my hand and notarial seal, this the 14 day of October, 1981.

Robert D. Fouch
Notary Public



My Commission Expires: October 5, 1985

GRUBB, PENRY & PENRY
ATTORNEYS AT LAW
P. O. BOX 1420
LEXINGTON, NC 27292

PRESENTED FOR
REGISTRATION
AND RECORDED

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REGISTER OF DEEDS
FORSYTH CTY, N.C.

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EXHIBIT D
SALEM SQUARE OWNERS ASSOCIATION

BYLAWS

INDEX

1. Application of Bylaws
2. Association of Unit Owners
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EXHIBIT D
BYLAWS
OF
SALM SQUARE OWNERS ASSOCIATION

A North Carolina Nonprofit Corporation

The administration of the Salem Square Condominium Project and the Salem Square Owners Association shall be governed by its Articles of Incorporation, these Bylaws, by the Unit Ownership Act, North Carolina General Statutes Chapter 47A, as amended (the "Act"), and by the Declaration.

1. Application of Bylaws

All present and future unit owners, mortgagees, lessees and occupants of units and their employees, and any other persons who may use the facilities of the property in any manner are subject to the Declaration, the Articles of Incorporation, these Bylaws, and all rules made pursuant hereto and any amendment thereof. The acceptance of a deed of conveyance or the entering into of a lease or the act of occupancy of a unit shall constitute an agreement that the provisions of the Declaration, the Articles of Incorporation, and these Bylaws (and any rules and regulations made pursuant thereto), as they may be amended from time to time, are accepted, ratified, and will be complied with.

2. Association of Unit Owners

The Salem Square Owners Association is a nonprofit corporation organized under the provisions of Chapter 55A, North Carolina General Statutes. The name in which contracts shall be entered into, title to property shall be acquired, held, dealt in, and disposed of, bank accounts shall be opened, and suits shall be brought and defended by the Board of Directors or officers thereof on behalf of and agents for the unit owners in the manner specified by the Act, the Declaration, or these Bylaws, is: Salem Square Owners Association, a North Carolina nonprofit corporation.

3. Meetings of the Association

3.1 The presence in person or by proxy at any meeting of the association of unit owners holding at least fifty percent (50%) of the undivided ownership of the common areas and facilities in response to notice of all unit owners of record properly given shall constitute a quorum. In the event that unit owners holding at least fifty percent (50%) of the undivided ownership of the common areas and facilities are not present in person or by proxy, the meeting shall be adjourned for twenty-four (24) hours, at which time it shall reconvene and any number of unit owners present at such subsequent meeting will constitute a quorum. Unless otherwise expressly provided in the Declaration or the Articles of Incorporation, any action may be taken at any meeting of the unit owners upon a majority vote of the unit owners who are present in person or by proxy and who are voting.

3.2 There shall be an annual meeting of the association on the second Thursday of February at 7:00 p.m. at the

property or at such other reasonable place or time (not more than sixty (60) days before or after such date) as may be designated by written notice by the Board of Directors delivered to the unit owners not less than fifteen (15) days prior to the date fixed for said meeting. At or prior to an annual meeting, the Board of Directors shall furnish to the unit owners: (i) a budget for the coming fiscal year that shall itemize the estimated common expenses of the coming fiscal year with the estimated allocation thereof to each unit owner; and (ii) a statement of the common expenses, itemizing receipts and disbursements for the previous and current fiscal year, together with the allocation thereof to each unit owner. Within ten (10) days after the annual meeting, the budget statement shall be delivered to the unit owners who were not present at the annual meeting.

3.3 Special meetings of the association may be held at any time at the property or at such other reasonable place to consider matters which, by the terms of the Declaration or the Articles of Incorporation, require the approval of all or some of the unit owners, or for any other reasonable purpose. Special meetings shall be called by written notice, signed by the majority of the Board of Directors, or by unit owners representing at least one-fourth (1/4) in interest of the undivided ownership of the common areas and facilities and delivered to all unit owners not less than fifteen (15) days prior to the date fixed for said meeting. The notices shall specify the date, time and place of the meeting, and matters to be considered.

3.4 Robert's Rules of Order (latest edition) shall govern the conduct of the association's meeting when not in conflict with the Declaration or these Bylaws.

4. Officers

4.1 All officers and employees of the association shall serve at the will of the Board of Directors. The officers shall be a president, secretary, and treasurer. The Board of Directors may appoint such other assistant officers as the Board of directors may deem necessary. No officer shall be required to be a unit owner, but the president must be a member of the Board of Directors. No officer shall receive compensation for serving as such. Officers shall be annually elected by the Board of Directors and may be removed and replaced by the Board of Directors. The Board of Directors may, in its discretion, require that officers (and other employees of the association) be subject to fidelity bond coverage. Resignation of any officer shall be in writing directed to the Board of Directors which shall act promptly thereon.

4.2 The president shall be the chief executive of the Board of Directors and shall preside at all meetings of the unit owners and of the Board of Directors and may exercise the powers ordinarily assigned to and exercised by the presiding officer of an association, including the appointment of committees. The president shall exercise general supervision over the property and its affairs. He shall sign on behalf of the association all conveyances, mortgages, and contracts of material importance to its business. He shall do and perform all acts which the Board of Directors may require.

4.3 The secretary shall keep minutes of all proceedings of the Board of Directors and of the meetings of the association and shall keep such books and records as may be necessary and appropriate for the records of the unit owners and the

Board of Directors. In the absence or inability of the president, the secretary shall perform the functions of the president.

4.4 The treasurer shall be responsible for the fiscal affairs of the association, but may delegate the daily handling of funds and the keeping of records to a manager or managing company.

4.5 The membership may ratify actions of the officers subsequent thereto and thereby give full force and effect to such actions as though approved in advance.

5. Board of Directors

5.1 The management and maintenance of the property and the business, property, and affairs of the Salem Square Owners Association ("association") shall be managed by a Board of Directors consisting of five (5) members, who need not be unit owners. The Board of Directors shall be elected as provided in these Bylaws, as modified by Section 8 of the Declaration.

5.2 The Board of Directors shall have all the powers, duties, and responsibilities as are now or may hereafter be provided by the Act, the Declaration, the Articles of Incorporation, and these Bylaws, including but not limited to the following:

5.2.1 To make and enforce all house rules and administrative rules and regulations covering the operation and maintenance of the property.

5.2.2 To engage the services of a manager or managing company, accountants, attorneys, or other employees or agents and to pay to said person's reasonable compensation therefor.

5.2.3 To operate, maintain, repair, improve, and replace the common areas and facilities.

5.2.4 To determine and pay the common expenses.

5.2.5 To assess and collect the proportionate share of common expenses from the unit owners.

5.2.6 To enter into contracts, deeds, leases, or other written instruments or documents and to authorize the execution and delivery thereof by the appropriate officers.

5.2.7 To open bank accounts on behalf of the association and to designate the signatures thereof.

5.2.8 To purchase, hold, sell, convey, mortgage, or lease any one or more units in the name of the association or its designee.

5.2.9 To bring, prosecute, and settle litigation for itself, the association, and the property, provided that it shall make no settlement which results in a liability against the Board of Directors, the association, or the property in excess of \$3,000.00 without prior approval of a majority of unit owners.

5.2.10 To obtain insurance for the association with respect to the units and the common areas and facilities, as well as Workmen's Compensation Insurance.

5.2.11 To repair or restore the property following damage or destruction, or a permanent taking by the power of, or power in the nature of, eminent domain or by an action or deed in lieu of condemnation, not resulting in the removal of the property from the provisions of the Act.

5.2.12 To own, purchase or lease, hold and sell, or otherwise dispose of, on behalf of the unit owners, items of personal property necessary to or convenient in the management of the business and affairs of the association and the Board of Directors and in the operation of the property, including without limitation furniture, furnishings, fixtures, maintenance equipment, appliances, and office supplies.

5.2.13 To keep adequate books and records.

5.2.14 To borrow funds and enter into promissory notes.

5.2.15 To sell portions of the common areas and facilities.

5.2.16 To have a corporate seal.

5.2.17 To approve and sign checks and issue payment vouchers.

5.2.18 To pay off liens against any portion of the property.

5.2.19 To do all other acts necessary for the operation and maintenance of the property, including the maintenance and repair of any unit if the same is necessary to protect or preserve the property, provided however that the management shall operate no other business for profit.

5.2.20 To operate the laundry rooms and to repair and replace laundry equipment.

5.3 The Board of Directors may delegate to a manager or managing company all of its foregoing powers, duties, and responsibilities referred to in paragraph 5.2 above except: the final determination of common expenses, budgets and assessments based thereon, the promulgation of house rules and administrative rules and regulations, the power to enter into any contract involving more than \$5,000.00 in any one fiscal year, the opening of bank accounts, the power to purchase, hold, sell, convey, mortgage or lease any units in the name of the association or to bring, prosecute or settle litigation.

5.4 Members of the Board of Directors, the officers and any assistant officers, agents, and employees of the association (i) shall not be liable to the unit owners as a result of their activities as such for any mistake of judgment, negligence or otherwise, except for their own willful misconduct or gross negligence; (ii) shall have no personal liability in contract to a unit owner or any other person or entity under any agreement, instrument, or transaction entered into by them on behalf of the association in their capacity as such; (iii) shall have no personal liability in tort to any unit owner or any person or entity, direct for them in their capacity as such; and (iv) shall have no personal liability arising out of the use, misuse, or condition of the property,

which might in any way be assessed against or imputed to them as a result or by virtue of their capacity as such.

5.5 The unit owners shall indemnify and hold harmless, any person, his heirs and personal representatives, from and against all personal liability and all expenses including counsel fees, incurred or imposed, or arising out of or in settlement of any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative instituted by any one or more unit owners, or any other persons or entities, to which he shall be or shall be threatened to be made a party by reason of the fact that he is or was a member of the Board of Directors or an officer or assistant officer, agent or employee of the association, other than to the extent, if any, that such liability or expense shall be attributable to his willful misconduct or bad faith, provided, in the case of any settlement, that the Board of Directors shall have approved the settlement, which approval is not to be unreasonably withheld. Such right of indemnification shall not be deemed exclusive of any other rights to which such person may be entitled as a matter of law or agreement or vote of unit owners or of the Board of Directors or otherwise. The indemnification by the unit owners as contained herein shall be paid by the Board of Directors on behalf of the unit owners and shall constitute a common expense and shall be assessed and collectible as such.

5.6 Beginning with the first annual meeting and at every annual meeting thereafter, the association shall elect the members of the Board of Directors for the forthcoming year. At least thirty (30) days prior to any annual meeting of the association, the Board of Directors shall select from the unit owners a nominating committee of not less than three (3) members (none of whom shall be members of the then Board of Directors) who shall recommend to the annual meeting one nominee for each position on the Board of Directors to be filled at that particular annual meeting. Nominations for positions on the Board of Directors may also be made by petition filed with the secretary of the association at least three (3) days prior to the annual meeting of the association, which petition shall be signed by three (3) or more unit owners and signed by the nominee named therein indicating his willingness to serve as a member of the Board of Directors if elected. Members of the Board of Directors shall not be required to be unit owners, but must be natural persons and residents of the State of North Carolina.

5.7 Members of the Board of Directors shall serve for a term of two (2) years. The members of the Board of Directors shall serve until their respective successors are elected, or until their death, resignation, or removal. Any member of the Board of Directors who fails to attend three consecutive Board of Directors meetings, or fails to attend at least 25 percent of the Board of Directors meetings held during any calendar year shall forfeit his membership on the Board of Directors.

5.8 Any member of the Board of Directors may resign at any time by giving written notice to the president of the association or the remaining Board of Directors members. Any member of the Board of Directors may be removed from membership on the Board of Directors by a two-thirds majority vote of the association. Whenever there shall occur a vacancy

on the Board of Directors due to death, resignation, removal or any other cause, the remaining members shall elect a successor member to serve until the next annual meeting of the association, at which time said vacancy shall be filled by the association for the unexpired term, if any.

5.9 The members of the Board of Directors shall receive no compensation for their services unless expressly approved by a majority of the association; provided, however, that any member of the Board of Directors may be employed by the association in another capacity and receive compensation for such employment, if otherwise allowed.

5.10 The meetings of the Board of Directors shall be held at such places within the State of North Carolina as the Board of Directors shall determine. A majority of the members of the Board of Directors shall constitute a quorum and if a quorum is present, the decision of a majority of those present shall be the act of the Board of Directors. The Board of Directors shall annually elect all of the officers of the association. The meeting for the election of officers shall be held at the first meeting of the Board of Directors immediately following the annual meeting of the association.

5.11 Regular meetings of the Board of Directors may be held without call or notice.

5.12 Special meetings of the Board of Directors may be called by the president or by any two Board of Directors members. The person or persons calling a special meeting of the Board of Directors shall, at least five (5) days before the meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called; if an agenda is prepared for such a meeting, the meeting need not be restricted to discussions of those items listed on the agenda.

5.13 Any member of the Board of Directors may, at any time, waive notice of any meeting of the Board of Directors in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board of Directors at a meeting shall constitute a waiver of notice of such meeting, except for attendance for the purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all the members of the Board of Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

5.14 The fiscal year shall be determined by the Board of Directors.

5.15 The membership may ratify actions taken by the Board of Directors subsequent to such actions and thereby give such action the full force and effect as though approved in advance.

6. Common Expenses: Assessments

6.1 All assessments shall be made and collected in accordance with this paragraph and the provisions of paragraph 7 hereof.

6.2 Each owner shall be liable for a proportionate share of the common expenses, such shares being the same as

the percentage of undivided interest in the common areas and facilities appurtenant to the unit owned by the unit owner as set forth in Exhibit B.

6.3 Within thirty (30) days prior to the annual meeting of the association, the Board of Directors shall estimate the common expenses and capital contributions for the following year. The estimated capital contributions may include such amounts as the Board of Directors may deem proper for general working capital, for the general operating reserve, for a reserve fund for replacements and major maintenance, and shall take into account any expected income, surplus, or deficit in the common expenses for any prior year. These estimated capital contributions and common expenses shall be presented at the annual meeting and thereafter shall be assessed on a monthly basis to the unit owners in proportion to their percentage of undivided interest in the common areas and facilities as set forth in the Declaration. If the estimated common expenses prove inadequate for any reason, including nonpayment of any unit owner's assessments, the Board of Directors may, by resolution duly adopted, make additional assessments, which shall be assessed to the unit owners in the same manner as the estimated common expenses. Each unit owner shall be obligated to pay to the Board of Directors assessments made pursuant to this paragraph on or before the first day of each month, or in such other reasonable manner as the Board of Directors shall designate. The funds received by the Board of Directors from assessments shall be kept in either the capital account, in the common expense fund or in the utilities or gas fund, and shall be expended by the Board of Directors only in accordance with the provisions of the Act, the Declaration, and these Bylaws.

6.4 The failure by the Board of Directors before the expiration of any year to estimate the common expenses as required herein shall not be deemed a waiver or modification in any respect of the provisions of the Declaration or these Bylaws, or a release of the unit owner from the obligation to pay any past or future assessments, and the estimated common expenses fixed for the previous and current year shall continue until a new estimate is fixed.

6.5 No unit owner may exempt himself from liability for common expenses by waiver of the use or enjoyment of any of the common areas and facilities or by abandonment of his unit.

6.6 The treasurer shall keep detailed records of all receipts and expenditures, including expenditures affecting the utilities, common areas and facilities, specifying and itemizing the maintenance, repair, and replacement expenses of the common areas and facilities and any other expenses incurred. In accordance with the actions of the Board of Directors assessing common expenses against the units and unit owners, the treasurer shall keep an accurate record of such assessments and of the payments thereof by each unit owner. The books and accounts of the association shall be kept in accordance with generally accepted accounting procedures under the direction of the treasurer. The books and accounts of the association shall be available for inspection at the office of the association by any unit owner or his authorized representative during the regular business hours.

6.7 There shall be no single improvement exceeding the sum of \$5,000.00 made by the Board of Directors without the same having been first voted on and approved by two-thirds (2/3) majority of those present in person or by proxy of the

association at a meeting duly called for that purpose. The foregoing shall not apply in connection with damage or destruction referred to in paragraph 10 of the Declaration or to such structural alterations, capital additions to, or capital improvements of the common areas and facilities as are necessary in the Board of Directors' reasonable judgment to preserve or maintain the integrity of the common areas and facilities or the property.

6.8 The Board of Directors shall build up and maintain reasonable reserves for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. If the reserves are inadequate for any reason, including non-payment of any Unit Owner's assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed against the Unit Owners according to their respective Percentage Interests, and which may be payable in a lump sum or in installments as the Board of Directors may determine. The Board of Directors shall serve notice of any such further assessment on Unit Owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall, unless otherwise specified in the notice, become effective with the next monthly payment which is due more than ten days after the delivery of such notice of further assessment. All Unit Owners so notified shall be obligated to pay the adjusted monthly amount or, if such further assessment is not payable in installments, the amount of such assessment. Such assessment shall be a lien as of the effective date as set forth hereinafter.

6.9 Amendments to this paragraph 6 shall be effective only upon unanimous written consent of the unit owners and their mortgagees.

7. Collection of Assessments

7.1 All common expense assessments shall be a separate, distinct, and personal liability of the owner of the unit at the time each assessment is made. The Board of Directors shall have the rights and remedies contained in the Unit Ownership Act, the Declaration, the Articles of Incorporation, and these Bylaws to enforce the collection of assessments for common expenses.

7.2 Any person who shall have entered into a written agreement to purchase a unit shall be entitled to obtain a written statement from the treasurer setting forth the amount of unpaid assessment charged against the unit and its owners and if such statement does not reveal the full amount of the unpaid assessments as of the date it is rendered, neither the purchaser nor the unit shall be liable for the payment of an amount in excess of the unpaid assessments shown thereon, provided that the former unit owner grantor shall remain so liable. Any such excess which cannot be promptly collected from the former unit owner grantor shall be reassessed by the Board of Directors as a common expense to be collected from all unit owners, including without limitation the purchaser of the unit, his successors and assigns. The new unit owner shall, and the former unit owner shall not, be liable for any assessments made after the date of transfer of title to a unit, even though the common expenses for the expenses incurred or the advances made by the Board of Directors for which the assessment is made relate in whole or in part to any period prior to that date.

7.3 Each mortgagee who comes into possession of a condominium unit by virtue of foreclosure or by deed or assignment in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the condominium unit free of any claims for unpaid assessments or charges against such unit which accrue prior to the time such mortgagee comes into possession thereof, except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all condominium units including the mortgaged condominium unit. In the event that title to a unit is transferred at a sheriff's sale pursuant to execution upon any lien against the unit, the Board of Directors shall give notice in writing to the sheriff of any unpaid assessments for common expenses which are a lien against the unit, and for any expenses of or advances by the Board of Directors which have not theretofore been reduced to a lien, which shall be paid out of the proceeds of the sale prior to the distribution of any balance to the former unit owner against whom the execution was issued. The purchaser at such sheriff's sale and the unit involved shall not be liable for unpaid assessments for common expenses and for any expenses of or advances by the Board of Directors which became due prior to the sheriff's sale of the unit. Any such unpaid assessments which cannot be promptly collected from the former unit owner shall be reassessed by the Board of Directors as a common expense to be collected from all of the unit owners, including the purchaser who acquired title at the sheriff's sale, his successors and assigns.

7.4 In addition to the statements issuable to purchasers of units, the Board of Directors shall provide a current statement of unpaid assessments for common expenses and for any expenses of and advances by the Board of Directors in respect of the unit, to the unit owner, to any person who shall have entered into a binding agreement to purchase the unit, and to any mortgagee on request at reasonable intervals.

7.5 In all cases where all or part of any assessments for common expenses and for any expenses of and advances by the Board of Directors cannot be promptly collected from the persons or entities liable therefor under the Act, the Declaration, the Articles of Incorporation, or these Bylaws, the Board of Directors shall reassess the same as a common expense, without prejudice to its rights of collection against such persons or entities.

7.6 Lien for unpaid assessments.

7.6.1 All sums assessed to any unit pursuant to this section, together with interest thereon as provided herein, shall be secured by a lien on such unit in favor of the Board of Directors. Such lien shall be superior to all other liens and encumbrances on such unit, except only for: (1) valid tax and special assessment liens on the unit in favor of any governmental assessing authority; and (b) encumbrances on the interest of the unit owner recorded prior to the date that notice of the lien provided for herein is recorded which by law would be a lien prior to subsequently recorded encumbrances. All other lienors acquiring liens on any unit after the Declaration shall have been recorded shall be deemed to consent that such liens shall be inferior to future liens for assessments, as provided herein, whether or not such consent be specifically set forth in the instruments creating such liens.

7.6.2 To evidence a lien for sums assessed pursuant to this section, the Board of Directors may prepare a written notice of lien setting forth the amount of the assessment, the due date, the amount remaining unpaid, the name of the owner of the unit, and a description of the unit. Such a notice shall be signed by such body in the office of the Clerk of Superior Court of Forsyth County, North Carolina. No notice of lien shall be recorded until there is a delinquency in payment of the assessment for thirty (30) days or more. Such liens may be enforced by foreclosure by the Board of Directors in the same manner in which mortgages or trust deeds on real property may be foreclosed in North Carolina. In any such foreclosure, the owner shall be required to pay the cost and expenses of such proceeding, the costs and expenses of filing the notice of lien, and all reasonable attorney's fees. All such costs, expenses, and fees shall be secured by the lien being foreclosed. The lien shall also secure, and the owner shall also be required to pay to the Board of Directors, any assessments against the unit which shall become due during the period of foreclosure. The Board of Directors shall have the right and the power to bid an amount equal to its then existing lien at the foreclosure sale or other legal sale to acquire, hold, convey, lease, rent, encumber, use, and otherwise deal with the same as the owner thereof.

7.6.3 A release of lien shall be executed by the Board of Directors and recorded in the office of the Clerk of Superior Court of Forsyth County, upon payment of all sums and secured by a lien which has been made the subject of a recorded notice of lien.

7.6.4 Any encumbrancer holding a lien on a unit may pay, but shall not be required to pay, any amounts secured by the lien created by this section, and upon such payments such encumbrancer shall be subrogated to all rights of the Board of Directors with respect to such lien, including priority.

7.6.5 The assessing body shall report to any encumbrancer of a unit any unpaid assessments remaining unpaid for longer than thirty (30) days after the same shall have become due; provided, however, that such encumbrancer first shall have furnished to the assessing body written notice of such encumbrance.

7.6.6 In any foreclosure of a lien for assessments, the unit owner subject to the lien shall be required to pay a reasonable rental for the unit, and the Board of Directors shall be entitled to the appointment of a receiver to collect the same.

7.7 Personal obligation assessments. The amount of any annual or special assessment against any unit shall be the personal obligation of the owner thereof to the Board of Directors. Suit to recover a money judgment for such personal obligation shall be maintainable by the Board of Directors without foreclosing or waiving the lien securing the same. No owner may avoid or diminish any personal obligation by waiver of the use and enjoyment of any of the common areas or by abandonment of his unit.

7.8 In addition to and not limited by any other remedy provided for herein, the Board of Directors may restrict or deny the use and enjoyment of any common area or facility to

any owner, his family, guests, or assigns, who is delinquent in the payment of any regular or special assessment.

7.9 If the unit owner shall, at any time, let or sublet his unit and shall default for a period of one month in the payment of assessments, the Board of Directors may, at its option, so long as such default shall continue, demand and receive from the tenant or subtenant of the owner the rent due or becoming due, and the payment of such rent to the Board of Directors shall be sufficient payment and discharge of such tenant or subtenant and the owner to the extent of the amount so paid.

7.10 Assessments and any installments thereof not paid on or before ten (10) days after the date when due shall be subject to a late charge of \$5.00 or of such other amount as shall be set by the Board of Directors or shall bear interest at such rate of interest as may be set by the Board of Directors, from the date when due until paid. All payments on account shall be first applied to interest and then to the assessment payment first due.

8. Litigation

8.1 If any action is brought by one or more but less than all unit owners on behalf of the association and recovery is had, the plaintiff's expenses, including reasonable attorney's fees, shall be a common expense; provided, however, that if such action is brought against the unit owners or against the Board of Directors, the officers, employees, or agents thereof, in their capacities as such, with the result that the ultimate liability asserted would, if proved, be borne by all the unit owners, the plaintiff's expenses, including counsel fees, shall not be charged to or borne by the other unit owners, as a common expense or otherwise.

8.2 Complaints brought against the association, the Board of Directors or the officers, employees, or agents thereof, in their respective capacities as such or the property as a whole, shall be directed to the Board of Directors, which shall promptly give written notice thereof to the unit owners and any mortgagees and shall be defended by the Board of Directors and the unit owners and mortgagees shall have no right to participate other than through the Board of Directors in such defense. Complaints against one or more, but less than all unit owners, shall be directed to such unit owners, who shall promptly give written notice thereof to the Board of Directors and to the mortgagees affecting such units, and shall be defended by such unit owners.

9. Abatement and Restraint of Violations by Unit Owners.

The violation of any house rules or administrative rules or regulations adopted by the Board of Directors or the breach of any provision contained herein, or the breach of any provision of the Declaration, shall give the Board of Directors the right, in addition to any other rights set forth in these Bylaws:

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

manner of trespass; or

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

10. Special Committees

The Board of Directors by resolution may designate one or more special committees, each committee to consist of two (2) or more unit owners which, to the extent provided in said resolution, shall have and may exercise the powers set forth in said resolution. Such special committee or committees shall have such name or names as may be determined from time to time by the Board of Directors. Such special committees shall keep regular minutes of their proceedings and report the same to the Board of Directors when required. The members of such special committee or committees designated shall be appointed by the Board of Directors or the president. The Board of Directors or the president may appoint unit owners to fill vacancies on each of said special committees occasioned by death, resignation, removal, or inability to act for any extended period of time.

11. Membership and Voting

The members of the association shall be the fee owners of the units. The Board of Directors shall maintain a list of owners which shall be updated on a regular basis. At any meeting of the Association of Unit Owners, each unit owner, including declarant, either in person or by proxy, shall be entitled to the same number of votes as the percentage of undivided interest of the common areas and facilities assigned to his unit in Exhibit B to the Declaration. If there is more than one unit owner with respect to a particular unit, any or all of such unit owners may attend any meeting of the association, but it shall be necessary for all such unit owners present to act unanimously in order to cast the votes pertaining to their unit. All votes may be cast either in person or by proxy. All proxies shall be in writing, and in the case of proxies for the annual meeting, they shall be delivered to the secretary at least five (5) days prior thereto. Proxies for special meetings of the association must be of record with the secretary at least two (2) days prior to such meeting. In voting for members of the Board of Directors, cumulative voting is allowed. In all other matters, cumulative voting shall not be allowed.

12. Notices, Waiver of Notice

Any notice permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to be delivered twenty-four (24) hours after a copy of the same has been deposited in the U.S. Postal Service, postage prepaid, return receipt requested. Notice to unit owners shall be addressed to each unit owner at the address given by such unit owner to the Board of Directors for the purpose of service of such notice or to the unit of such unit owner if no such address has been given to the Board of Directors. Such address may be changed from time to time by notice in writing to the Board of Directors. Notice to the Board of Directors shall be addressed to any one of the Directors. Any unit owner may at any time waive any notice required to be given under these Bylaws, or by statute or otherwise. The presence of a unit owner in person at any meeting of the

unit owners shall be deemed such waiver.

13. No Waiver

The failure of the Board of Directors or its contractors to insist, in one or more instances, upon the strict performance of any of the terms, covenants, conditions, or restrictions of the Declaration or Bylaws, or to exercise any right or option herein contained, or to serve any notice or to institute any action shall not be construed as a waiver or relinquishment, for the future, of such term, covenant, condition, or restriction, but such term, covenant, condition, or restriction shall remain in full force and effect. The receipt and acceptance by the Board of Directors or its contractor of the payment of any assessment from a unit owner, with knowledge of the breach of any covenant shall not be deemed a waiver of such breach, and no waiver by the Board of Directors of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Board of Directors.

14. Amendment of Bylaws

These Bylaws may be amended by a two-thirds (2/3) affirmative vote of the association at a meeting duly called for such purpose. Upon such an affirmative vote, the Board of Directors shall acknowledge the amended Bylaws, setting forth the fact of the required affirmative vote of the unit owners and the amendments shall be effective upon recording.

15. Pets

Dogs, cats and pets may be kept in units provided that they are not allowed to roam or run loose outside of the unit. When outside of the unit, dogs, cats and pets must be on a leash, be carried or otherwise be restrained.

16. Severability

The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion hereof shall not affect the validity of enforceability of any other provision hereof.

17. Captions

The captions here in are inserted only as a matter of convenience and for reference and in no way to define, limit, or describe the scope of these Bylaws nor the intent of any provision hereof.

18. Effective Date

These Bylaws shall take effect upon recording of the Declaration of Salem Square Condominium.

EXHIBIT E

LEGAL DESCRIPTION:

BEGINNING at an iron (found) on the south side of Country Club Drive, the Northwest corner of Mini-Skools Ltd's tract as recorded in Deed Book 1134, Page 1356; thence with the south side of Country Club Drive, South 78 degrees 04' 15" West 78.92 feet to an iron (found); thence South 89 degrees 03' 58" West 230.99 feet to an iron (found) on the south side of Country Club Drive and in Griffin's line; thence with his line and the line of Widener, Miller, Nichols, Landreth, Windsor, and South Fork Baptist Church, South 3 degrees 13' 46" West, crossing an iron (found) at 945.63 feet and continuing for a total distance of 960.73 feet to a point on the north side of Wayne Avenue; thence with the North side of Wayne Avenue, South 85 degrees 27' 25" East 290.84 feet to an iron (found); thence South 86 degrees 52' 13" East 30.19 feet to an iron (found) on the north side of Wayne Avenue, Taylor's corner; thence with his line North 3 degrees 36' 39" East 224.74 feet to an iron (found), Wilson's corner; thence with his line North 2 degrees 09' 41" East 154.70 feet to an iron (found); thence continuing with Wilson's line and the line of H & V Construction, Hubbard Realty, Montfort, and Mini-Skools Ltd., North 2 degrees 02' 16" East 625.47 feet to the beginning, containing 7.10 acres, more or less, as surveyed July, 1981, by Charles Bernhardt, R. L. S. 1737.