

STATE OF NORTH CAROLINA  
ALAMANCE COUNTY

DECLARATION CREATING UNIT OWNERSHIP  
AND ESTABLISHING RESTRICTIONS,  
COVENANTS AND CONDITIONS FOR  
SHERWOOD CONDOMINIUMS

THIS DECLARATION and the exhibits which are attached hereto and made a part hereof by this reference, are made and executed this 4 day of FEB, 1986, by ELLENBERG & ASSOCIATES, INC. hereinafter called the "Declarant" for itself, its successors, grantees and assigns, pursuant to the provisions of the North Carolina Unit Ownership Act.

WITNESSETH:

WHEREAS, the Declarant is the owner of certain real property in Alamance County, North Carolina, more particularly described and defined in Exhibit A, attached hereto and made a part hereof; and

WHEREAS, the Declarant desires to submit by this Declaration the property described in Exhibit A to the provisions of the Unit Ownership Act of North Carolina, North Carolina General Statutes Chapter 47A, as amended, (hereinafter referred to as the "Act"), thereby creating a condominium known as Sherwood Condominiums; and

WHEREAS, the Declarant is the owner of certain multi-unit buildings and certain other improvements heretofore constructed or to be constructed on the property described on Exhibit A, and it is the desire and intention of the Declarant to divide the property into condominium units as those terms are defined under the provisions of the North Carolina Unit Ownership Act, and to sell and to convey the same to various purchasers subject to the covenants, conditions, obligations, and restrictions herein reserved to be kept and observed;

NOW, THEREFORE, the Declarant does hereby publish and declare that all of the property described in the attached Exhibit A, is held, and shall be held, conveyed, hypothecated, encumbered, used, occupied, and improved subject to the following restrictions, covenants, conditions, uses, limitations, and obligations, all of which are declared and agreed to be in furtherance of the plan for the improvement of such property and the division thereof into condominium units, and shall be deemed to run with the land and shall be a burden and benefit to the Declarant, their successors and assigns, and any person acquiring and owning an interest in the real property and improvements, its grantees, successors, heirs, administrators, devisees, and assigns. Every grantee of any interest in such property by the acceptance of a deed or other conveyance of such interest whether or not such deed or other conveyance of such interest shall be signed by the grantee or whether or not such person shall otherwise consent in writing, shall take subject to provisions of North Carolina Unit Ownership Act, and this Declaration, and shall be deemed to have assented to the same.

Drawn by:  
Charles L. Bateman  
Attorney at Law  
P.O. Drawer 1209  
Burlington, NC 27216

ARTICLE I  
STATUTORY-PROVISIONS AND DEFINITIONS

1. Statutory Provisions. This Declaration is made pursuant to Chapter 47A of the North Carolina General Statutes, as amended, in effect as of the time of recording of this Declaration.

2. Definitions. Unless defined herein, or unless the context requires otherwise, the words defined in Section 3 of the Act, when used in this Declaration or any amendment hereto, shall have the meaning provided therein. The following words, when used in this Declaration or any Supplement or amendment hereto, unless the context requires otherwise, shall have the following meaning:

(a) "Act" means the Unit Ownership Act of North Carolina, North Carolina General Statute Chapter 47A, as amended.

(b) "Assessment" means an owner's share of the common expenses assessed against such owner and his unit from time to time by the Regime in the manner hereinafter provided.

(c) "Board" or "Board of Directors" means the Board of Directors of Sherwood condominium regime created hereunder and "Director" or "Directors" means a member or members of the Board.

(d) "By-Laws" means the By-Laws for the administration of the condominium regime contained in Exhibit C, attached hereto and made a part hereof by this reference.

(e) "Common Areas and Facilities" or "Common Area" means all of the condominium property and every part thereof, excluding the units, but including Limited Common Areas and Facilities.

(f) "Common Expenses" means all or any of:

(1) All expenses incident to the administration, maintenance, and repair or replacement of the Common Areas and Facilities and the Limited Common Areas and Facilities.

(2) Expenses determined by the Regime to be common expenses and which are lawfully assessed against the Unit Owners.

(3) Expenses declared to be common expenses by the Unit Ownership Act or the Condominium Documents.

(4) All sums lawfully assessed against the Unit Owners, by the Regime.

(g) "Condominium Documents" means and includes this Declaration, By-laws attached as Exhibit C, and Rules and Regulations as may be created pursuant to Article VI, Section 10, hereof, governing the use of the condominium property, all as may be amended from time to time.

(h) "Condominium Property" or "Property" means all of the property submitted to the Unit Ownership Act by this Declaration, being the property described in Exhibit A of this Declaration, or so much thereof as shall be submitted from time to time; the buildings and all other improvements situated thereon whether the same be common areas and facilities or units or any part thereof, and all easements and rights appurtenant thereto.

(i) "Declarant" means Ellenber & Associates, Inc.; or its successors in fee ownership of all remaining units (more than one unit) unsold to purchasers for use as residences.

(j) "Declaration" means this Declaration Creating Unit Ownership and Establishing Covenants, Conditions and Restrictions for Sherwood Condominiums.

(k) "Limited" Common Areas and Facilities" or "Limited Common Area" means those areas so designated on the Plans attached hereto and incorporated herein by this reference, identified in Section 5, of Article III hereof.

(l) "Majority" or "Majority of Unit Owners" means the owners of more than fifty percent (50%) of the aggregate interest in the Common Areas and Facilities as established by the Declaration assembled at a duly called meeting of the Unit Owners. All percentage interests stated herein for voting purposes means the owners of that percent of the Common Areas and Facilities, as determined by the percentage interest stated in this Declaration.

(m) "Member" means a Unit Owner.

(n) "Mortgage" means any deed of trust, mortgage, security agreement, and financing statement or any and all other similar instruments given to secure the payment of a debt, by granting a security interest in a unit, its fixtures or contents.

(o) "Mortgagee" means any secured party under a security agreement or mortgage, and the beneficiary under or a holder of a deed of trust.

(p) "Percentage Interest" means the percentage of undivided interest each owner owns in the Common Areas and Facilities as set forth in Section 2 of Article XIV of this Declaration.

(q) "Person" means any individual, corporation, partnership, association, trustee, fiduciary, or other legal entity, and shall mean the plural or combination of the same where applicable.

(r) "Plans" means the site plan by surveyor, and the plans of the building and units by HUGH CREED ASSOCIATES, INC., dated January 2, 1986, entitled Sherwood Condominium, referred to in Article III of this Declaration, and attached to this Declaration as Exhibit D.

(s) "Regime", "Condominium Regime" or "Condominium Association" means that non-profit corporation, the members of which are limited to and consisting of all owners of condominium units of Sherwood Condominium, including Declarant.

(t) "Unit" means those parts of the condominium property described in Section 3 of Article III hereof which are subject to this Declaration from time to time and which are shown and designated on the Plans as units.

(u) "Unit Owner" means the record legal fee owner or owners of a unit, excluding any lender, trustee, or creditor whose interest in the unit is merely as security for the performance of an obligation.

## ARTICLE II NAME, ADDRESS, AND REGISTERED AGENT

1. Name and Address. The name of the property is Sherwood Condominiums, and it is located adjacent to and on the east side of Sherwood Drive, Burlington, North Carolina.

2. Registered Agent. D. Vinson Ellenberg, 2501 Alamance Road, Burlington Alamance County, North Carolina, hereby is designated to receive service of process in any action which may be brought against or

in relation to the Condominium. In the event of such agent's death, resignation, or removal, his successors shall be appointed by the Board of Directors, and shall so indicate by recording an instrument to that effect with the Register of Deeds of Alamance County, North Carolina.

### ARTICLE III PROPERTY RIGHTS

1. Description of Land. It is the intent of Declarant to create hereby a condominium, with the land that may be included in this Declaration being that tract lying and being in the City of Burlington, Alamance County, North Carolina and more fully described in Exhibit A, together with rights, easements and appurtenances thereunto belonging and subject to those matters affecting title fully set out in Exhibit B. The property which hereby is submitted to the Act by this Declaration is the land on which the buildings and improvements are located in the City of Burlington, Alamance County, North Carolina, more fully described in Exhibit A attached hereto and made a part hereof, together with rights, easements and appurtenances thereunto belonging.

2. Description of Buildings. Sherwood Condominium contains or will contain two multi-unit buildings. One building contains four townhouse style units, numbered Units 11-14. Two of said units are Type I units, and two of said units are Type II units. The other building contains ten (10) townhouse style units, Units numbered 1-10. Of said units, two units are Type I units, four units are Type II units, and the remaining four units are Type III units. No building has basements. Each of the buildings is described graphically in the Plans of such buildings, a copy of which is attached as Exhibit D, that shows the particulars of each building, including the location, layout, number of rooms, dimensions, ceiling and floor elevations, approximate area, unit numbers and location of the common areas and facilities affording access to each unit.

### 3. Description of Units.

(a) Nature of Ownership. Every condominium unit, together with undivided interest in the Common Areas and Facilities, shall for all purposes be, and it hereby is declared to be and to constitute, a separate parcel of real estate and the unit owner thereof shall be entitled to the exclusive ownership and possession of his condominium unit, subject only to the covenants, restrictions, and easements contained herein and the By-Laws, Rules and Regulations, resolutions, and decisions adopted pursuant hereto and as may be contained in the accompanying By-Laws and the minutes of the Board of Directors of the Regime. The percentage undivided interest in the Common Areas and Facilities of each unit shall not be separate from the unit to which it appertains and shall be deemed to be conveyed or encumbered or released from liens with such unit even though such interest is not expressly mentioned or described in the conveyance or other instrument. A unit owner shall automatically become a member of the Regime, and shall remain a member thereof until such time as his ownership ceases for any reason, at which time his membership in the Regime shall automatically pass to his

successor in interest. By acceptance of a deed of a unit, the unit owner agrees to abide by this Declaration, the By-Laws of Sherwood and all duly adopted rules and regulations of the Regime and the Board.

(b) Nature, Type and Description of Units. Building A contains two Type I units and two Type II units. Building B contains, or will contain two Type I units and six Type II units. A Type I unit is a one and one-half story unit which contains three bedrooms, one downstairs and two upstairs. The first floor contains one bedroom, one full bath, living room, dining room and kitchen. The living room of the unit is carpeted and includes a prefabricated fireplace unit. The kitchen in each unit shall contain a built-in range, double sink, dishwasher, disposal and refrigerator. The floor covering will be vinyl and/or carpet. The second floor shall contain two bedrooms and one full bath.

The baths shall contain fiber glass tub and shower enclosures. Part of the walls shall be double stud wall construction with sheathing board and insulation. Insulated walls will be covered each side with fire code gypsum board. Interior walls shall be wood frame with drywall construction. All ceilings shall be a drywall construction. All living areas shall be carpeted except for baths and kitchens which shall have vinyl enlaid flooring. Mechanical equipment in each unit shall consist of a thermostatically controlled electric combination heating and air conditioning heat pump. Each building shall be a frame construction with either brick veneer or hardboard siding thereon. Type I units shall have an individual pressure treated wood deck.

Type II units are two-bedroom units. The first floor shall contain a living room, dining room-kitchen, and one-half bath. The second floor shall contain two bedrooms and one full bath and one-half bath and may contain floored storage area in the attic which could be finished as a loft or study. Construction details for a Type II unit are identical with a Type I unit. A Type II unit shall have an individual pressure treated wood deck.

Type III units are three-bedroom units. The first floor shall contain a living room, dining room-kitchen, one full bath and one bedroom. The second floor shall contain two bedrooms and one full bath. Construction details for a Type III unit are identical with a Type I unit. A Type III unit shall have individual pressure treated wood deck.

Each unit, Type I, Type II, or Type III shall have its own meter for water and electricity.

(c) Unit Dimensions. Each unit shall include all the space within the boundaries thereof. Each unit is bounded both as to horizontal and vertical boundaries by the unexposed facing of drywall (the facing next to studs or structural portions of buildings) and unexposed facing of finish molding or panelling of its walls and ceilings, and the unfinished upper surface of floors. It is the intent hereof that the unit will include all interior drywall, panelling and molding, and any surface finish, or wallpaper, and all finished flooring, such as exposed wooden flooring, vinyl or linoleum floor covering, matting and carpeting, but will not include studs, supports and wall insulation, foundations or piers, floor or ceiling joists. Each unit shall be deemed to include the interior and exterior of any and all doors, windows, sliding glass doors, and other closures. Included as part of a unit are all

door locks or other security or mechanical devices which control the opening and closing of doors and windows. Included also as part of a unit are the following: a) the heating and air conditioning systems serving the unit, wherever located; b) the electrical wiring and service system, wherever located, from the service meter to the place where it connects with all uses within the unit; c) the plumbing for water service from the last junction with a water line serving another unit to its end use in a unit; and d) the drainage or sewer plumbing from its collection point in a unit to their junction with a line servicing other units. In interpreting this Declaration and its Plans, the actual physical boundaries of a unit as originally constructed, or of a unit reconstructed in substantial compliance with the original Plans thereof, shall be conclusively presumed to be its boundaries rather than the metes and bounds expressed in this Declaration or its Plan, regardless of settling or lateral movement of the building, and regardless of minor variances between boundaries shown on the Plans, and those of the unit. Each unit designation, type unit, and percentage interest in the Common Areas and Facilities are set out in Article XIV hereof.

#### 4. Common Areas and Facilities.

(a) Description. The general common areas and facilities consist of the entire property other than condominium units, including, without limitation:

(1) The land on which the buildings are erected and all the land surrounding the buildings that lies within the boundaries of the land from time to time subject to this Declaration, and exterior walls, roofs, interior walls (except the drywall, panelling, molding and floor covering), ceilings, floors, etc., and every part of the buildings and property other than the condominium units;

(2) The foundation and structural members, including columns, girders, beams and supports;

(3) All installations designed and intended for common use or to serve more than one unit such as, but not limited to, electrical service, gas and plumbing, whether located in common areas or in condominium units, excluding from such installations all parts thereof, and all items affixed or connected thereto not designated or intended for common use or use by more than one unit;

(4) Easements for access, maintenance, repair, reconstruction, or replacement of the above-mentioned common areas and facilities and all other services necessary or convenient to the existence, maintenance, safety and use of the property;

(5) The yards, landscaping, fences, non-public roads and driveways, parking areas, walks, retaining walls, and all paved areas; provided, however, certain parking areas may be designated as limited common areas;

(6) All maintenance and recreational areas; and

(7) Any portion of the property shown and designated on the Plans as Common Area or Limited Common Area.

(b) Percentage Interest. The unit owners shall own the Common Areas and Facilities and the limited Common Areas and Facilities as tenants in common, with each unit having appurtenant thereto the percentage interest in said Common Areas and Facilities and Limited Common Areas and Facilities as set forth in Article XIV hereof; provided, however, the use of the Limited Common Areas and Facilities shall be restricted as set forth in Section 5 of this Article III. The percentage interest appurtenant to each unit has been determined as required by law and is based on estimated fair market value as of the date of this Declaration. Such determination shall not restrict the Declarant, or any subsequent owner in establishing a sales price for any particular unit.

(c) Inseparability of Percentage Interest. The percentage interest in Common Areas and Facilities and The Limited Common Areas and Facilities cannot be separated from the unit to which it appertains and shall automatically be conveyed or encumbered with the unit, even though such interest is not expressly mentioned or described in the deed or other instrument.

(d) No Partition. The Common Areas and Facilities and the Limited Common Areas and Facilities shall remain undivided and no right to partition the same or any part thereof shall exist except as provided in the Act, this Declaration, and the By-Laws. Nothing contained herein, however, shall be deemed to prevent ownership of a condominium unit by more than one person, either as tenants by the entireties, or as tenants in common, or in any other form by law permitted. Nothing contained herein, however, shall prevent the Board from creating additional Limited Common Areas and Facilities for a unit, as provided in Section 6 of this Article III.

(e) Use of Common Areas and Facilities. Each unit owner shall have the right to use the Common Areas and Facilities in accordance with the purposes for which they are intended without hindering the exercise of or encroaching upon the rights of other unit owners. The Board shall, if any question arises, determine the purpose for which a part of the Common Areas and Facilities is intended for use. The Board shall have the right to promulgate rules and regulations limiting the use of Common Areas and Facilities to unit owners and their guests as well as provide for the exclusive use of a part of the Common Areas and Facilities by a unit owner and his guests for special occasions, which exclusive use may be conditioned upon, among other things, payment of a fee. Any unit owner may delegate, in accordance with the provisions of this Declaration and the By-Laws and reasonable rules and regulations of the Board his right to use Common Areas and Facilities to the immediate members of his family living in the unit to a limited number of guests, or to tenants who reside in his condominium unit.

5. Limited Common Areas and Facilities. Ownership of a unit shall entitle the owner thereof to the exclusive use or use with others necessarily served thereby of the Limited Common Areas and Facilities appurtenant to such unit and so designated in the Plans. Limited Common Areas and Facilities shall not be construed or interpreted to be separate and apart from the Common Areas and Facilities in general, being

limited only with respect to the reserved use thereof by the unit or units served. Limited Common Areas and Facilities shall include, if appropriate, the designated parking areas for each unit, all balconies, patios, decks, stairways and entrance areas, and any area designated on the Plans as a Limited Common Area, or set out by the Board of Directors as Limited Common Area for a unit.

Exclusive use of the Limited Common Area may be delegated by an owner to the immediate members of his family, his guests, or tenants who reside in his unit. Owners may place plants, furniture, or other similar items within the Limited Common Areas and Facilities adjacent or appurtenant to the unit, subject to reasonable rules and regulations duly adopted by the Board with respect thereto. No owner shall build or construct any type storage or workshop facility or other similar type of structure within the Limited Common Areas and Facilities unless prior approval is obtained from the Board of Directors.

6. Additional Limited Common Areas and Facilities. The Board shall have the right to approve, from time to time changes in existing Limited Common Areas and Facilities, to approve additional or new Limited Common Areas and Facilities having a maximum of 150 square feet of ground space, for the exclusive use of the unit to which such Limited Common Areas and Facilities shall appertain; provided, that such additional Limited Common Areas and Facilities shall be immediately adjacent to the unit to which it shall appertain and shall extend no more than 15 feet from the unit to which it appertains.

#### ARTICLE IV RESTRICTIVE COVENANTS

1. Residential. Each of the units now constructed on the property shall be, and the same hereby are, restricted exclusively to single family residential use, and shall be occupied only by a single family, its servants, and guests. The provisions of this paragraph do not apply to property being used by the Regime as incidental to the operations and organization of the Regime. Co-Owners of a unit shall be treated as a single family even though not related by blood or marriage.

2. Construction and Sale. Anything contained herein to the contrary notwithstanding, it shall be permissible for the Declarant to maintain during the period of construction and sale of units upon such portion of the property as Declarant may deem necessary, such facilities as in the sole discretion of the Declarant may be reasonably required, convenient, or incidental to the construction and sale of units, including, but without limitation, a business office, storage area, construction yard, signs, model units, and sales offices.

3. Business Activities. No business activities shall be conducted on any portion of the property, provided, however, the foregoing restrictions shall not apply to the Declarant as provided above; provided further, private offices may be maintained in a unit so long as such use is incidental to the primary residential use of the unit and is approved by the Board of Directors.



4. Alterations and Attachments by Unit Owners. No unit owner shall make structural alterations or modifications to his unit or to any of the Common Areas and Facilities, without the written approval of the Board of Directors. The Board of Directors shall not approve of any alterations, decorations, or modifications which would jeopardize or impair the soundness, safety, or overall appearance of the Condominium Property.

5. Motor Vehicles. No motor vehicle (other than private passenger vehicles), boat, boat trailer, mobile home, motor home, trailer, or any similar items shall be stored in or upon the Common Areas and Facilities, unless placed upon a portion of the Common Areas and Facilities which may be designated from time to time by the Board for the Storage of such items.

6. Signs. No signs or other advertising devices shall be displayed which are visible from the exterior of any unit or on the Common Areas and Facilities including "For Sale" signs, without written permission from the Board; except that the Declarant is exempt from this provision as provided above.

7. Prohibitions in Use of Common Areas and Facilities. Except on specific approval of the Board, the Common Areas and Facilities, including Limited Common Areas, shall not be used for temporary or permanent storage of supplies, personal property, trash or refuse of any kind, except in common trash receptacles placed at the discretion of the Board nor shall they be used in any way for the drying or airing of clothing, rugs, or other fabrics. Entrances, sidewalks, yards, driveways, parking areas, and stairways shall not be obstructed in any way. In general, no activities shall be carried on nor condition maintained by any unit owner either in his unit or upon the Common Areas and Facilities, if such activities should despoil, or tend to despoil, the appearance of the Condominium Property. It is expressly acknowledged and agreed by all parties concerned that this section is for the mutual benefit of all owners on the condominium property and is necessary for the protection of the unit owners and is enforceable by the Board or any one or more unit owners.

8. Animals. No animal shall be kept on the Condominium Property, except for small household pets. Such pets may not be kept or bred for any commercial purpose and shall have such care and restraint as is necessary to prevent them from being or becoming obnoxious or offensive on account of noise, odor, unsanitary conditions, or other nuisance. No savage or dangerous animal shall be kept or permitted on the Condominium Property. No more than two household pets may be housed within a unit without written permission of the Board. No pets may be permitted to run loose upon the Common Areas and Facilities, and any unit owner who causes or permits any animal to be brought or kept upon the Condominium Property shall indemnify and hold the Regime harmless for and from any loss, damage, or liability which it sustains as a result of the presence of such animal on the Condominium Property, regardless of whether the Regime or the Board has given its permission therefor.

9. Access to Units. The Regime or its agent shall have access to each unit from time to time during reasonable working hours, upon oral or written notice to its owner, as may be necessary for the maintenance, repair, or replacement of any of the Common Areas and Facilities. The Regime or its agent shall also have access to each unit at all times without notice as may be necessary to make emergency repairs to prevent damage to Common Areas and Facilities or to another unit.

10. Subdividing. No unit may be divided or subdivided into smaller units, nor any portion thereof sold or otherwise transferred, without first amending the Declaration to show the changes in the units to be affected thereby; provided that any amendment to this Declaration providing for the subdivision into smaller units must be approved by unit owners (and their mortgagees, if any) owning ninety percent (90%) of the percentage interest in the Common Areas and Facilities.

11. Nuisances. No nuisances shall be allowed upon the Condominium Property and no person shall engage in any use, practice, or activity upon such property which is noxious, offensive, or a source of annoyance to unit owners or which reasonably interferes with the peaceful possession and proper use of the property by any unit owner. All parts of the property shall be kept in a clean and sanitary condition; and no rubbish, refuse, or garbage shall be allowed to accumulate and no fire hazard shall be allowed to exist. Any unit owner (or his family, tenants, guest, or agents) who shall dump or place any trash or debris upon any portion of the property shall be liable to the Regime for the actual cost of removal thereof or the sum of \$25.00 whichever is greater, and the same shall be a deed to and become a part of the assessment next coming due to which the unit owner is subject. No unit owner shall permit any use of his unit or make any use of the Common Areas and Facilities which will increase the rate of insurance upon the Condominium Property.

12. Lawful Use. No immoral, improper, or unlawful use shall be made of the Condominium Property nor any part thereof. All valid laws, zoning ordinances, and regulations of governmental bodies having jurisdiction thereof shall be observed.

13. Restriction on Transfer of Common Areas. The Regime shall not seek to abandon, partition, subdivide, encumber, sell or transfer any portion of the Common Areas and Facilities, without the written approval of owners and mortgagees of units totalling 75% of the percentage interest in the Common Areas and Facilities, and all of those having use of Limited Common Areas thereby affected. The granting of easements for public utilities or other public purposes consistent with the intended use of the Common Areas and Facilities shall not be deemed a transfer within the meaning of this paragraph.

14. Rules and Regulations. The Board may from time to time promulgate reasonable rules and regulations respecting the restrictive covenants set out in this Article IV, but such rules and regulations shall be consistent with these restrictions and not in derogation or intended as an amendment thereof.

15. Leasing of Units. With the exception of a lender in possession of a condominium unit following a default in a first mortgage, a foreclosure proceeding or any deed or other arrangement in lieu of foreclosure, no unit owner shall be permitted to lease his unit for transient or hotel purposes. No unit owner may lease less than the entire unit. Any lease agreement shall be in writing and shall provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and the By-Laws and that any failure by the lessee to comply with the terms of such documents shall be in default under the lease.

#### ARTICLE V. EASEMENTS

1. Use and Enjoyment. Every unit owner, his family living in his unit, his tenants, and permitted guests, shall have a right and easement of use and enjoyment in and to the Common Areas and Facilities, except Limited Common Areas designated for such purpose) and such easement shall be appurtenant to and shall pass with the title to every unit, subject to the following provisions:

(a) The right of the Board of Directors to control the use and enjoyment thereof as provided in this Declaration, and in the duly-adopted Rules and Regulations of the Regime, which shall include, but not be limited to the right of the Board to limit use and enjoyment thereof to the unit owners, and their respective families living in the unit, tenants, and guests, as well as to provide for the exclusive use and enjoyment of specific portions thereof at certain designated times by a unit owner, his family, tenants and guests;

(b) The right of the Board of Directors to limit the number of guests of unit owners; and

(c) The right of the Board to suspend the voting rights and right to use of the recreational facilities by a unit owner, his tenants, and guests, for any period of time during which an assessment against his unit remains unpaid or any separate charge incurred by such unit owner for use of the recreational facilities remains unpaid, or for infraction of its published Rules and Regulations.

2. Maintenance and Repair. There shall be an easement through the units and the Common Areas and Facilities for the installation, maintenance, repair and replacement of units and the Common Areas and Facilities. Use of this easement shall be only during normal business hours, except that access may be had at any time in the case of emergency.

3. Structural Support. Every portion of a unit or the Common Areas and Facilities which contributes to the structural support of another unit shall be burdened with an easement of structural support.

4. Encroachments. If any portion of the Common Areas and Facilities encroaches upon any unit or any unit encroaches upon any other unit or upon any portion of the Common Areas and Facilities or the Limited Common Areas and Facilities as a result of settling or shifting of a building, or as the result of survey error in description, an

easement for the encroachment and for the maintenance of the same so long as the building stands, shall exist. If any building, any unit, any adjoining unit, or any adjoining part of the Common Areas and Facilities or the Limited Common Areas and Facilities, shall be partially or totally destroyed as a result of fire or other casualty or as a result of eminent domain proceedings, and then rebuilt upon the original site and upon the same Plans as the original building, encroachments of parts of the Common Areas and Facilities or the Limited Common Areas and Facilities upon any unit or of any unit upon any other unit or upon any portion of the Common Areas and Facilities or the Limited Common Areas and Facilities, due to such rebuilding, shall be permitted, and valid easements for such encroachments and the maintenance thereof shall exist so long as the subject building shall stand.

5. Utilities. There shall be a general easement upon, across, above and under all of the property for ingress, egress, installation, replacing, repairing, and maintaining all utilities including, but not limited to, water, sewer, telephone and electricity or other community service (i.e., cablevision, master television antenna system or security system, if installed) which the Declarant, or the Regime, has installed or might determine to install to serve the Property. By virtue of this easement, it shall be expressly permissible to erect and maintain the necessary poles and other necessary equipment on the property and to affix and maintain wires, conduits, cables, and the like on, above, across, under, and through the roofs and exterior walls of the units. Should any party furnishing any service covered by this general easement request a specific easement by separate recordable document, Declarant, or the Regime, as the case may be, shall have the right to grant such easement under the terms hereof.

6. Other. There shall be a general easement to the Regime, its directors, officers, agents, and employees (including, but not limited to, any manager employed by the Regime) to enter upon the property or any portion thereof in the performance of their respective duties. Except in the event of emergencies, this easement is to be exercised only during normal business hours, and then whenever practicable, only upon advance notice to and with the permission of the unit owner directly affected thereby.

#### ARTICLE VI. ADMINISTRATION

1. General Provisions. The administration of the Condominium Property, including, but not limited to, the acts required to the Regime, shall be performed by the Regime, by and through its Boards, or as otherwise provided in this Declaration or the By-Laws. The membership of the Regime shall be limited to and consist of all of the condominium unit owners and the Declarant. The Regime's activities shall be limited to administration, including management and operation of Sherwood Condominium, consistent with the Act, this Declaration and the By-Laws.

2. By-Laws. The By-Laws of the Regime are attached as Exhibit C hereto and by reference made a part hereof, subject however to Amendment as herein and in the Act and By-Laws provided.

3. Duties and Powers. The duties and powers of the Regime shall be those and shall be exercised as set forth in the Act, this Declaration and the By-Laws, together with those implied as reasonably necessary to effect the purposes of the Regime.

4. Agreements. All agreements and determinations lawfully authorized by the Board shall be binding upon all unit owners, their heirs, legal representatives, successors, assigns, or others having an interest in the property or the privilege of possession and enjoyment of any part of the property. In furtherance of the foregoing and not in limitation thereof, the Board shall have the authority to authorize such management agreements as the Board of Directors shall deem necessary or desirable for the administration and operation of the Condominium Property. Any such management agreement shall provide that the same may be terminated by the Board of Directors for cause at any time upon thirty (30) days' notice to the manager. No such contract shall bind the Regime, unless terminated for cause, in excess of one year from the date of its inception. All costs and expenses incident to the employment of a manager shall be common expenses payable from the common expense fund. During his tenure, the manager may, if authorized by the Board of Directors, exercise all of the powers and shall be responsible for the performance of all the duties of the Regime, excepting any of those powers and duties specifically and exclusively reserved to the Directors, officers, or members of the Regime by the Act, this Declaration, or the By-Laws. The manager may be an individual, corporation, or other legal entity, as the Board of Directors may require. The cost of acquiring any such bond shall be an expense of administration, payable from the common expense fund.

5. Restrictions on Contracts. Neither the Regime or Declarant shall enter into any contract, lease or other agreement, except contracts for the furnishing of utilities or the management contract, which shall bind the unit owners or Regime for more than one year after the date of the first annual meeting. After the first annual meeting the Board of Directors shall not enter into any contract, lease or other agreement which shall bind the unit owners or Regime for a period of more than three years, unless approved by the majority of the unit owners.

6. Execution of Documents. When any agreement, contract, conveyance or other document is executed by the President and Secretary of the Regime, a third party without knowledge, or reason to know to the contrary, may rely on such document as being what it purports to be.

7. Property. All funds received and titles of all properties acquired by the Regime and the proceeds thereon after deducting therefrom the costs incurred by the Regime in acquiring the same, shall be held for the benefit of the unit owners as herein provided and for the purposes herein stated. The Board of Directors may acquire and hold, for the benefit of the unit owners, tangible and intangible personal

property and may dispose of the same by sale or otherwise, and the beneficial interest in such personal property shall be held by the unit owners in the same proportions as their respective individual interest in the Common Areas and Facilities. A transfer of a unit shall vest in the transferee ownership of the transferor's beneficial interest in such personal property.

The Board shall not deposit, invest or reinvest any funds of the Regime, unless such funds are invested in government securities, or deposited in banks which are members of the Federal Deposit Insurance Corporation, or savings and loan associations which are members of the Federal Savings and Loan Insurance Corporation.

8. Notices. Notices or demands, for any purpose, shall be given by the Regime and other unit owners in the manner provided for notices to members of the Regime by the By-Laws of the Regime.

9. Enforcement. The failure of the Regime or any unit owner to enforce any covenant or provision of the Act, Declaration, By-Laws, or regulations affecting the Condominium Property shall not constitute a waiver of the right to do so thereafter.

10. Rules and Regulations. Reasonable regulations concerning the use of the units, appurtenances thereto, and Common Areas and Facilities not in derogation of this Declaration may be made and amended from time to time by the Board; provided that copies of such regulations and amendments thereto shall be furnished by the Regime to all unit owners. Such regulations shall be binding upon the owners, their families, tenants, guests, invitees, and agents, until and unless such regulation, rule, or requirement be specifically overruled and cancelled in a regular or special meeting by the vote of a majority of the unit owners.

11. Violation of Rules and Regulations. Failure to abide by any such regulation, rule, or requirement shall be grounds for an action to recover damages, or obtain injunctive and equitable relief, or both. In addition to those remedies, in the event of violation by an owner of any rules or regulations, such owner's voting and use rights may be suspended by the Board after a hearing at which the general requirements of due process shall be observed. Such hearing shall only be held by the Board after giving owner ten (10) days' prior written notice specifying each alleged violation and setting the time, place, and date of the hearing. A determination of the violation and the time of suspension or other sanction shall be made by a majority vote of the Board. The owner shall have the right to appeal any adverse ruling of the Board and shall be entitled to a hearing de novo before the membership of the Regime, at which the general requirements of due process shall be observed. Upon an appeal by an owner of a decision by the Board, a special meeting shall be held within sixty (60) days from the decision by the Board, but the decision of the Board shall remain in effect unless overruled by a majority vote of the members present at the special meeting.

12. Liability. Each Director and each Officer of the Regime shall be held harmless from expense, loss, or liability by reason of having served as such Director or as such Officer and shall be indemnified by

all the unit owners (as a common expense) against all expenses and liability, including reasonable attorney's fees, incurred by or imposed upon him in connection with any proceeding to which he may be a party, or have become involved by reason of being such Director or such Officer, whether or not he is a Director or Officer at the time such expenses are incurred, except in such cases wherein the expenses and liability arise from the proceeding in which such Director or Officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties.

#### ARTICLE VII

#### MAINTENANCE, ORDINARY REPAIRS, AND ALTERATIONS TO COMMON AREAS

1. By the Regime. The Regime shall maintain, repair, and replace at its expense all parts of the Common Areas and Facilities, whether located within the perimeter walls of a unit or not, the cost of which shall be charged to the unit owners as a Common Expense.

2. By the Unit Owners. Each unit owner shall maintain, repair, and replace at his expense all portions of his unit which become in need thereof, including all drywall, molding or paneling, bathroom and kitchen fixtures, light fixtures, wall and ceiling covering materials, matting, carpeting, drapes, and other items within the unit. Each unit owner shall maintain, repair, and replace, when necessary, all damage to windows and doors a part of his unit; except, however, damages to such caused by agents, employees, or subcontractors employed by the Regime shall be repaired by the Regime. All damages to the Common Areas and Facilities and Limited Common Areas and Facilities intentionally or negligently caused by the unit owner, his family, guests, invitees, agents, servants, lessees, employees, or contractors shall be repaired promptly by such unit owner, except to the extent such damage is covered by hazard insurance required to be maintained by the Regime, in which case the Regime waives its right of indemnity to the extent of funds received paid pursuant to said insurance policy. If the unit owner defaults in his obligations herein and such default is not cured by him within fifteen (15) days from written demand by the Regime, the same may be cured by the Regime and the cost hereof shall be assessed against the unit owned by the subject unit owner.

Each unit owner shall be responsible for keeping the Limited Common Areas and Facilities under his control and dominion in a neat, sightly and proper manner. This shall not impose upon the unit owner the obligation to maintain or repair any structural or other similar item on property located within the Limited Common Areas and Facilities assigned to his unit, unless the damage is caused intentionally or negligently by the unit owner, as provided above.

3. Restrictions on Unit Owners. No unit owner shall perform or cause to be performed any maintenance, repair, or replacement work upon his unit which disturbs the rights of the other unit owners or jeopardizes the soundness or the safety of the Condominium Property. If the unit owner shall cause any work so performed on the Unit, which in the sole opinion of the Board violates the terms of this paragraph, it shall be immediately corrected and he shall refrain from recommencing or

continuing any such work without written consent of the Board. A unit owner shall not repair, alter, replace, or move any of the Common Areas and Facilities located within his unit without the prior written consent of the Board.

A unit owner shall not paint or otherwise decorate or change the outside appearance of the Building in which his unit is located, including doors or windows, or any appurtenance thereto or Limited Common Area serving his unit without the written consent of the Board.

4. Duty to Report. Each unit owner promptly shall report to the Board or its agent any defect or need for repairs or replacement, the responsibility for which is that of the Regime.

5. Alterations to Common Areas and Facilities. The Regime is authorized to make minor improvements to and alterations to the structures located on the Common Areas and Facilities, as a Common Expense; however, no major or structural improvements to or alterations of the Common Areas and Facilities, or improvements or alterations in excess of \$1,000.00, shall be made by the Regime without first obtaining approval of the Membership by at least a sixty percent (60%) vote of the total membership, except when such improvements are made pursuant to Article IX hereof.

6. Approval of Payment Vouchers. All vouchers for payment of expenses incurred by the Regime in the maintenance, repair, alteration, and replacement of the Common Areas and Facilities shall be approved in writing, jointly by the President and Treasurer. In the absence or disability of the President, the Vice-President may perform the duties herein of the President, and the Assistant Treasurer may perform the duties of the Treasurer herein in the absence or disability of the Treasurer. Notwithstanding the foregoing, the Board may authorize any officer, Member, Committee, or Independent Manager to approve or disapprove all vouchers for payment of routine expenses incident to the maintenance, repair, alteration, or replacement of the Common Areas and Facilities, so long as the resolution granting such authority specifically limits the maximum amount which may be authorized on each occasion and so long as the subject resolution describes the items which may be so authorized.

#### ARTICLE VIII. ASSESSMENTS

1. Initial Assessment. The Declarant shall fix the initial assessment which shall remain in effect until December 31, 1986.

2. Fixing of Assessment. Not later than December 15, 1986, and the same date of each year thereafter, the Board shall have determined and shall have given written notice to the unit owners of the annual assessment affixed against each unit for the immediately succeeding calendar year. In determining the annual assessment for each calendar year, the Board shall estimate the Common Expenses for such year and shall then estimate the cash required to meet such Common Expenses. In determining the cash requirement, the Board shall include a reasonable



reserve for contingencies, replacements and maintenance items not performed annually (including specifically, without limitation, reserves for exterior painting, for roof and gutter replacement, and street and parking area maintenance) and shall deduct any expected income and any surplus from the prior year's fund. The portion of the estimated cash requirement assessed against each unit shall be determined by the percentage interest for such unit. The failure of the Board to comply with the written notice requirement hereinabove provided shall not alter or invalidate any obligation of a unit owner, any right of the Regime against such unit owner, or any lien against a unit fixed by the Board and shall commence for all units subject herefore on the day of the recording of this Declaration, or with respect to additional units, on the day of Supplemental Declaration shall be filed affecting such units.

3. Monthly Installments. The annual assessments shall be paid to the Regime in equal monthly installments on or before the first day of each month during any assessment period. In the event of a unit owner's default for thirty (30) days, the Regime shall have the right to accelerate the entire unpaid balance of the annual assessment and to declare the same immediately due and payable.

4. Special Assessments. In addition to the annual assessments, the Regime may levy in any calendar year, special assessments for the purpose of supplementing the annual assessments if the same are inadequate to pay the Common Expenses and of defraying, in whole or in part, the cost of any construction or reconstruction, repair, or replacement of the Limited Common Areas and Facilities, the Common Areas and Facilities, including the necessary fixtures and personal property relating thereto; provided, however, that any such special assessments shall have the assent of a majority of the votes represented, in person or by proxy, at a meeting, at which a quorum is present, duly called for the express purpose of approving such expenditure, written notice of which shall be sent to all owners not less than ten (10) days nor more than sixty (60) days in advance of the meeting, which notice shall set forth in the purpose of the meeting. Special Assessments shall be fixed against the units according to their Percentage Interests; the period of the assessment and manner of payment shall be determined by the Board.

5. Purpose of Assessments, Common Expenses. The annual and special assessment fixed and collected pursuant to this section shall be used to pay the Common Expenses including, but not limited to, all expenses, costs, and charges incurred by the Regime in connection with the administration, management, and operation of the Condominium Property; the costs of maintenance, repair, replacement, and restoration of the Common Areas and Facilities, or any part thereof and reasonable reserves for items not expensed on at least an annual basis; the cost of all insurance obtained by the Board pursuant to Article IX of this Declaration; the Condominium's costs and expenses of operation and maintenance of recreational facilities, the service fees for cable television provided all units under contract with the Regime, and any and all other expenses, costs, or charges agreed upon as Common Expenses by the Regime or declared Common Expenses by the provisions of the Act or this Declaration. All assessments, replacement funds, accumulated income, insurance, and other escrows and all other assets of the Regime

in excess of that needed for the purposes herein stated, determined yearly, either shall be applied to reduce the succeeding year's assessments or shall be returned to the unit owners, as determined by the Board; except, however, the Board shall have the right to create and to maintain an escrow or trust fund for such reserves as it deems fit.

6. Lien and Personal Obligation. Each assessment provided for in this Article, together with interest from delinquent date at a rate or dollar figure set by the Board not to exceed the amounts provided in Section 7 hereafter or the maximum allowed by law and collection costs including reasonable attorneys' fees, shall be a charge on and continuing lien upon the unit against which the assessment is made when a notice of such lien has been filed of record in the Office of the Clerk of Superior Court for Alamance County, North Carolina, in the manner provided in Chapter 44 of the North Carolina General Statutes, provided such notice of lien shall not be filed until such sums assessed remain unpaid for a period of thirty (30) days after the same shall become due. Such notice of lien shall secure also all assessments against the unit becoming due thereafter until the line has been satisfied. In addition, each unit owner shall be liable personally for any assessment against his unit coming due or payable while he is the owner of such unit. A grantee of a unit shall be liable, jointly and severally, with the grantor for all unpaid assessments against such unit due and owing at the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. Any unit owner or grantee of a unit owner shall be entitled to a statement from the Board setting forth account of the unpaid assessments against the unit owner and such grantee shall not be liable for, nor shall the unit conveyed be subject to a lien for, any unpaid assessments in excess of the amount therein set forth.

7. Effect of Nonpayment of Assessment, Remedies of Regime. In the event that any assessment installment is not paid within thirty (30) days after the due date, the Board of the Regime may, at its option, declare the entire unpaid annual assessment immediately due and payable, and such unpaid assessment shall bear interest from the date of acceleration, which shall be effective upon the sending of notice to the owner of the unit concerned regardless of the receipt thereof, such interest to be at a rate determined by the Board of Directors, but not in excess of the then current "prime rate" established by area banks or the maximum allowed by law. In any event, any assessment installment not paid within thirty (30) days after its due date shall bear interest from the due date at a rate determined by the Board of Directors, but in no event shall the interest rate exceed the then current "prime rate" established by area banks, or the one time charge of \$5.00, whichever is greater; except that such rate shall not exceed the maximum allowed by law. The Regime may bring an action at law against the owner personally obligated to pay the assessment and interest, reasonable attorney's fees and costs of such action or foreclosure shall be added to the amount of such assessment.

Notwithstanding anything hereinbefore stated in this section, during any period in which an owner shall be in default in payment of any installment of an annual, special, or other periodic assessment

levied by the Regime, the voting rights and the right to use and enjoyment of the Common Areas and Facilities or any service, or facilities which the Regime provides may be suspended by the Board of Directors until such assessment is paid. Prior to the termination of services, voting rights, or use of the facilities for failure to pay assessments, the procedure outlined in Section 11 of Article VI shall be followed.

8. Priority of Assessment Lien. The lien of the assessments provided for in this section shall be prior and superior to all other liens except (a) ad valorem taxes, (b) all sums unpaid on all mortgages recorded prior to the docketing of the assessment lien, and (c) materialmen's and mechanic's liens. The sale or transfer of any unit shall not affect the assessment against such unit; provided, however, the sale of a unit pursuant to the foreclosure sale or execution sale instituted by a superior lien holder shall extinguish the inferior assessment lien against the subject unit, but no such sale or transfer shall relieve such unit from liability of any assessments thereafter becoming due or for any future lien in connection therewith. The Regime shall share in the excess, if any, realized by the sale of any unit pursuant to a foreclosure or action instituted by a superior lien holder. Provided, however, that a mortgagee or other purchaser of a unit at a foreclosure sale of such unit or who obtains title to such unit by deed in lieu of foreclosure of such unit, or by any other proceeding in lieu of foreclosure, shall not be liable for and such unit shall not be subjected to a lien for the payment of such assessment which accrued prior to the acquisition of title of such unit by the mortgagee or other purchaser, providing further that such unpaid assessment shall be deemed to be Common Expenses collectible from all of the unit owners including the mortgagee or other purchaser.

9. Owner's Non-Use. No unit owner may exempt himself from liability for his contributions toward Common Expenses and his other obligations to the Regime by waiver of the use or enjoyment of any portion of the Common Areas and Facilities, or by the abandonment or sale of his unit.

10. Units owned by declarant and not completed and ready for occupying shall not be subject to assessment. Upon completion and prior to sale, occupancy, lease, or rental, such units shall be assessed at not more than 50% of normal assessment.

#### ARTICLE IX INSURANCE

1. Authority to Purchase. The Board shall have the authority to and shall obtain a master insurance policy upon the Condominium Property for the benefit of the Regime, the unit owners, and their mortgagees as their interests may appear, and provisions shall be made for the issue of certificates of mortgagee endorsements to the mortgagees of the unit owners. The original of such policy and endorsements thereto shall be deposited with the Regime, as Insurance Trustee, and unit owners may inspect such policy at any time during reasonable working hours and after reasonable notice to the Board. Unit owners may obtain insurance

coverage at their own expense upon their personal property and for their personal liability and living expenses.

2. Coverage.

(a) Casualty. The buildings and all other improvements upon the land and all personal property included in the Common Areas and Facilities, and originally installed fixtures, cabinets, wall and floor coverings of the units shall be insured in an amount equal to the full replacement value (i.e. 100% of the "replacement costs"). Such coverage shall afford protection against (i) loss or damage by fire with extended coverage endorsement; and (ii) such other risks as from time to time shall customarily be covered with respect to buildings similar in construction, location, and use as the Buildings, including, but not limited to, vandalism and malicious mischief.

(b) Public Liability. The liabilities of the Regime shall be insured in such amounts as shall be required by the Board and each unit owner shall be named as an additional insured but only with respect to his liability arising out of the ownership, maintenance, or repair of the Common Areas and Facilities. Such insurance shall include endorsements covering cross liability claims of one insured against another, including the liability of the unit owners as a group to a single unit owner. The Board of Directors shall review such insurance and its limits annually. Such public liability insurance shall be in amounts not less than \$250,000.00/\$1,000,000.00 for claims for bodily injury and \$25,000.00 for claims for property damage.

(c) Other. The Regime may obtain such other insurance coverages as the Board determines from time to time to be desirable, including liability insurance to protect the members of the Board for any negligence while acting in their official capacity.

3. Premiums. Premiums upon insurance policies purchased by the Regime shall be paid by the regime as a Common Expense.

4. Policies Content. The Board of Directors shall make every effort to secure insurance policies that will provide for the following:

(a) The master policy on the property cannot be cancelled, invalidated, or suspended on the amount of the conduct of any one or more individual owners.

(b) The master policy on the property cannot be cancelled, invalidated, or suspended on account of the conduct of any officer or employee of the Board, or manager, without prior demand in writing that the Board of Directors or manager cure the defect.

(c) That any "no other insurance" clause in the master policy on the property exclude individual owners policies from consideration.

5. Receipt of Proceeds, Insurance Trustee. All insurance policies purchased by the Board shall be for the benefit of the Regime, the unit owners, and their mortgagees as their interests may appear, and shall provide that all proceeds covering property losses shall be paid to the

Regime, as Insurance Trustee. The duty of the Insurance Trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purposes hereinafter stated and for the benefit of the unit owners and their mortgagees in the following shares:

(a) Common Areas and Facilities. An undivided share of the proceeds received by the Regime on account of damage to the Common Areas and Facilities shall be held for each unit owner and such share shall be determined by the subject unit owner's percentage interest of all owners whose units will not be rebuilt.

(c) Mortgagees. In the event a mortgage endorsement has been issued for a unit, the share of the unit owner shall be held in trust for the mortgagee and the unit owner as their interests may appear; provided, that no mortgagee shall have the right to determine or participate in the determination as to whether any damaged property shall be reconstructed or repaired.

6. Distribution of Proceeds. Proceeds of insurance policies received by the Insurance Trustee shall be distributed to or for the benefit of the beneficial owners in the following manner:

(a) Reconstruction or Repair. If the damage for which the proceeds are paid is to be repaired or reconstructed, the proceeds shall be paid to defray the cost thereof as provided above. All proceeds remaining after defraying such costs shall be distributed to the Regime. This is a covenant for the benefit of any mortgagee of a unit and may be enforced by such mortgagee.

(b) Failure to Reconstruct or Repair. If it is determined as provided in Section 10 that the damage for which the proceeds are paid shall not be reconstructed or repaired, the proceeds shall be distributed to the beneficial owners as set forth in Section 10. Any remittances to unit owners and their mortgagees shall be paid jointly to them. This is a covenant for the benefit of any mortgage of a unit and may be enforced by such mortgagee.

7. Regime as Agent. The Regime hereby is irrevocably appointed Agent for each unit owner and for each mortgagee or holder of a lien upon a unit and for each owner of any other interest in the Condominium Property to adjust all claims arising under insurance policies purchased by the Regime and to execute and deliver releases upon the payment of claims.

8. Waivers. All policies of physical damage insurance obtained by the Board pursuant to this Article shall contain waivers of subrogation against unit owners, their tenants, employees, invitees, the Regime, and others having an interest in the Condominium Property. Such policies shall provide that the same may not be cancelled or substantially modified without at least thirty (30) days' prior written notice to the Regime.

9. Duty to Repair. In the event of damage to or destruction of a building as a result of fire or other casualty and the Condominium

Property is not partitioned as provided in Section 10, the Board shall arrange for the prompt repair and restoration of the Building (including any damaged unit, but not including any wall, ceiling or floor decoration or coverings or other furniture furnishings, fixtures, or equipment in the unit, unless the subject insurance policy covers a portion of all of such loss to the unit, in which event the Regime shall repair or replace such damage), and the Board shall disburse the proceeds of all insurance policies to the contractors engaged in such repair or restoration in appropriate progress payments. Any cost of such repairs and restoration in excess of the insurance proceeds shall constitute a Common Expense.

10. Partition. If the Buildings shall be more than two-thirds (2/3rds) destroyed by fire or other disaster and the owners of three-fourths (3/4ths) of the property duly resolve not to proceed with repair or restoration, then, and in that event:

(a) The entire condominium property shall be deemed to be owned as tenants in common by the unit owners; and

(b) The undivided interest in the Condominium Property owned by each unit owner shall be his Percentage Interest in the Common Areas and Facilities previously appurtenant to his unit or units; and

(c) Any liens or encumbrances affecting any unit shall be deemed transferred in accordance with the existing priority to the percentage of undivided interest of the subject unit owner in the Condominium Property as hereinabove provided; and

(d) The Condominium Property shall be subject to an action for sale in lieu of partition at the suit of any unit owner, in which event the net proceeds of insurance policies, if any, shall be considered as one fund and shall be divided among the unit owners in the proportion to their Percentage Interests in the Common Areas and Facilities previously appurtenant to their units, after paying off, out of the the prospective shares of the unit owners, to the extent sufficient for that purpose, all liens on the unit of each unit owner.

The determination of whether the Buildings are "more than two-thirds (2/3rds) destroyed" for the purposes herein stated, shall be made as follows: an appraisal of the value of the Buildings (excluding land) as of the day immediately preceding the damage shall be obtained by the Board from two appraisers approved by the Burlington Board of Realtors or two M.A.I. appraisers. The cost of repairs and restoration shall then be determined by the Board of Directors by securing not less than three independent bids, in writing, from three reputable building contractors in the community of their proposed charges for making such repairs or restorations, the lowest of which shall be deemed to be the cost. If the costs exceed two-thirds (2/3rds) of the appraised value, the Buildings shall be deemed more than two-thirds (2/3rds) destroyed.

ARTICLE X  
ARCHITECTURAL CONTROL

1. Approval Required for Changes. To preserve the original architectural appearance of Sherwood Condominium, after the purchase of a condominium unit from Declarant, its successors, or assigns, no exterior construction of any nature whatsoever, except as specified in the Act or this Declaration, shall be commenced or maintained upon any building, including without limitation, the Limited Common Areas and Facilities nor shall there be any change, modification, or alteration of any nature whatsoever of the design and appearance of any of the exterior surfaces, or facades, nor shall any owner paint, decorate, or change the color of any exterior surface, gate, fence, or roof, nor shall any owner change the design or color of the exterior lights, nor shall any owner install, erect, or attach to any part of the exterior any sign or any kind whatsoever, nor shall exterior addition or change, including without limitation, the generality of the foregoing, the erection or construction of any fence or wall, be made unless and until the plans and specifications showing the nature, kind, shape, height, materials, color and location of the same shall have been submitted to and approved in writing as to harmony of exterior design, color and location in relation to the surrounding structures by the Board. The Declarant shall be exempt from the provisions of this Article, until 75% of the proposed units have been sold or until January 1, 1987, whichever shall occur first.

ARTICLE XI  
CONDEMNATION

1. General. Whenever all or any part of the property shall be taken by any authority having the power of condemnation or eminent domain, each owner shall be entitled to notice thereof and to participate in the proceedings incident thereto unless otherwise prohibited by law. The award made for such taking shall be payable to the Regime. Unless otherwise required by law at the time of such taking, any award made therefor shall be disbursed by the Regime as hereinafter provided in this Article.

2. Common Areas. If the taking is confined to the Common Areas and Facilities on which improvements shall have been construed and if at least seventy-five percent (75%) of the total vote of the Regime shall decide within sixty (60) days after such taking to replace such improvements, or any part thereof, on the remaining land included in the Common Areas and Facilities and according to plans therefor to be approved by the Regime shall disburse the proceeds of such award in the same manner as they are required to disburse insurance proceeds where damage or destruction to the property is to be repaired or reconstructed as provided for in Article IX, hereof; subject, however, to the right hereby reserved to the regime which may be exercised by a majority of the total vote thereof to provide for the disbursement by the Regime of the remaining proceeds held by it (after payment of all costs incident to such replacement) to the owners or any one or more of them in amounts disproportionate to the Percentage Interests appurtenant to their units established herein, which disproportionate amounts shall correspond with

the disproportionate damages sustained by the owners or any one or more of them as the Regime may determine. If at least seventy-five percent (75%) of the total vote of the Regime shall not decide within sixty (60) days after such taking to replace such improvements or if the taking is confined to the Common Areas and Facilities on which no improvements shall have been constructed, then the Regime shall disburse the proceeds of the award in the manner hereinabove provided for the disbursement of the remaining proceeds of an award after payment of all costs incident to replacement of improvements taken, including the right reserved to the Regime to provide for the disbursement of the remaining proceeds held by it to the owners in disproportion amounts.

3. Units. If the taking includes one or more units, any part or parts thereof or the Limited Common Areas and facilities, or parts thereof, to which a unit has exclusive use then the award shall be disbursed and all related matters, including without limitation, alteration of the Percentage Interest appurtenant to each unit, shall be handled pursuant to and in accordance with the consent of all owners expressed in a duly recorded amendment to this Declaration. Such amendments, if any, shall realign the Percentage Interests, established the method of distributing the condemnation award, and include such other provisions as all of the unit owners deem reasonable and appropriate. Further provided, such amendment shall be executed by the mortgagee of such units and shall not prejudice the creditors or other third parties who have an interest in the condemnation award with respect to their rights, if any, in such award. In the event that such an amendment shall not be recorded within ninety (90) days after such taking, then such taking shall be deemed to be treated as damage or destruction which shall not be repaired or reconstructed as provided for in Section 10, Article IX herein, whereupon the development will be terminated in the manner therein prescribed.

#### ARTICLE XII TERMINATION OF UNIT OWNERSHIP

##### 1. Agreement.

(a) The property may be removed from the provisions of this Declaration and the Unit Ownership Act, by an instrument to that effect, duly recorded, approved by all unit owners, provided that the holders of all liens, affecting any of the units, consent thereto or agree, in either case by instrument duly recorded, that their liens be transferred to the percentage of the undivided interest of the unit owner in the property.

(b) Upon removal of the property from the provisions of the Act, and this Declaration, the property shall be deemed to be owned as tenants in common by the unit owners. The undivided interest in the property owned as tenants in common which shall appertain to each unit owner shall be the percentage of the undivided interest previously owned by such unit owner in the Common Areas and Facilities.

(c) Notwithstanding anything to the contrary in this Article XII, if the ownership Act is amended to allow termination of Unit Ownership by less than all of the unit owners and all of the holders of



liens, then said amendment of the statute shall control this Declaration; provided that in no event shall the property be removed from Unit Ownership unless approved by the unit owners owning at least ninety percent (90%) of the percentage interest in the Common Areas and Facilities, and holders of ninety percent (90%) of the indebtedness of mortgage liens affecting the property.

2. Destruction. In the event it is determined in the manner provided in Section 10, Article IX of this Declaration, that the property shall not be repaired or reconstructed after fire or other casualty, the condominium shall be terminated and the condominium documents revoked. The determination not to repair or reconstruct after a fire or other casualty shall be evidenced by a certificate of the Regime certifying as to the facts affecting the termination, which certificate shall become effective upon being duly recorded in Alamance County Registry.

3. Condemnation. In the event that one or more units or any part thereof shall be taken in condemnation or by eminent domain, and the consent of all owners shall not be expressed in amendments to this Declaration, and the By-Laws, duly recorded within sixty (60) days after such taking as provided in Article XI of this Declaration, the condominium shall be terminated and the condominium documents revoked. Such taking shall be evidenced by certificate of the Regime certifying as to the facts effecting the termination, which certificate shall become effective sixty (60) days following the taking, upon the certificate being duly recorded in the Alamance County Registry.

#### ARTICLE XIII AMENDMENTS

1. By Owners. This Declaration may be amended by the vote of the unit owners owning at least a majority of the interest in the Common Areas and Facilities, provided that no such amendment shall be effective until placed in writing, executed, and acknowledged by unit owners owning at least a majority of the Common Areas and Facilities, and filed for registration in the Alamance County Registry; provided, however, if a larger vote is required to take or refrain from taking a specific action, as set forth in the Act or this Declaration, no amendment shall be made unless and until the unit owners holding such larger percentage interest in the Common Areas and Facilities execute such amending instrument. All persons or entities who own or hereafter acquire any interest in the condominium property shall be bound to abide by any amendment to this Declaration, upon the same being passed as provided herein and duly set forth in an amended Declaration, and duly recorded as provided herein. Notwithstanding anything to the contrary contained in this Declaration or the By-Laws attached hereto, no change or amendment to this Declaration or the By-Laws shall affect or change the percentages of the undivided interest of each unit owner in the Common Areas and Facilities, nor provide for the subdividing of any unit, unless all unit owners, and all holders of mortgages upon individual units, shall have given their written approval thereof. Except as provided in Section 10 of Article IX, no amendment to this Declaration or the By-Laws, shall allow the partitioning of the Common Areas and

Facilities, unless all unit owners, and all first mortgage lien holders upon the individual units shall have given their written approval thereof. No amendment made by the unit owners shall be effective prior to January 1, 1987, without the consent of the Declarant, so long as the Declarant owns any unit.

#### ARTICLE XIV GENERAL PROVISIONS

1. Covenants Running with the Land. All provisions of this Declaration shall be construed to be covenants running with the land, and with every part thereof and interest therein including, but not limited to, every unit and the appurtenances thereto; and each and every provision of the Declaration shall bind and inure to the benefit of all unit owners and claimants of the land or any part thereof or interest therein and their heirs, executors, administrators, successors and assigns.

2. Duration. So long as North Carolina law limits the period during which covenants restricting lands to certain uses may run, it shall be the duty of the Board of Directors to cause the covenants contained herein, as amended from time to time, to be extended when necessary by filing a document bearing the signatures of a majority of the then owners reaffirming and newly adopting the Declaration and covenants then existing in order that the same may continue to be covenants running with the land. Such adoption by a majority shall be binding on all, and each owner of any unit, by acceptance of a deed therefor, is deemed to agree that the Declaration and covenants may be extended as provided in this Section 2.

3. By-Laws. A true copy of the By-Laws of the Regime, which together with this Declaration shall govern the administration of the Condominium, is attached hereto as Exhibit C, and, by reference, made a part hereof.

4. Enforcement. Each owners shall comply strictly with the By-Laws and with the administrative rules and regulations adopted pursuant thereto, as either of the same may be lawfully amended from time to time, and with the covenants, conditions, and restrictions set forth in this Declaration or in the deed to his unit. Failure to comply with any of the same shall be grounds for an action to recover sums due, for damages or injunctive relief, or both maintainable by the Board of Directors on behalf of the Regime or by an aggrieved owner. Failure by the Regime or by any owner to enforce any of the foregoing shall in no event be deemed a waiver of the right to do so thereafter.

5. Severability. Invalidation of any covenant, condition, restriction, or other provision of this Declaration or the By-Laws, shall not affect the validity of the remaining portions thereof which shall remain in full force and effect.

6. Perpetuities and Restraints on Alienation. If any of the covenants, conditions, restrictions, or other provisions of this Declaration shall be unlawful, void or voidable, for violation of the Rule

Against Perpetuities, then such provisions shall continue only until 21 years after the death of the last person of the following group of persons living at the date of the recording of this Declaration; descendants of Ronald Reagan, the President of the United States; the descendants of James E. Carter, former President of the United States; and the descendants of Joseph P. Kennedy, father of John F. Kennedy, deceased, former President of the United States.

7. Gender and Grammar. The singular wherever used herein shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

8. Interpretation. The provisions of this Declaration and the By-Laws shall be liberally construed to effectuate its purpose in creating a uniform plan for the development and operation of the Condominium Property.

9. Voting and Percentages. Unless expressly stated to the contrary, all percentages for voting purposes means the owners of that percentage of the interest in the Common Areas and Facilities, by adding the percentage interests as set forth in this Declaration.

Percentage interest in the common areas shall be as follows:

<u>UNIT</u>	<u>% INTEREST</u>
1	8.2
2	7.11
3	7.11
4	6.46
5	6.46
6	6.46
7	6.46
8	7.11
9	7.11
10	8.20
11	8.20
12	6.46
13	6.46
14	8.20
	<u>100%</u>

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

11. Law Controlling. This Declaration and the By-Laws attached hereto shall be construed and controlled by and under the laws of the State of North Carolina. Provided, however, that if there are conflicts or inconsistencies between the Act, this Declaration, or the By-Laws, the terms and provisions of the Act and this Declaration (in that order)

shall prevail and the unit owners covenant to vote in favor of such amendments as will remove such conflict or inconsistencies, except that where the Act, the Declaration, or the By-Laws conflict and the provisions of the Act are merely enabling and not mandatory, the provisions of the Declaration or the By-Laws shall control.

ARTICLE XV

1. Encumbrance of Units. Each unit owner who shall mortgage or otherwise encumber his unit or any interest therein shall furnish to the corporation a copy of all such mortgages, deeds of trust, or other instruments creating such encumbrances.

ARTICLE XVI

SPECIAL PROVISIONS CONCERNING VETERAN'S ADMINISTRATION  
AND INSTITUTIONAL LENDERS

1. Veteran's Administration Approval. Wherever in this Declaration or in the By-Laws consents or approvals of mortgagees having a first mortgage are required for any action, change or amendment to this Declaration or the By-Laws and any loan on a unit in the Property is guaranteed by the Veteran's Administration, the consent or approval of the Veteran's Administration shall also be required before such action, change or amendment shall be effective.

2. Lender's Rights. Any mortgagee having a first mortgage on a unit in the Property will, upon request, be entitled to: 1) inspect the books and records of the Property during normal business hours; 2) receive an annual audited financial statement of the Property within 90 days following the end of any fiscal year of the Property; 3) written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings; 4) notice of any condemnation or casualty loss that affects either a material portion of the project or the unit securing its mortgage; 5) notice of any 60-day delinquency in the payment of assessments or charges which it holds a mortgage; and (6) notice of a lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the owners association.

IN WITNESS WHEREOF, the Declarants have caused this Declaration to be signed and sealed the day and year first above written. DECLARANTS:

ELLENBERG & ASSOCIATES, INC.

BY:

D. J. Simon  
President



Patricia W. Jones  
Secretary

The undersigned Trustee and beneficiary of a Deed of Trust of SHERWOOD PROPERTIES, INC., A North Carolina General Partnership, dated December 13, 1984 and recorded in Book 549, Page 471, of the Alamance County Public Registry, join in this Declaration for the purpose of subordinating the lien of said Deed of Trust to this Declaration and the condominium created hereby.

Charles W. Bester (SEAL)  
Substituted TRUSTEE

BRANCH BANKING & TRUST COMPANY, a North Carolina state banking corporation

William A. Bester (SEAL)  
President



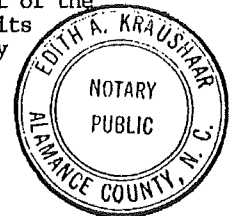
Edith A. Kraushaar  
Secretary  
NORTH CAROLINA  
ALAMANCE COUNTY

I, Edith A. Kraushaar, a Notary Public, do hereby certify that Patricia W. Jones personally came before me this day and acknowledged that he/she is (Assistant) Secretary of ELLENBERG & ASSOCIATES, INC., 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 himself/herself as its (Assistant) Secretary.

WITNESS my hand and official seal this the 4 day of February, 19 86

My Commission Expires:  
5/18/90

Edith A. Kraushaar  
NOTARY PUBLIC

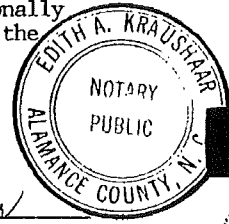


NORTH CAROLINA

ALAMANCE COUNTY

I, Edith A. Kraushaar, a Notary Public do hereby certify that Charles B. Brown, Jr., Trustee personally appeared before this day and acknowledged the due execution of the foregoing instrument.

WITNESS my hand and official seal this the 4 day of February, 1986.



My Commission Expires:

5/18/90

Edith A. Kraushaar  
NOTARY PUBLIC

NORTH CAROLINA

ALAMANCE COUNTY

I, Edie May, a Notary Public, do hereby certify that Troy W. Woodard, Sr. personally came before me this day and acknowledged that he/she is (Assistant) Secretary of BRANCH BANKING & TRUST COMPANY, a North Carolina state banking corporation, 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 himself/herself as its (Assistant) Secretary.

WITNESS my hand and official seal this the 4th day of February, 1986.

My Commission Expires:

4-16-89

Edie May  
NOTARY PUBLIC

FILED  
BOOK 509 PAGE 489  
FEB 4 2 10 PM '86  
MARIAN H. PITTMAN  
REGISTER OF DEEDS  
ALAMANCE COUNTY, N.C.

State of North Carolina - Alamance County

The foregoing certificate of

Edith A. Kraushaar  
Edie May

A Notary (Notaries) Public of the Designated Governmental units is (are) certified to be correct.

This the 4 day of February, 1986

MARIAN H. PITTMAN  
Register of Deeds By: John D. [Signature]

## EXHIBIT "A"

All that certain tract or parcel of land in Burlington Township, Alamance County, North Carolina, and more particularly described as follows:

BEGINNING at an existing iron pipe in the eastern margin of Sherwood Drive, a corner with Lot 20, Brookwood Garden Subdivision, Section 2 a plat of which is recorded in Plat Book 10 at Page 21, Alamance County Registry; running thence from said BEGINNING POINT, and with the eastern margin of Sherwood Drive, N. 09° 57' W. along an arc with a radius of 650.53 feet a chord distance of 33.43 feet to an existing iron pipe in the eastern margin of Sherwood Drive, a corner with Lot 19, Brookwood Garden Subdivision, Section 2; running thence with the line of Lot 19, Brookwood Garden Subdivision, S. 86° 21' 50" E. 76.60 feet to an existing iron pipe in the line of Lot 19, a corner with Lot 19; running thence with the line of Lot 19, N. 03° 47' 20" E. 117.49 feet to an existing iron pipe in the line of Lot 2, Plat Book 6 at Page 97, Alamance County Registry, a corner with Lot 19; running thence with the line of Lot 2, S. 86° 11' 40" E. 44.90 feet to an existing iron pipe, a corner with Lot 2 and Lot 17, Brookwood, Section 3, a plat of which is recorded in Plat Book 3 at Page 33, Alamance County Registry; running thence with the line of Lots 17 and 16, Brookwood, Section 3, S. 86° 11' 40" E. 185.06 feet to an existing iron pipe, a corner with Lots 16 and Lot 15, Brookwood, Section 3; running thence with the line of Lots 15 and 14, Brookwood, Section 3, S. 86° 11' 40" E. 139.61 feet to an existing iron pipe in the line of Lot 14, a corner with Lot 14; running thence with the line of Brookwood Garden Condominiums, a Plat of which is recorded in Plat Book 25 at Pages 98-101, Alamance County Registry, S. 03° 43' 30" W. 149.69 feet to an existing iron pipe, a corner with Brookwood Garden Condominiums; running thence with the line of Brookwood Garden Condominiums, N. 86° 15' 30" W. 254.90 feet to an existing iron pipe in the line of Brookwood Garden Condominiums; running thence with the line of Brookwood Garden Condominiums, N. 86° 15' 30" W. 18.81 feet to an existing iron pipe, a corner with Brookwood Garden Condominiums and Lot 20, Brookwood Garden Subdivision, Section 2; running thence with the line of Lot 20, N. 86° 15' 30" W. 164.67 feet to the point and place of BEGINNING and containing 1.326 acres, more or less, of SHERWOOD, a plat of which is recorded in Plat Book 31 at Page 195, Alamance County Registry.

This conveyance is subject to restrictions, rights of way and easements, if any, of record in the Alamance County Registry.

EXHIBIT "B"

MATTERS AFFECTING TITLE

An easement from Sherwood Properties to Duke Power Company - general permit - dated November 19, 1984, recorded December 5, 1984 in Deed Book 495 at Page 659, Alamance County Registry.