

STATE OF NORTH CAROLINA
COUNTY OF UNION

*Refused
JBC*

REFERENCE HEREBY
MADE TO: Book C-1
Page 11-16 JBC

DECLARATION CREATING UNIT OWNERSHIP
AND ESTABLISHING RESTRICTIONS,
COVENANTS, AND CONDITIONS
FOR CAMELOT, PHASE 1

Plot 1 of 2
REFERENCE HEREBY
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CAMELOT DEVELOPMENT PARTNERSHIP, a North Carolina general partnership with its principal place of business in Monroe, Union County, North Carolina (herein "Declarant") does hereby make, declare and establish this Declaration of Condominium as and for the plan of dwelling ownership of Camelot, Phase 1, being the property and improvements hereinafter described.

1. ESTABLISHMENT OF CONDOMINIUM. Phase 1 is the first condominium phase of a series of condominium phases which the Developer proposes to create, each of which, if developed, will be located within (but not necessarily encompassing all) the real property described in Exhibit "A" attached hereto and incorporated herein by reference. All of these condominiums are being developed under a Common Plan which includes this Declaration, the features of which include common recreation facilities and the providing of maintenance and other services through a common administration. Each parcel or tract of land, with the improvements thereon or to be placed thereon, which may be submitted to the condominium form of ownership pursuant to this Common Plan shall constitute an addition to the original Condominium and shall be designated as Camelot and subsequent phases. In addition, in order to facilitate the operation and administration of all phases of the condominium under the Common Plan, there shall be formed the non-profit corporation known as Camelot Condominium Association, which shall have the general authority and responsibility for the operation and administration of the condominium and all of its dedicated phases. The authority and responsibility of Camelot Condominium Association, Inc. shall be as described in this Declaration, and its Articles of Incorporation and By-laws.

Declarant does hereby submit the property, more particularly described on Exhibit "B" attached hereto and incorporated herein by reference, together with the improvements located thereon and all easements, rights, and appurtenances belonging thereunto to condominium ownership under the provisions of Chapter 47A of the General Statutes of North Carolina (Unit Ownership Act), and hereby declares the same to be a condominium to be known and identified as Camelot, Phase 1, which contains fourteen (14) living units and their support facilities and other appurtenant improvements. By Supplementary Declaration, in the manner hereinafter provided, Declarant may from time to time add additional phases and subject such land and buildings and improvements thereon to this DECLARATION, and thereafter such land therein described shall be and become subject to the Act and this DECLARATION as if included from the beginning. By acceptance of a deed to a condominium unit created hereby or by Supplementary Declaration, each unit owner agrees that such additional phases and units therein may be added to the condominium property and that the percentage interest in the common areas and facilities will be reduced as set out in Section 8 hereof.

2. DEFINITIONS. The following words, when used in this DECLARATION, or any Supplement or amendment hereto, unless the context requires otherwise, shall have the following meanings:

(A) Act. The Unit Ownership Act of North Carolina, North Carolina General Statute Chapter 47A, as amended.

(B) Assessment. An owner's share of the common expenses assessed against such owner and his unit from time to time by the Association in the manner hereinafter provided.

Debra B. Richards;
Sherry R. Smith, Jr. Attorney

(C) Association. An association of and limited to the owners of condominium units, in the form of a non-stock, non-profit membership corporation organized under the laws of the State of North Carolina as Camelot Condominium Association, Inc.

(D) Common Areas and Facilities. All of the condominium property and every part thereof, excluding the units, but including limited common areas and facilities to be maintained by the Association.

(E) Common Expenses. (i) Expenses of administration, maintenance, repairs and replacements of the Common Areas and Facilities and the Limited Common Areas and Facilities; (ii) Expenses determined by the Association to be Common Expenses, and which are lawfully assessed against the Unit Owners; (iii) Expenses declared to be Common Expenses by the provisions of the Act or the Condominium Documents; and (iv) All sums lawfully assessed against the Unit Owners by the Association.

(F) Condominium Documents. This DECLARATION, the By-Laws attached as Exhibit "C", and RULES AND REGULATIONS as may be established by the Association governing the use of the condominium property, and Supplementary Declarations adding property to the condominium, all as may be amended from time to time.

(G) Condominium Property. All of the property submitted to the Unit Ownership Act by this DECLARATION or by Supplementary Declarations, being the property described on 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.

(H) Declarant. The Declarant is Camelot Development Partnership, a North Carolina general partnership, or its successor in fee ownership of all remaining units (more than one unit) unsold to purchasers as use as residences. At no point in time shall there be more than one "Declarant".

(I) Limited Common Areas and Facilities. Those areas so designated on the plans attached hereto and incorporated herein by this reference, identified in Section 5 hereof.

(J) Majority or Majority of Unit Owners. 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 interest 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.

(K) Member. A unit owner and member of the Association.

(L) Percentage Interest. The percentage of undivided interest each Unit Owner owns in the Common Areas and Facilities as set forth in Section 8 of this DECLARATION.

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

(N) Plans. The site plan and portions of the plans of the buildings and units by Clary Architects, Inc. dated August 20, 1980 and attached to this DECLARATION as Exhibit "D".

(O) Supplementary Declaration. The document filed, by Declarant to include subsequent phases within the condominium property, in the manner provided hereinafter.

(P) Unit. Those parts of the condominium property described in Section 4 hereof which are subject to this DECLARATION from time to time, and which are shown and designated on the plans as units.

(Q) Unit Owner. 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.

3. DESCRIPTION OF BUILDINGS. Camelot, Phase 1, shall contain two (2) non-contiguous multi-unit buildings designated on Sheet No. S1 of the Plans, as Row 2 and Row 3, which Plans are attached hereto as Exhibit "D" and made a part of this description by reference. Each building contains two (2) single-story units designated as Units A and G, and contains five (5) two-story townhouse type units designated as Units B, C, D, E and F. No buildings shall have basements. Each of the buildings is described graphically in the Plans of such buildings, a copy of which is attached as Exhibit "D", which shows the particulars of each building, including the location, layout, number of rooms, dimensions, ceiling and floor elevations, approximate area, building designations, unit numbers and location of common areas and facilities affording access to each unit.

The buildings are principally constructed with wood frame, gypsum dry walls and an exterior of either wood siding, stucco, brick, stone veneer and composition shingle roofs. The bottom floors of all buildings are constructed of concrete slabs. The floors of the second floor are standard frame construction of 2 x 10 inch and 2 x 8 inch floor joists with plywood and particle board sheathing.

For a more particular description of the principal materials of which each building is constructed, reference is made to the Plans filed herewith as Exhibit "D".

4. DESCRIPTION OF UNITS. Each building in each Phase contains seven (7) units connected to one another by common walls. Each unit is designated on the Plans attached hereto as Exhibit "D", by a letter designation. In Phase 1, there are two basic floor plans or types of units, and each unit type is described as follows:

Type A and G unit is a one-story garden style unit containing approximately one thousand four hundred forty-four (1,444) square feet of heated area plus a concrete patio in the rear. Each unit contains two (2) full bathrooms, two (2) bedrooms, living room, dining room and kitchen. This type unit is located at each end of each building.

Type B, C, D, E and F units are two-story townhouse style units containing approximately one thousand eight hundred ten (1,810) square feet of heated area plus a concrete patio in the rear. Each unit contains three (3) full bathrooms, option of two (2), three (3) or four (4) bedrooms, living room and dining room area and kitchen with a family room option.

In additional phases, if constructed, each building will repeat the unit type combinations described above.

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) its walls and ceilings. It is the intent that each unit will include all interior drywall, paneling 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, concrete slabs, 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 a 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) all electrical switches, electrical outlets and light fixtures within the boundaries of a unit together with the electrical breaker panel serving the unit, wherever located; (c) the electrical wiring and service system, wherever located, from the service meter to the place where it connects with all uses within the unit; (d) the plumbing for water service from the last junction with a water line serving another unit to its end use in a unit; and (e) 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 boundary of a unit as originally constructed, or of a unit as 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 Plans, regardless of settling or lateral movement of the buildings, and regardless of minor variances between boundaries shown on the Plans and those of the unit.

5. COMMON AREAS AND FACILITIES. The general common areas and facilities consists of the entire property other than the condominium units, including without limitation:

(A) The land on which the buildings are erected and all the land surrounding the buildings which lies within the boundaries of the land from time to time, subject to this DECLARATION, and every part of the building and property other than the condominium units.

(B) The foundation and structural members, including columns, girders, beams and supports.

(C) All installations designed and intended for common use, such as but not limited to, telephone, electricity, gas, hot and cold water, plumbing, sewer, heat, ventilation, air conditioning, and incineration (including all pumps, pipes, ducts, shafts, conduits, vents, wire, tubes, and cables designed and intended for common use in connection therewith), whether located in common areas or condominium units, excluding from such installations all parts thereof, and all items affixed or connected thereto, not designed or intended for common use.

(D) All apparatus and equipment designed and intended for common use such as, but not limited to, tanks, pumps, motors, fans, compressors, condensers, and control apparatus and equipment, whether located in common areas or in condominium units, excluding from such apparatus and equipment all parts thereof, and all items affixed or connected thereto, not designed or intended for common use.

(E) Easements for access, maintenance, repair, construction or replacement of the above-mentioned equipment apparatus, installations, appurtenances and common areas and facilities, and for all other services necessary or convenient to the existence, maintenance, safety and use of property.

(F) The yards, landscaping, fences, non-public roads and driveways, landscaping easement in adjoining property shown on Exhibit A, parking areas, walks, retaining walls, paved areas, and all other maintenance and recreational areas. The property shall contain unmarked parking spaces to accommodate approximately two automobiles for each condominium unit.

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

6. 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, all balconies, patios (concrete slabs), 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. The Board shall have the right to approve, from time to time, changes in existing Limited Common Areas and Facilities, and to approve additional or new Limited Common Areas and Facilities 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.

7. RECREATIONAL FACILITIES. No recreational facilities will be installed in Phase 1; however, as provided herein, Declarant intends to add subsequent phases to the condominium by Supplementary Declarations. When the sixth building is added in a subsequent phase, tennis courts and additional parking will be added to the condominium as shown on the plans attached as Exhibit D hereto and when the ninth building is added, in a subsequent phase, a swimming pool will be added, also as shown on said plans.

8. OWNERSHIP OF CONDOMINIUM UNITS AND APPURTENANT INTEREST IN COMMON PROPERTY. 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 Areas and Facilities. The undivided interest appurtenant to each Condominium Unit shall be as set out in Exhibit "E" attached hereto and made a part hereof. The proportional interest in the Common Areas and Facilities that is appurtenant to each Condominium Unit has been determined by a ratio formulated upon the approximate relation that the fair market value of each Unit at the date of the Declaration bears to the then aggregate fair market value of all of the Units having an interest in the Common Areas and Facilities. The fair market value of each Unit and the aggregate fair market value of all the Units have been determined by the Declarant and are binding upon all Unit Owners. Such determination shall not restrict the Declarant or any subsequent owner in establishing a sales price for any particular unit.

The Declarant intends to, but does not obligate itself, to add additional phases to the Condominium. If said phases are built, they will be built in substantially the same manner as Phase 1. If additional phases are added, the undivided percentage interest appurtenant to each unit will decrease provided, however, if all additional phases are built and added to the Condominium, the appurtenant undivided interest of each unit owner in the total Common Areas and Facilities shall not be less than 1.238; provided, further, that said appurtenant undivided interest of each owner may be more than the aforesaid minimum interest if fewer than all additional phases are added to the Condominium and depending upon the types of units to be contained within additional phases. The appurtenant undivided interest in the

Common Areas and Facilities for each unit in such additional phases shall be determined for each type unit based on the fair market value for such type unit as of the date of this DECLARATION. A Supplementary Declaration shall be made to bring each such additional phase under this Condominium and attached to and incorporated within each Supplementary Declaration shall be a schedule of the exact appurtenant undivided interest of each owner in the total Common Areas and facilities as of the time each new phase is added.

9. RESTRICTION AGAINST FURTHER SUBDIVISION OF CONDOMINIUM UNITS; SEPARATE CONVEYANCE OF APPURTENANT COMMON PROPERTY No Condominium Unit may be divided or subdivided into a smaller Unit or Units than as shown in the Unit Ownership File. Doors or other closures may be added to provide access from one unit to another provided that the written approval of the Association is first obtained as to the location and structural soundness thereof. The undivided interest in the Common Areas and Facilities declared to be an appurtenance to each Condominium Unit shall not be conveyed, devised, encumbered or otherwise dealt with separately from said Condominium Unit, and the undivided interest in Common Areas and Facilities appurtenant to each Condominium Unit shall be deemed conveyed, devised, encumbered or otherwise included with the Condominium Unit even though such undivided interest is not expressly mentioned or described in the instrument conveyed, devising, encumbering or otherwise dealing with such Condominium Unit. Any conveyance, mortgage or other instrument which purports to grant any right, interest or lien in, to or upon a Condominium Unit, shall be null and void insofar as it purports to affect any interest in a Condominium Unit and its appurtenant undivided interest in Common Areas and Facilities, unless it purports to convey, devise, or encumber the entire Condominium Unit. Any instrument conveying, devising, or encumbering any Condominium Unit, which describes said Condominium Unit by the numerical designation assigned thereto in the Unit Ownership File shall be construed to affect the entire Condominium Unit and its appurtenant undivided interest in the Common Areas and Facilities. No limitation is placed on the ownership of any Condominium Unit by any person as tenants in common, joint tenants, or as tenants by the entirety.

10. RESTRICTIVE COVENANTS.

(A) Residential. Each of the units now constructed or to be constructed on the property shall be, and the same hereby are, restricted exclusively to residential use. One bedroom units shall be limited to occupancy by two persons and their guests, and two bedroom units shall be limited to occupancy by four persons and their guests. The provisions of this paragraph do not apply to property being used by the Association as incidental to the operations and organization of the Association.

(B) 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.

(C) 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.

(D) Alterations and Attachments by Unit Owner. 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.

(E) Motor Vehicles. No motor vehicle (other than 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.

(F) 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 other than a "For Sale" or "For Rent" sign no larger than 24 inches by 36 inches placed in a window, without written permission from the Board; except that the Declarant is exempt from this provision as provided above.

(G) 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 of any one or more unit owners.

(H) 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 Association 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 Association or the Board has given its permission thereof.

(I) Access to Units. The Association 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 Association 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.

(J) 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 Association for the actual cost of removal thereof or the sum of \$25.00, whichever is greater, and the same shall be added 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.

(K) Lawful Use. No 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.

(L) Restriction on Transfer of Common Areas. The Association 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 totaling 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.

(M) Rules and Regulations. The Board may from time to time promulgate reasonable rules and regulations respecting the restrictive covenants set out in this Section 10, but such rules and regulations shall be consistent with these restrictions and not in derogation or intended as an amendment thereof.

(N) Leasing of Units. With the exception of a lender in possession of a condominium unit following a default in a 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, and no such lease shall be for a period of less than thirty (30) days.

11. EASEMENTS.

(A) 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 and Facilities, (including the right of access, ingress and egress to and from his unit over those portions of the property 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:

(1) 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 Association, 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;

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

(3) 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.

(B) 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.

(C) 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.

(D) 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 or 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.

(E) 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., master television antenna system or security system, if installed) which the Declarant, or the Association, 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 wire, conduits, cables and the like on, above, across, under and through the roofs and exterior walls of the units. Should any part furnishing any service covered by this general easement request a specific easement by separate recordable document, Declarant, or the Association, as the case may be, shall have the right to grant such easement under the terms hereof.

(F) Other. There shall be a general easement to the Association, its directors, officers, agents, and employees (including, but not limited to, any manager employed by the Association) 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.

12. RESTRAINT UPON SEPARATION AND PARTITION OF COMMON PROPERTY. Recognizing that the proper use of a Condominium Unit by an Owner or Owners is dependent upon the use and enjoyment of the Common Areas and Facilities in common with the Owners of all other Condominium Units, and that it is in the interest of all Owners that the ownership of the Common Areas and Facilities be retained in common by the Owners, it is hereby declared that the proportional undivided interest in the Common Areas and Facilities appurtenant to each Condominium Unit shall remain undivided and no Unit Owner shall bring or have any right to bring any action for partition or division.

13. ADMINISTRATION OF THE CONDOMINIUM BY CAMELOT CONDOMINIUM ASSOCIATION. To efficiently and effectively provide for the administration of the Condominium by the Owners of the Condominium Units, a non-profit North Carolina corporation known and designated as Camelot Condominium Association (herein "Association") has been organized, and said corporation shall administer the operation and management of the Condominium and undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation and By-Laws. A true copy of said By-Laws are annexed hereto and expressly made a part hereof as Exhibit "C". The Owner or Owners of each Condominium Unit shall automatically become members of the Association upon acquiring an ownership interest in title to any Condominium Unit and its appurtenant undivided interest in Common Areas and Facilities, and such membership shall terminate automatically upon the Owner or Owners being divested of such ownership interest in the title to such Condominium Unit, regardless of how such ownership may be divested. No person, firm or corporation holding any lien, mortgage or other encumbrance upon any Condominium Unit shall be entitled, by virtue of such lien, mortgage or other encumbrance, to membership in the Association or to any of the rights or privileges of such membership. In the administration of the operation and management of the Condominium, the Association is hereby granted the authority and power to enforce the provisions of this Declaration, to levy and to collect assessments in the manner of this DECLARATION, to levy and to collect assessments in the manner hereinafter provided, and to adopt, promulgate and enforce such rules and regulations governing the use of the condominium units and Common Areas and Facilities as its Board of Directors may deem to be in the best interest.

14. USE OF COMMON AREAS AND FACILITIES SUBJECT TO RULES OF ASSOCIATION. 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 right of other unit owners. The Board shall, if any questions arise, 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.

15. LIMITATION ON RIGHT OF OWNERS TO ALTER AND MODIFY CONDOMINIUM UNITS. No Owner of a Condominium Unit shall permit any structural modification or alteration to be made to such Condominium Unit without first obtaining the

written consent of the Association, which consent may be withheld in the event that a majority of the Board of Directors of the Association shall determine that such structural modifications or alterations would adversely affect or in any manner endanger the Condominium in part or in its entirety. No Owner shall cause any improvements or changes to be made on the exterior of the Condominium (including painting or other decoration, or the installation of electrical wiring, television or radio antennae or any other object or machines which may protrude through the walls or roof of the Condominium) on in any manner alter the appearance of the exterior portion of any building without the written consent of the Association being first obtained. No Unit Owner shall cause any object to be fixed to the Common Areas and Facilities or to any Limited Common Areas and Facilities (including the location or construction of fences and the planting or growing of flowers, trees, shrubs or any other vegetation) or in any manner change the appearance of the Common Areas and Facilities or Limited Common Areas and Facilities without the written consent of the Association being first obtained.

16. RIGHT OF ASSOCIATION TO ALTER AND IMPROVE COMMON AREAS AND FACILITIES AND ASSESSMENT THEREFOR. The Association shall have the right to make such alterations or improvements to the Common Areas and Facilities which do not prejudice the rights of the Owner of any Condominium Unit in the use and enjoyment of his Condominium Unit, provided the making of such alterations and improvements are approved by the Board of Directors of the Association, and their costs shall be common expenses to be assessed and collected from all of the Owners of Condominium Units. However, where any alterations and improvements are exclusively or substantially for the benefit of the Owner or Owners of certain Condominium Unit or Units requesting them, then the cost of such alterations or improvements shall be assessed against and collected solely from the Owner or Owners of the Condominium Unit or Units exclusively or substantially benefited, the assessment to be levied in such proportion as may be determined by the Board of Directors of the Association.

17. MAINTENANCE AND REPAIR BY OWNERS OF CONDOMINIUM UNITS. 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 endanger. The Owner of each Condominium Unit shall be liable and responsible for the maintenance, repair, and replacement of all heating and air conditioning equipment regardless of where located, stoves, refrigerators, fans, or other appliances or equipment, including any fixtures and/or their connection required to provide water, light, power, telephone, 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 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. Whenever the maintenance, repair and replacement of any item for which the Owner is obligated to maintain, replace or repair at his own expense is occasioned by any loss or damage which may be covered by any insurance maintained in force by the Association, the proceeds of the insurance received by the Association shall be used for the purpose of making such maintenance, repair or replacement except that the Owner of such Condominium Unit shall be, in said instance, required to pay such portion of the costs of such maintenance, repair and replacement as shall, by reason of the applicability of any deductibility provision to such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement. Each unit owner shall be responsible for keeping the Limited Common Areas and Facilities under his control and dominion in a neat, slightly 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 or his family, guests, invitees or agents. All doors, window frames, panes and screen are a part of the respective Condominium Units and shall be maintained by the respective Unit Owners. 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.

18. MAINTENANCE AND REPAIR OF COMMON AREAS AND FACILITIES BY THE ASSOCIATION. The Association, at its expense, shall be responsible for the maintenance, repair and replacement of all of the Common Areas and Facilities, including those portions thereof which contribute to the support of the buildings, and all conduits, ducts, plumbing, wiring and other facilities located in the Common Areas and Facilities for the furnishing of utility, heating and other services to the Condominium Units and said Common Areas and Facilities, and should any damage be caused to any Condominium Unit by virtue of any work which may be done or caused to be done by the Association in the maintenance, repair or replacement of any Common Areas and Facilities, the Association shall, at its expense, repair such damage. Whenever the maintenance, repair and replacement of any item for which the Association is obligated to maintain, replace or repair at its expense, is occasioned by any act of a Condominium Unit Owner, his immediate family, guests or invitees, and such loss or damage may be covered by any insurance maintained in force by the Association, the proceeds of the insurance received by the Association shall be used for the purpose of making such maintenance, repair or replacement, except that the Unit Owner who is responsible for the act causing the damage (whether done by himself or by his family, guests or invitees) shall be required to pay such portion of the cost of such maintenance, repair and replacement as shall, by reason of the applicability of any deductibility provision of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement. If such unit owner defaults in his obligations herein and such default is not cured by him within fifteen (15) days from written demand by the Association, the same may be cured by the Association and the cost thereof shall be assessed against the unit owned by the subject unit owner.

All vouchers for payment of expenses incurred by the Association 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.

19. AUTHORITY TO PURCHASE INSURANCE. Insurance policies upon the Property (except title insurance) shall be purchased by the Association in the name of the Board of Directors of the Association, as Trustees for the Condominium Unit Owners, for the benefit of the Condominium Unit Owners and their respective mortgages as their interests may appear, and shall provide for the issuance of certificates of mortgage endorsements to the holders of first mortgages on the Condominium Units or any of them, and if the companies writing such policies will agree, the policies shall provide that the insurer waives its rights of subrogation as to any claims against Condominium Unit Owners, the Association and their respective servants, agents and guests. Each Condominium Unit Owner may obtain insurance, at his own expense, affording coverage upon his Condominium Unit, his personal property and for his personal liability and as may be permitted or required by law, but all such insurance shall contain the same waiver of subrogation referred to above if available.

20. INSURANCE COVERAGE TO BE MAINTAINED: USE AND DISTRIBUTION OF INSURANCE PROCEEDS.

(A) The following insurance coverage shall be maintained in full force and effect by the Association covering the operation and management of the Condominium Units and Common Property:

(1) Casualty insurance covering the building and all improvements upon the land and all personal property subject to this Declaration and any additions added by amendment, except such personal property as may be owned by the Condominium Unit Owners, shall be procured in an amount equal to the maximum insurable replacement value thereof (exclusive of excavation, foundations, streets and parking facilities) as determined annually by the insurance company affording such coverage. If co-insurance is purchased by the Association, an insurance policy with an agreed amount endorsement or its equivalent will be obtained. Such coverage shall afford protection against: (a) loss or damage by fire or other hazards covered by the standard extended coverage endorsement; (b) such other risks as from time to time customarily shall be covered with respect to buildings similar in construction, location and use, including but not limited to vandalism and malicious mischief.

(2) Public liability and property damage insurance in such amounts and in such forms as shall be required by the Association, including legal liability, hired automobile, non-owned automobile and off-premises employee coverages, but not less than \$1,000,000 coverage for General Liability.

(3) All liability insurance shall contain cross-liability endorsements to cover liabilities of the Condominium Unit Owners as a group to a Condominium Unit Owner.

(4) Fidelity Coverage protecting against dishonest acts by Association officers, directors, trustees, and employees and all others who are responsible for handling funds of the Association in the amount of 150% of one year's operating budget, plus projected reserve balances during the budget year. If professional management is obtained by the Association and it has at least this amount of coverage and it handles the funds, then this requirement will be satisfied.

(5) In the event of a lapse, cancellation or material modification of any insurance policy or fiduciary bond maintained by the owners association, written notice thereof will be given to any guarantor, holder of a mortgage or other such lien or any other insurer requesting same, in writing providing proper names and addresses.

(B) Premiums upon insurance policies purchased by the Association shall be paid by said Association and charged as Common Expense.

(C) All insurance policies purchased by the Association shall be for the benefit of the Association and the Condominium Unit Owners and their mortgagees, as their respective interests may appear, and shall provide that all proceeds payable as a result of casualty losses shall be paid to the Association. The Association shall hold such proceeds in trust for the benefit of the Association, the Condominium Unit Owners and their respective mortgagees in the following shares:

(1) Proceeds on account of damage to Common Property: In undivided shares for each Condominium Unit Owner and his mortgagee, if any, which is set forth as the Condominium Unit Owner's share as then exists under Paragraph 4 above.

(2) Proceeds on account of damages to Condominium Units shall be held in the following undivided shares:

(a) Partial destruction when the Condominium is to be restored: For the Owners of damaged Condominium Units in proportion to the costs of repairing the damage suffered by each damaged Condominium Unit;

(b) Total destruction of the Condominium or where the Condominium is not to be restored: For all Condominium Unit Owners and their mortgagees, the share of each being set forth in Paragraph 4 above.

(D) In the event a mortgagee endorsement has been issued as to a Condominium Unit, the share of the Condominium Unit Owner shall be held for the mortgagee and the Condominium Unit Owner as their interests may appear, but nothing herein contained shall be construed so as to give any mortgagee the right to determine or participate in the determination of reconstruction or repair.

(E) Proceeds of insurance policies received by the Association shall be distributed to or for the benefit of the beneficial Condominium Unit Owners in the following manner:

(1) If the damage for which the proceeds were paid is to be repaired or reconstructed, the proceeds shall be paid to defray the costs thereof as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial Condominium Unit Owners, all remittances to Condominium Unit Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Condominium Unit and may be enforced by him.

(2) If it is determined that the damage for which the proceeds are paid shall not be reconstructed or repaired, the proceeds shall be distributed to the beneficial Condominium Unit Owners, remittances to Condominium Unit Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Condominium Unit and may be enforced by him.

(F) Each Unit Owner, at his expense, shall keep in force comprehensive personal liability insurance covering liability for damages to person or property of others located within such Owner's Unit, or another Unit, or upon the Common Area and facilities in such amounts as the Board of Directors shall, from time to time, determine, but in no case less than \$100,000.00 for each occurrence.

21. RECONSTRUCTION OR REPAIR OF CASUALTY DAMAGE; DAMAGE TO COMMON AREAS AND FACILITIES; DAMAGE TO CONDOMINIUM UNITS.

(A) If any part of the Common Areas and Facilities shall be damaged by casualty, the determination of whether or not to reconstruct or repair it shall be made as follows:

(1) Partial destruction shall be destruction of two-thirds (2/3) or less of the building or structure. In the event of partial destruction, the Common Areas and Facilities shall be reconstructed or repaired unless this Declaration is terminated by the unanimous vote of all of the Condominium Unit Owners at a meeting of the

members of the Association called and held prior to commencement of such reconstruction or repair.

(2) Total destruction shall be destruction of more than two-thirds (2/3) of the building or structure. In the event of total destruction, the Common Areas and Facilities shall not be reconstructed or repaired if, at a meeting which shall be called within thirty (30) days after the occurrence of the casualty, or if by such date the insurance loss has not been finally adjusted, then within thirty (30) days after such adjustment, Condominium Unit Owners who own three-fourths (3/4) or more of the building or structure vote against reconstruction or repair.

(3) Any such reconstruction or repair shall be substantially in accordance with the plans and specifications contained herein.

(B) If the damage is only to those parts of one or more Condominium Units for which the responsibility for maintenance and repair is that of the Unit Owner, then the Condominium Unit Owner shall be responsible for reconstruction and repair after casualty. In all other instances, the responsibility of reconstruction and repair after casualty shall be that of the Association as follows:

(1) Immediately after the casualty causing damage to property for which the Association has the responsibility for maintenance and repair, the Association shall obtain reliable and detailed estimates of the cost to place the damaged property in condition as good as that before the casualty. Such costs may include professional fees and premiums for such bonds as the Board of Directors deem appropriate.

(2) When the damage is to both Common Areas and Facilities and Condominium Units, the insurance proceeds shall be applied first to the costs of repair the Common Areas and Facilities and the balance to the Condominium Units.

(C) Each Condominium Unit Owner delegates to the Board of Directors of the Association his right to adjust with insurance companies all losses under policies purchased by the Association, except in any case where the damage is restricted to one Condominium Unit.

22. ASSOCIATION TO MAINTAIN REGISTER OF OWNERS AND MORTGAGEES. The Association shall maintain a Register setting forth the names of the Owners of all of the Condominium Units. In the event of the transfer of any Condominium Unit to a third party, the transferee shall notify the Association in writing of his interest in such Condominium Unit, together with the recording information necessary to identify the instrument by which the transferee has acquired his interest. The Owner of each Condominium Unit shall also notify the Association of the parties holding any mortgage on any Condominium Unit, the amount of such mortgage and the recording information necessary to identify the mortgage. The holder of any mortgage upon any Condominium Unit may notify the Association of the existence of any mortgage and the Association shall register in its records all pertinent information relating thereto.

23. ASSESSMENTS: LIABILITY, LIEN AND ENFORCEMENT. The Association is given the authority to administer the operation and management of the Condominium as being in the best interest of the Owners of all Condominium Units. To properly administer the operation and management of the Condominium, the Association will incur for the mutual benefit of all of the Owners of Condominium Units, costs and expenses (herein "common expense"). To

provide the funds necessary for such property operation, management and capital improvement, the Association has been granted the right to make, levy and collect assessments against the Unit Owners and their Condominium Units. In furtherance thereof, the following provisions shall be operative and binding upon the Owners of all Condominium Units.

(A) All assessments levied against the Unit Owners and their Condominium Units shall be uniform and, unless specifically otherwise provided for herein, all assessments made by the Association shall be in such an amount that any assessment levied against a Unit Owner and his Condominium Unit shall bear the same ratio to the total assessment made against all Unit Owners and their Condominium Units as the undivided interest in Common Areas and Facilities appurtenant to each Condominium Unit bears to the total undivided interest in Common Areas and Facilities appurtenant to all Condominium Units. Should the Association be the Owner of a Condominium Unit or Units, the assessment which would otherwise be due and payable to the Association by the Owner of such Unit or Units, reduced by the amount of income which may be derived from the leasing of such Unit or Units by the Association, shall be apportioned and assessment therefor levied ratably among the Owners of all Units which are not owned by the Association, based upon their proportionate interest in Common Areas and Facilities exclusive of the interest therein appurtenant to any Unit or Units owned by the Association.

(B) Assessments provided for herein shall be payable in monthly installments, or in such other manner as the Board of Directors of the Association shall determine. Such assessments shall commence for each Unit when selected by the Board of Directors of the Association.

(C) The Board of Directors of the Association shall establish an Annual Budget in advance for each fiscal year (which shall correspond to the calendar year, except that in the initial year of operation of the Condominium, the fiscal year shall commence with the closing of the sale of the first Condominium Unit). Such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the Condominium, including a reasonable allowance for contingencies and reserves, such budget to take into account anticipated income which is to be applied in reduction of the amounts required to be collected as an assessment each year. The Board of Directors shall keep separate, in accordance with Paragraph "D" hereof, items relating to operation and maintenance from items relating to capital improvements. Upon adoption of such Annual Budget by the Board of Directors of the Association, copies shall be delivered to each Owner of a Condominium Unit and the assessment for said year shall be established based upon such budget, although the non-delivery of a copy of it to each Owner shall not affect the liability of any Owner for such assessment. A majority of the Owners must approve an increase in the yearly assessment paid monthly if the increase exceeds the assessment for the previous year by more than Ten Percent (10%).

(D) The Board of Directors of the Association 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 Areas and Facilities (herein "Capital Improvement Fund") shall be for the purpose of enabling the Association to replace structural elements and mechanical equipment constituting a part of the Common Areas and Facilities, and the replacement of personal property constituting a portion of the Common Areas and Facilities 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 Areas and Facilities. 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 Areas and Facilities. Any interest earned on the Capital Improvement Fund may be expended for current operation and maintenance.

(E) All funds collected by the Association shall be treated as the separate property of the Association, and such funds may be applied by the Association to the payment of any expense of operating and managing the Condominium or to the proper undertaking of all acts and duties imposed upon it by this Declaration, the Articles of Incorporation and the By-laws of the Association. Although all funds and common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom or from the leasing or use of Common Areas and Facilities, shall be held for the benefit of the members of the Association, no member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Condominium Unit. When the Owner of a Condominium Unit shall cease to be a member of the Association, the Association shall not be required to account to such Owner for any share of the fund or assets of the Association, or which may have been paid to the Association by such Owner, as all funds which any Owner has paid to the Association shall constitute an asset of the Association which may be used in the operation and management of the Condominium.

(F) The payment of any assessment or installment thereof shall be in default if such assessment or installment is not paid to the Association within thirty (30) days of its due date. When in default, the delinquent assessment or delinquent installment thereof due to Association shall bear interest at Twelve Percent (12%) per annum until paid in full to the Association. In the event such assessment shall remain due and unpaid for a period of 60 days, then the Association shall notify any guarantor, insurer or mortgage holder of the unit involved upon their request, in writing, providing the appropriate proper name and address for such notice.

(G) 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 assessment or installment thereof as above provided, and for all costs of collecting such assessment or installment and interest thereon, including reasonable attorneys fees, whether suit be brought or not.

(H) 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 of enjoyment of any of the Common Areas and Facilities, or by abandonment of the Condominium Unit or in any other way.

(I) Recognizing that proper operation and management of the Condominium requires the continuing payment of costs and expenses therefor, and that such proper operation and maintenance results in benefit to all of the Owners of Condominium Units, and that the payment of such common expenses represented by the assessments

levied and collected by Association is necessary in order to preserve and protect the investment of each Unit Owner, the Association is hereby granted a lien upon each Condominium Unit and its appurtenant undivided interest in Common Areas and Facilities, which lien shall secure the funds due for all assessments now or hereafter levied against the Owner of each such Condominium Unit, which lien shall also secure all costs and expenses, including a reasonable attorney's fee, which may be incurred by the Association in enforcing this lien upon said Condominium Unit. The lien granted to the Association may be foreclosed in the same manner that real estate deeds of trust and mortgages may be foreclosed in the State of North Carolina, and in any suit for the foreclosure of said lien, the Association shall be entitled to reasonable rental from the Owner of any Condominium Unit from the date of which the payment of any assessment or installment thereof become delinquent, and shall be entitled to the appointment of a Receiver for said Condominium Unit. The lien granted to the Association shall further secure such advances for taxes, and payments on account of superior mortgages, liens or encumbrances which may be required to be advanced by the Association in order to preserve and protect its lien, including interest at Twelve Percent (12%) on any such advances so made. All persons who shall acquire any interest in the ownership of any Condominium Unit, or who may be given or acquire a mortgage, lien or other encumbrance thereon, are hereby placed on notice of the lien rights granted to the Association, and shall acquire such interest in any Condominium Unit expressly subject to such lien rights.

(J) The lien herein granted to the Association shall be enforceable from the time of recording a claim of lien in the public records of Union County, North Carolina, which claim shall state the description of the Condominium Unit encumbered thereby, the name of the record owner, the amount due and the date when due. The claim of lien shall be recordable any time after default and the lien shall continue in effect until all sums secured by said lien shall have been fully paid. Such claims of lien shall include only assessments which are due and payable when the claim of lien is recorded, plus interest, costs, attorney's fees, advances to pay taxes and prior encumbrances and interest thereon. It shall be signed and verified by an officer or agent of the Association. Upon full payment of all sums secured by such claim of lien, it shall be satisfied of record.

The lien provided for herein shall be subordinated to the lien of any mortgage or deed of trust. Any person, firm or corporation acquiring title to any Condominium Unit and its appurtenant undivided interest in Common Areas and Facilities by any foreclosure, deed in lieu of foreclosure, or judicial sale, shall be liable and obligated only for assessments as shall accrue and become due and payable for said Condominium Unit and its appurtenant undivided interest in Common Areas and Facilities subsequent to the payment of any assessments which were in default and delinquent at the time it acquired such title. In the event of the acquisition of title to a Condominium Unit by foreclosure, deed in lieu of foreclosure, or judicial sale, any assessment which the party so acquiring title shall not be liable shall be absorbed and paid by all Owners of all Condominium Units as a part of the common expense, although nothing herein contained shall release the party liable for such delinquent assessment from the payment thereof or the enforcement of collection of such payment by means other than foreclosure.

(K) Whenever any Condominium Unit may be leased, sold or mortgaged by the Owner thereof, the Association, upon written request of the Unit Owners, shall furnish to the proposed lessee, purchaser or mortgagee, a statement verifying the status of payment of any assessment which shall be due and payable to the Association

by such Unit. Such statement shall be executed by any officer of the Association, and any lessee, purchaser or mortgagee may rely upon such statement in concluding the proposed lease, purchase or mortgage transaction, and the Association shall be bound by such statement.

In the event that a Condominium Unit is to be leased, sold or mortgaged at the time when payment of any assessment against the Owner of said Condominium Unit and such Condominium Unit due to the Association shall be in default (whether or not a claim of lien has been recorded by the Association), then the rent, proceeds of such purchase or mortgage proceeds, shall be applied by the lessee, purchaser or mortgagee first to the payment of any then delinquent assessment or installments thereof due to the Association before the payment of any rent, proceeds of purchase or mortgage proceeds to the Owner of any Condominium Unit who is responsible for payment of such delinquent assessment.

In any voluntary conveyance of a Condominium Unit, the purchaser thereof shall be jointly and severally liable with seller for all unpaid assessments against seller made prior to the time of such voluntary conveyance without prejudice to the rights of the purchaser to recover from seller the amounts paid by purchaser therefor.

Institution of a law suit to attempt to collect the payment of any delinquent assessment shall not be an election by the Association which shall prevent it from thereafter seeking, by foreclosure action enforcement of the collection of any sums remaining owing to it, nor shall proceeding by foreclosure to attempt such collection be deemed to be an election precluding the institution of a suit at law to collect any sum then remaining owing to Association.

24. COMMON SURPLUS. "Common Surplus", meaning all funds and other assets of the Association (including excess of receipts of the Association, including but not limited to assessments, rents, profits and revenues from whatever source over amount of the common expense), shall be owned by the Owners of all Condominium Units in the same proportion that the undivided interest in Common Areas and Facilities appurtenant to each Owner's Condominium Unit bears to the total of all undivided interest in Common Areas and Facilities appurtenant to all Condominium Units; provided, however, that said common surplus shall be held by the Association in the manner, and subject to the terms, provisions and conditions of this Declaration, imposing certain limitations and restrictions upon the use and distribution thereof. Except for distribution of any insurance indemnity herein provided, or upon termination of the Condominium, any attribution or distribution of common surplus which may be made from time to time shall be made to the then Owners of Condominium Units in accordance with their percentage interest in common surplus as declared herein.

25. CONDEMNATION.

(A) 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 Association. Unless otherwise required by law at the time of such taking, any award made therefor shall be disbursed by the Association as hereinafter provided in this Section. Upon receiving notice of the intention to condemn, the Association shall give timely written notice to any guarantor, insurer or the holder of any mortgage on any unit who has requested the same, in writing, providing the appropriate proper name and address.

(B) Common Areas. If the taking is confined to the Common Areas and Facilities on which improvements shall have been constructed and if at least Seventy-Five Percent (75%) of the total vote of the Association 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 Association, then the Board shall arrange for such replacement and the Association shall disburse the proceeds of such award in the same manner as they are required to disburse insurance proceeds when damage or destruction to the property is to be repaired or reconstructed as provided for in Section 21 hereof. The disbursement is subject, however, to the right hereby reserved to the Association which may be exercised by a majority of the total vote thereof to provide for the disbursement by the Association of the remaining proceeds held by it (after payment of all costs incident to such replacement) to the owners of any one or more of them in amounts disproportionate to the Percentage Interest appurtenant to their units established herein, which disproportionate amounts shall correspond with any disproportionate damages sustained by the owners of any one or more of them as the Association may determine. If at least Seventy-Five Percent (75%) of the total vote of the Association 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 Association shall disburse the proceeds of the award in the manner hereinabove provided for the disbursement of the remaining proceeds of any award after payment of all costs incident to the replacement of improvements taken, including the right reserved to the Association to provide for the disbursement of the remaining proceeds held by it to the owners in disproportionate amounts.

(C) 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, establish 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 and shall be treated as damage or destruction which shall not be repaired or reconstructed as provided for in Section 21 herein, whereupon the development will be terminated in the manner therein prescribed.

26. TERMINATION. The Condominium shall be terminated, if at all, in the following manner:

(A) The termination of the Condominium may be effected only by the unanimous agreement of all Condominium Unit Owners expressed in an instrument duly recorded; and, provided that the holders of all liens affecting any of the Condominium Units consent thereto, or agree, by instrument duly recorded, that their liens be transferred to the percentage of the undivided interest of the Condominium Unit Owner in the Property as provided in Subparagraph "C" below. The termination shall become effective when such agreement has been recorded in the public records of Union County, North Carolina.

(B) If it is determined in the manner elsewhere provided that the Condominium shall not be reconstructed after casualty, the Condominium plan of ownership shall be terminated and the Declaration of Condominium revoked. The determination not to

reconstruct after casualty shall be evidenced by a Certificate of the Association certifying as to the facts effecting the termination, which Certificate shall become effective upon being recorded in the public records of Union County, North Carolina.

(C) After termination of the Condominium, the Condominium Unit Owners shall own the Property as tenants in common in undivided shares and the holders of mortgages and liens against the Condominium Unit or Units formerly owned by such Condominium Unit Owners shall have mortgages and liens upon the respective undivided interest in the Common Area and Facilities previously owned by each Unit Owner. All funds held by the Association and Insurance proceeds, if any, shall be held for the Unit Owners in the same proportion, as their respective undivided interest in the Common Areas and Facilities. The costs incurred by the Association in connection with the termination shall be a Common Expense.

(D) Following termination, the property may be partitioned and sold upon the application of any Condominium Unit Owner. Following a termination, if the Board of Directors determines by not less than a majority vote to accept an offer for the sale of the property, each Condominium Unit Owner shall be bound to execute such deed and other documents reasonably required to effect such sale at such times and in such form as the Board of Directors directs. In such event, any action for partition or other division of the property shall be held in abeyance pending such sale, and upon the consummation thereof shall be discontinued by all parties thereto.

(E) The members of the Board of Directors acting collectively as agent for all Condominium Unit Owners, shall continue to have such powers as granted herein, even though the Association may be dissolved upon a termination.

27. ADDITION OF LAND AND UNITS. Additional phases containing one or more buildings each, as shown on the PLANS may be added to the condominium property by Declaration without the further consent of the unit owners and institutional of the unit owners and institutional lenders by the filing of a Supplementary Declaration which describes or identifies the property to be added, specifically incorporates the terms and conditions of this DECLARATION, and makes the property described therein together with all improvements and easements, rights and appurtenances thereunto subject to this DECLARATION. In addition, such Supplementary Declarations shall have added thereto surveys and plans and certificates required by the Act together with such other provisions as deemed necessary by the Declarant. Upon such recording the property described in the Supplementary Declaration shall become part of the condominium property as if such property had been included in this DECLARATION, and by accepting a deed subject to this DECLARATION and any applicable Supplementary Declaration, unit owners agree to such additions to the condominium.

28. AMENDMENTS. An amendment to this Declaration of Condominium may be proposed by the Board of Directors of the Association acting upon a vote of a majority of the Directors, or by the members of the Association owning a majority of the Condominium Units, whether meeting as members or by instrument in writing signed by them. Upon any Amendment to this Declaration being proposed by the Board of Directors or members, such proposed Amendment shall be transmitted to the President of the Association, or other officer of the Association in the absence of the President, who shall thereupon call a Special Meeting of the members of the Association for a date not sooner than twenty (20) days nor later than sixty (60) days from receipt by him of the proposed Amendment. It shall be the duty of the Secretary to give to each member and mortgage holder written notice of such Special Meeting, stating the time and place, and reciting the proposed Amendment in reasonably detailed form, which notice shall be mailed not less than ten (10) days nor more than thirty (30) days before the date set for such Special Meeting. If mailed, such notice shall be deemed to be properly given when deposited in the United

States Mail addressed to the member at his Post Office address as it appears on the records of the Association, the postage thereon prepaid. Any member may, by written waiver of notice signed by such member, waive such notice, and such waiver, when filed in the records of the Association, whether before or after the holding of the meeting shall be deemed equivalent to the giving of notice to such member. At the meeting, the Amendment proposed must be approved by an affirmative vote of sixty-seven percent (67%) of the members owning Units in the Condominium and the holders of at least fifty-one percent (51%) of the votes of unit estates in order for such Amendment to become effective. Thereupon such Amendment of this Declaration shall be transcribed and certified by the President and Secretary of the Association as having been duly adopted. The original or an executed copy of such Amendment so certified and executed with the same formalities as a deed, shall be recorded in the Union Public Registry within twenty (20) days from the date on which the same became effective. At any meeting held to consider such Amendment, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereafter by proxy, provided such written vote is delivered to the Secretary of the Association prior to such meeting or at such meeting.

No alteration in the percentage of ownership in Common Areas and Facilities appurtenant to each Condominium Unit, or alteration of the basis for sharing common expenses and other apportionment of assessments which may be levied by the Association in accordance with the provisions hereof, or alteration of basis of ownership of Common Surplus, or alteration of voting rights in the Association, shall be made without the prior written consent of all of the Owners of all Condominium Units and all of the lenders holding first mortgages or first deeds of trust on the Condominium Units, subject to the provisions for adding additional phases pursuant to Subparagraph A above.

No alteration, amendment or modification of the rights and privileges granted and reserved hereunder in favor of Lender shall be made without prior written consent of all Lenders holding mortgages on Condominium Units in the Condominium being first had and obtained.

No alteration, amendment or modification of the rights and privileges granted and reserved hereunder in favor of Developer shall be made without the written consent of said party being first had and obtained.

Nothing herein contained shall prevent the Declarant from amending these Declarations in any regard prior to the conveyance of the first unit.

29. REMEDIES IN EVENT OF DEFAULT. The Owner and Owners of each Condominium Unit shall be governed by and shall comply with the provision of this Declaration and the Articles of Incorporation and By-Laws of the Association, as they may be amended from time to time. A default by the Owner of any Condominium Unit shall entitle the Association or the Owner of other Condominium Units to the following relief:

(A) Failure to comply with any of the terms of this Declaration or other restrictions and regulations contained in the Articles of Incorporation or By-Laws of the Association, or which may be adopted pursuant thereto, shall be grounds for relief including without limitation an action to recover sums due for damages, injunctive relief, foreclosure of lien, or any combination thereof. Such relief may be sought by the Association or, if appropriate, by an aggrieved Unit Owner.

(B) Each Unit Owner shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, or by that of any member of his family, or his or their guests, employees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of a Condominium Unit or its appurtenances.

Nothing herein contained, however, shall be construed so as to modify any waiver by insurance companies of rights of subrogation.

(C) In any proceeding arising because of an alleged default by a Unit Owner, the Association shall be entitled to recover the costs of the proceeding and reasonable attorney's fees.

(D) The failure of the Association or any Unit Owner to enforce any right, provision, covenant or condition which may be granted by this Declaration or the other above-mentioned documents shall not constitute a waiver of the right of the Association or of the Unit Owner to enforce such right, provision, covenant or condition in the future.

(E) All rights, remedies and privileges granted to the Association or the Owner or Owners of a Condominium Unit pursuant to any terms, provisions, covenants or conditions of this Declaration or other above-mentioned documents, shall be cumulative, and the exercise of any one or more shall not constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies or privileges as may be available to such party at law or in equity.

(F) The failure of Developer to enforce any right, privilege, covenant or condition which may be granted to it by this Declaration or other above-mentioned documents shall not constitute a waiver of the right of Developer to thereafter enforce such right, provision, covenant or condition in the future.

(G) The failure of a Lender to enforce any right, provision, privilege, covenant or condition which may be granted to it or them by this Declaration or other above-mentioned documents, shall not constitute a waiver of the right of said party or parties to thereafter enforce such right, privilege, covenant or condition in the future.

30. RIGHTS RESERVED UNTO LENDERS. As long as any Lender shall hold any mortgage upon any Condominium Unit or Units, or shall be the Owner of any Condominium Unit or Units, such Lender shall have the following rights:

(A) To examine, upon request and at reasonable times and upon reasonable notice, the books and records of the Association; and to be furnished a copy of the annual audited financial statement of the Association within ninety (90) days following the end of any fiscal year of the Association.

(B) To be given written notice by the Association of the call of any meeting of the membership, which notice shall state the purpose of such meeting; and to designate a representative to attend.

(C) To be given written notice of default by any Owner owning a Condominium Unit encumbered by a mortgage held by the Lender, such notice to be sent to the place which it may designate in writing.

(D) To be given written notice of any loss to or taking of, the common elements of the Condominium if such loss or taking exceeds \$15,000.00 or damage to a Condominium Unit in excess of \$1,000.00.

(E) To receive written notice of any condemnation or eminent domain proceeding or proposed acquisition by a condemning authority.

(F) To be given written notice of any changes or cancellation of any insurance coverages.

Whenever any Lender desires the provisions of this Article to be applied to it, it shall serve written notice of such fact upon the Association by Registered Mail or Certified Mail addressed to the Association and sent to its address stated herein, identifying the Condominium Unit or Units upon which any Lender holds any mortgage, or identifying any Condominium Units owned by it, together with sufficient facts to identify such mortgage and which notice shall designate the place to which notices are to be given by the Association to such Lender.

Any decision by the Association to establish self management and decisions to amend, add to or alter the Declaration or By-Laws shall first be approved by the holders of mortgages on at least fifty-one percent (51%) of the votes of unit estates.

31. RIGHT OF DECLARANT TO REPRESENTATION ON BOARD OF DIRECTORS OF THE ASSOCIATION. Declarant shall have the right to designate and select a majority of the persons who shall serve as members of the Board of Directors of the Association, until the happening of the earlier of the following events:

- (a) 120 days after 70% of the unit estates in the first phase of the project have been conveyed to unit estate purchasers, or
- (b) Five (5) years following conveyance of the first unit estate.

Thereafter, so long as Declarant owns at least one condominium unit, it shall have the right to designate and select one person who shall serve as a member of the Board of Directors of the Association.

In the event of dissolution of Declarant at the time when it is the Owner of a Condominium Unit, then the rights of the Declarant shall pass to and may be exercised by its successors receiving ownership of any such Condominium Unit in dissolution.

Whenever Declarant shall be entitled to designate and select any person to serve on the Board of Directors of the Association, the manner in which such person shall be designated shall be as provided in the Articles of Incorporation and/or By-Laws of the Association, and Declarant shall have the right to remove any person selected by it to act and serve on said Board of Directors and to replace such person with another person to act and serve in the place of any Director so removed for the remainder of the unexpired term of any Director so removed. Any Director designated and selected by Declarant need not be a resident in the Condominium. However, Declarant shall be responsible for the payment of any assessments which may be levied by the Association against any Condominium Unit or Units owned by the said Declarant, and for complying with the remaining terms and provisions hereof in the same manner as any other Owner of a Condominium Unit or Units.

32. INITIAL RESERVES AND ESCROWS.

(A) A capital reserve account of the Association shall be established by the Declarant on or before the first sale of a unit in Phase 1. The initial capital reserve contribution by the Declarant shall be \$840.00.

(B) An initial working capital fund shall be established upon the sale of the first unit. Each unit's share of the working capital fund will be collected from the purchaser and transferred to the Association at the time of the closing of the sale of each unit. The initial monthly assessment shall be \$56.37 for units B through F and \$46.40 for units A and G. The initial contribution to the working capital fund shall be \$105.00 for units B through F and \$87.00 for units A and G. The payment of monthly assessments shall commence on the first day of the month following the closing of each sale. Amounts paid into the fund are not to be considered as advance payments of regular monthly assessments.

(c) An escrow account shall be established by the Association upon the sale of the first unit for the purpose of assuring each unit owner of the completion of the tennis courts which may be constructed as a part a subsequent phase and the swimming pool which may be constructed as a part of a

subsequent phase. Declarant shall deposit in said escrow fund upon the closing of the sale of each unit in Phase 1 the sum of \$72.00 to secure the completion of the tennis courts on or before the completion of construction of the sixth building or December 31, 1985, whichever comes first, and the sum of \$100.00 to secure the completion of the swimming pool on or before the completion of construction of the ninth building or December 31, 1986, whichever comes first. In the event the tennis courts are completed within the time above set forth, then said escrow for the completion of the tennis courts shall be transferred and paid over to the Declarant immediately upon completion of said tennis courts. In the event the swimming pool is completed within the time above set forth, then said escrow for the completion of the swimming pool shall be transferred and paid over to the Declarant immediately upon completion of said swimming pool. In the event either or both of the tennis courts and the swimming pool are not completed within the time above set forth, then the Association shall transfer the respective escrow funds to the owners of the units for which said escrow account was established.

33. WARRANTIES. Declarant shall warrant, pursuant to the terms of a written Warranty Agreement with each unit purchaser, that such unit is free of construction and structural defects for a period of one (1) year from the closing of each unit. Declarant shall warrant, pursuant to the terms of a written Warranty Agreement with the Association, that the Common Areas are free from construction and structural defects for a period of one (1) year from the date votes of unit owners representing sixty per cent (60%) of the Association have been transferred in the Common Areas.

34. MISCELLANEOUS.

(A) In the event that any of the terms, provisions or covenants of this Declaration are held to be partially or wholly invalid or unenforceable, such holding shall not affect, alter, modify or impair in any manner any of the other terms, provisions or covenants hereof or the remaining portions of any terms, provisions or covenants held to be partially invalid or unenforceable.


(B) The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan of Condominium ownership. Throughout this Declaration wherever appropriate the singular shall include the plural, and the masculine gender the feminine or neuter. The Article headings are for convenience or reference only and shall not be considered terms of this Declaration.

(C) The restrictions and burdens imposed by the covenants of this Declaration shall constitute covenants running with the land, and shall constitute an equitable servitude upon each Condominium Unit and its appurtenant undivided interest in Common Areas and Facilities. This Declaration shall be binding upon Declarant, its successors and assigns, and upon all parties who may subsequently become Owners of Condominium Units in the Condominium, and their respective heirs, legal representatives, successors and assigns.

(D) The following named individual is designated as the person to receive service of process for the Association:

Mr. Henry B. Smith, Jr.
318 N. Hayne Street
Monroe, North Carolina 28110

IN WITNESS WHEREOF Camelot Development Partnership has caused these presents to be executed by its partners, this the 25th day of July, ~~1985~~ 1987 at Monroe, North Carolina.

CAMELOT DEVELOPMENT PARTNERSHIP
 (SEAL)
Bruce H. Griffin, Sr., Partner