

BY-LAWS OF
THE GABLES
UNIT OWNERS' ASSOCIATION

ARTICLE I

PURPOSE AND DEFINITIONS

Section 1. Purpose. The within By-Laws are attached to the Declaration of Condominium Ownership of The Gables (the "Declaration") as Exhibit "C" thereto. The purpose or purposes of the Association are to administer the Condominium Property in accordance with and subject to the Act, the Declaration, these By-Laws and the administrative rules and regulations adopted pursuant hereto, as any of the same may be lawfully amended from time to time; to provide for the acquisition, construction, management, maintenance and care of "association property," as said term is defined in Section 528 of the Internal Revenue Code of 1954, as amended, or may be hereafter defined in any amendment or replacement of said section; and, in carrying out the foregoing purposes, to purchase, lease, exchange, acquire, own, hold, mortgage, pledge, hypothecate, borrow money upon, sell and otherwise deal in and with real and personal property of every kind, character and description whatsoever and any and all estates and interests therein and otherwise to do all things permitted by law.

All of the foregoing purposes shall be accomplished on a non-profit basis, and no part of the net earnings of the Association shall inure to the benefit of any private person, firm, corporation, association or organization.

Section 2. Definitions. All of the terms used herein shall have the same meanings as set forth in the Declaration, unless the context clearly indicates a different meaning therefor.

ARTICLE II

THE ASSOCIATION

Section 1. Name and Form of Association. The name of this Association, which shall be a North Carolina non-profit corporation, is The Gables Unit Owners' Association (the Association).

Section 2. Membership. Each Unit Owner upon acquisition of the Condominium Ownership Interest in a Unit shall automatically become a member of the Association. Membership may be held in the name of more than one Owner. Such membership shall terminate upon the sale or other disposition by such Unit Owner of that person's Unit, at which time the new Owner of the Unit shall automatically become a member of the Association. In addition to any other rights Declarant may have pursuant to the Declaration, Declarant shall be a member of the Association with respect to all Units owned by Declarant and shall have the right, without limitation, to exercise the voting power appurtenant to such Units and the power to vote the same.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. Voting Rights. Except as otherwise provided by law, there shall be one voting member for each of the Units comprising the Condominium Property. Votes assigned to Units owned by the Association shall be cast as determined by a majority vote of the Board. The total number of votes of all members of the Association shall be one hundred (100) and each Unit Owner shall be entitled to a number of votes equal to the total percentage of ownership in the Common Areas and Facilities appurtenant to that person's Unit as set forth in Exhibit "D" to the Declaration.

Section 2. Attendance and Voting of Undivided Interests. In the case of a Unit owned or held in the name of a corporation or partnership, a Certificate signed by the Unit Owner shall be filed with the Secretary of the Association naming the person authorized to cast votes for such Unit, which Certificate shall be conclusive until a subsequent substitute Certificate is filed with the Secretary of the Association. If such Certificate is not on file, the vote of such corporation or partnership shall not be considered nor shall the presence of such owner at a meeting be considered in determining whether the quorum requirement for such meeting has been met. If a Unit is owned by a husband and wife as tenants in common, joint tenants or tenants by the entirety, no Certificate need be filed with the Secretary of the Association naming the person authorized to cast votes for such Unit, and either spouse, but not both, may vote and be considered in determining whether the quorum requirement has been met at any meeting of the members of the Association, unless prior to such meeting either spouse has notified the Secretary of the Association in writing that there is a disagreement as to who shall represent their Unit at the meeting, in which case each spouse may exercise the proportion of the voting power of all the Owners of their Unit that is equivalent to his or her proportionate interest in their Unit. Fiduciaries and minors who are owners of record of a Unit or Units may vote their respective interests as Unit Owners. If two or more persons, whether fiduciaries, tenants in common or otherwise, own undivided interests in a Unit, each may exercise the proportion of the voting power of all the Owners of that Unit that is equivalent to that person's proportionate interest in the Unit. A Fiduciary for a Unit Owner or of the Estate of a Unit Owner may vote as though the Fiduciary were the Unit Owner when such Fiduciary has furnished to the Association proof, satisfactory to it, of the Fiduciary's appointment and qualification as an executor under the Last Will of a deceased Unit Owner; an Administrator of an intestate estate of a Unit Owner; a guardian, or conservator of the estate of a ward or incompetent who is a Unit Owner; a trustee in bankruptcy of a Unit Owner; or a statutory or judicial receiver or liquidator of the estate or affairs of a Unit Owner; or an assignee for the benefit of creditors of a Unit Owner. When any other Fiduciary or representative of a Unit Owner has furnished to the Association proof, satisfactory to it, of authority, the Fiduciary may vote as though the Fiduciary were the Unit Owner. The Declarant or its nominee shall be the voting member with respect to any Unit owned by the Declarant.

Section 3. Majority. As used in these By-Laws, the term "majority of owners" shall mean those Owners holding in excess of fifty percent (50%) of the votes in accordance with the percentages of interest appurtenant to their

respective Units in the Common Areas and Facilities shown in Exhibit "D" to the Declaration.

Section 4. Quorum. Except as otherwise provided by law, by the Declaration or by these By-Laws, the presence in person of a majority of owners" as defined in Section 3 of this Article shall constitute a quorum. No action may be authorized or taken by a lesser percentage than required by law, by the Declaration or by these By-Laws.

Section 5. Proxies. Members of the Association may not vote or act by proxy.

Section 6. Place of Meetings. Meetings of the Association shall be held, if possible, at such suitable place on the Condominium Property as may be designated by the Board. If sufficient space is not available, the the meeting shall be held at some other suitable place located in Orange County, North Carolina, which is selected by the Board.

Section 7. Annual Meeting. Subject to the provisions of Section 3 of Article IV hereof, until the First Annual Meeting which shall be held in accordance with the provisions of Article IV, Section 4 hereof, the Declarant or persons designated by the Declarant may appoint and remove members of the Board and other officers of the Association. After the First Annual Meeting, there shall be an annual meeting of the Association which shall be held in the first calendar quarter of each year thereafter, on a date and at an hour established, from time to time, by the Board.

Section 8. Special Meetings. Special meetings of the members of the Association may be held on any business day when called by the President of the Association, or by the Board of the Association by action at a meeting, or by a majority of the Members of the Board acting without a meeting upon written request by members of the Association entitled to exercise at least twenty-five percent (25%) of the voting power of the Association. Calls for such meetings shall specify the purpose for which such meeting is requested. No business other than that specified in the call and set forth in the notice shall be considered at any special meeting.

Section 9. Notice of Meetings. Not less than ten (10) nor more than fifty (50) days before the day fixed for a meeting of the members of the Association, written notice stating the time, place and purpose of such meeting shall be given by or at the direction of the Secretary of the Association or any other person or persons required or permitted by these By-Laws to give such notice. Such notice shall be given by personal delivery to the Unit Owner at the address listed for such Owner on the books of the Association, or if there be no address listed, personal delivery will also be effective if deposited in an Occupant's mail box or attached to or placed under the door of the Unit the Occupant occupies or by mail to each member of the Association who is a Unit Owner of record as of the day preceding the day on which notice is given. If mailed, such notice shall be addressed to the members of the Association and others, such as Mortgagees of Units, entitled to such notice at their respective addresses as they appear on the records of the Association or to the Unit Owner's Unit if no address has been given to the Association. Notice of the time, place and purpose of any meeting of members of the Association may be waived in writing by any member of the Association, either before or after the

holding of such meeting, which shall be filed with or entered upon the records of the meeting. The attendance of any member of the Association at any such meeting without protesting, prior to or at the commencement of the meeting, the lack of proper notice, shall be a waiver by the member of notice of such meeting.

Section 10. Adjourned Meetings. If any meeting of Owners cannot be organized due to the failure to obtain a quorum, the Owners who are present, may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called. If any meeting is adjourned, the notice of such adjournment need not be given if the time and place to which such meeting is adjourned are fixed and announced at such meeting.

Section 11. Order of Business at Annual Meetings. The order of business at all regular meetings of members of the Association shall be as follows:

- (1) Calling of meeting to order;
- (2) Proof of notice of meeting or waiver of notice;
- (3) Reading of minutes of preceding meeting;
- (4) Reports of officers;
- (5) Reports of Committees;
- (6) Election of Inspectors of Election;
- (7) Election of Members of the Board;
- (8) Unfinished and/or old business;
- (9) New Business;
- (10) Adjournment.

Section 12. Order of Business at Special Meetings. The business at each special meeting shall be that business specified in the notice therefor.

Section 13. Actions Without a Meeting. All actions, except removal of a Board Member, which may be taken at a meeting of the Association may be taken without a meeting with the approval of and in a writing or writings signed by Members of the Association having the percentage of voting power required to take such action if the same were taken at a meeting; provided, however, that not less than the majority of the voting membership, both in number and in percentage of voting power, signed the writing. Such writings shall be filed with the Secretary of the Association.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Qualification. Except as otherwise provided herein, all members of the Board of Directors (herein called "Board Members") shall be Unit

Owners; spouses of Unit Owners; Mortgagees of Units; partners, agents or employees of corporations or associations owning a Unit; or fiduciaries, officers, agents or employees of fiduciaries owning a Unit. No Director shall continue in office after such Director ceases to be a Unit Owner or an interested party in a Unit Owner as specified above. Board Members elected or designated by the Declarant need not fulfill the qualifications imposed by this Section 1 of this Article IV or any other qualifications imposed on Board Members elected by Unit Owners other than the Declarant, except as otherwise provided in these By-Laws or by law, and Board Members elected or designated by the Declarant may be removed only by the Declarant or as otherwise provided herein.

Section 2. Number of Board Members. Subject to such limitations as are or may be imposed by N.C. Gen. Stat. Chapter 55A and Chapter 47A, Article 1, the Declaration or these By-Laws, as any of the same may be lawfully amended from time to time, all power and authority of this Association shall be exercised by a Board of Directors (hereinbefore and hereinafter sometimes referred to as the "Board", as that term is defined by the Declaration) consisting of three (3) persons.

Section 3. Election of Board Members by Declarant and Unit Owners Prior to the First Annual Meeting. Until such time as Condominium Ownership Interests to which less than fifty percent (50%) of the undivided interests in the Common Areas and Facilities appertain have been sold and conveyed by the Declarant, the Declarant shall have the right to elect or designate all three (3) Board Members. Not later than the time that Condominium Ownership Interests to which fifty percent (50%) of the undivided interests in the Common Areas and Facilities appertain have been sold and conveyed by the Declarant, the Association shall meet and the Unit Owners, other than the Declarant, shall elect one (1) Board Member who shall replace one (1) of the Board Members previously elected or designated by the Declarant. The Declarant shall have the sole right to designate the Board Member who will be replaced. Not later than the time that Condominium Ownership Interests to which seventy-five percent (75%) of the undivided interests in the Common Areas and Facilities appertain have been sold and conveyed by the Declarant, the Association shall meet and the Unit Owners, other than the Declarant, shall elect one (1) Board Member who shall replace one (1) Board Member previously elected or designated by the Declarant.

Section 4. First Annual Meeting. Within thirty (30) days after the earlier of (a) three (3) years following the date of the establishment of the Association or (b) the date of the sale and conveyance of Condominium Ownership Interest to which appertain seventy-five percent (75%) or more of the undivided interests in the Common Areas and Facilities to purchasers in good faith for value, the Association shall meet (hereinafter referred to as the "First Annual Meeting") and elect all three (3) members of the Board and all officers of the Association and all persons previously elected or designated whether by the Declarant or by the other Unit Owners shall immediately resign; provided, however, that such persons shall be eligible for re-election to the Board. The persons so elected at the First Annual Meeting shall take office upon such election and shall serve such terms for which they are elected in accordance with Section 5 of this Article IV.

Section 5. Election of Board Members from and after the First Annual Meeting. Except for the procedures set forth in Section 3 of this Article IV for the election of Board Members prior to the First Annual Meeting, Board Members

shall be elected at the annual meeting of members of the Association, but when the annual meeting is not held or Board Members are not elected thereat, they may be elected at a special meeting called and held for that purpose. Such election shall be by written secret ballot whenever requested by any member of the Association; but, unless such request is made, the election may be conducted in any manner approved at such meeting.

Any Board Member elected or designated prior to the First Annual Meeting shall hold office for a term not to exceed one (1) year after that Member's election or designation. Commencing with the First Annual Meeting, Board Members shall be elected for such terms so that the terms of office of not less than one-third of the Board Members shall expire each year. Accordingly, at the First Annual Meeting of the Association, one (1) Board Member shall be elected for a term of one (1) year, one (1) Board Member for a term of two (2) years, and one (1) Board Member for a term of three (3) years.

All Board Members shall be elected in accordance with the provisions of this Article IV. At meetings of the Association subsequent to the First Annual Meeting which are called for the purpose of electing Board Members, Board Members shall be elected for terms of three (3) years or to complete unfinished terms.

Except as otherwise provided herein, each Board Member shall hold office until the expiration of that Member's term and until a successor is elected, or until that Member's earlier resignation, removal from office or death. Any Board Member may resign at any time by oral statement to that effect made at a meeting of the Board or by a writing to that effect delivered to the Secretary of the Association; such resignation shall take effect immediately or at such other time as the Board Member may specify.

Each member of the Association may cast as many of that member's votes as there are Board Members to be elected. By way of example, if two (2) Board Members are to be elected, a member of the Association shall have the right to cast a maximum of two (2) votes, but not more than one (1) vote may be cast for any candidate. The candidates receiving the votes of the greatest percentages of the voting power of the Association shall be elected and those receiving the highest percentages of the total vote cast shall serve for the longest terms. Tie votes shall be decided by a drawing of lots.

Section 6. Removal of Board Members. Except as otherwise provided herein and in the Act, the Board may remove any Board Member and thereby create a vacancy in the Board if by order of court such Member has been found to be of unsound mind, or if the Member is physically incapacitated, adjudicated a bankrupt, or fails to attend three consecutive meetings of the Board. At any regular or special meeting of members of the Association duly called at which a quorum is present, any one or more of the Board Members may be removed with or without cause by the vote of members entitled to exercise a majority of the voting power of the Association, and a successor or successors to such Board Member so removed may be elected at the same meeting for the unexpired term of each such removed Board Member. Any Board Member whose removal has been proposed by the members of the Association shall be given an opportunity to be heard at such meeting prior to the vote on that Member's removal.

Section 7. Vacancies. Except as otherwise provided herein and subject to the provisions of the Act, vacancies on the Board may be filled by a majority vote of the remaining Board Members until an election to fill such vacancies is held. Members of the Association shall have the right to fill any vacancy on the Board (whether or not the same has been temporarily filled by the remaining Board Members) at any meeting of the members of the Association called for that purpose, and any Board Members elected at any such meeting of members of the Association shall be elected to complete the term of the Board Member who created the vacancy and until their respective successors are elected and qualified.

Section 8. Powers and Duties. The Board shall have the powers, duties and authorities specifically conferred upon it by the Act, the Declaration and these By-Laws and shall have the powers, duties and authority necessary for the administration of the affairs of the Association including, at its option, the adoption from time to time of Condominium Rules, which Rules shall be furnished in writing to all Unit Owners, and may do all such acts and things as are not by law, the Declaration or by these By-Laws directed to be exercised and done by the Unit Owners or by the Declarant. Members of the Board will serve without compensation for their services, as such; provided, that nothing contained herein shall be construed to preclude any Board Member from having dealings with the Association in any other capacity and receiving compensation therefor. In addition, the Association shall have all rights and duties set forth in its Articles of Incorporation and in accordance with the laws of the State of North Carolina.

Section 9. Other Duties. In addition to the duties imposed by these By-Laws or by resolutions of the Association, the Board shall be responsible for the following:

(a) maintenance, repair, replacement and surveillance of the Condominium Property and the Common Areas and Facilities;

(b) levy of Assessments against the Unit Owners and the collection of same;

(c) designation and dismissal of the personnel necessary for the maintenance and operation of the Condominium Property and Common Areas and Facilities.

(d) In carrying out the purposes of the Association and subject to the limitations prescribed by law, the Declaration or these By-Laws, the Board, for and on behalf of the Association, may:

(1) purchase or otherwise acquire, mortgage, lease as lessee, hold, use, lease as lessor, sell, exchange, transfer, and dispose of property of any description or any interest therein;

(2) make contracts;

(3) effect insurance; and

(4) borrow money, and issue, sell, and pledge notes, bonds and other evidences of indebtedness of the Association provided that if such borrowing

is in excess of Five Thousand Dollars (\$5,000.00) the prior approval of the members of the Association entitled to exercise a majority of the voting power of the Association shall be obtained at a special meeting duly held for such purpose.

Section 10. Managing Agent. Subject to the provisions of the Act and the Declaration, the Board may employ for the Association a Managing Agent at a compensation established by the Board to perform such duties and services as the Board shall authorize including, but not limited to, the duties listed in Section 9 of this Article IV.

Section 11. Organizational Meeting. Immediately after each annual meeting of members of the Association or special meeting held in lieu thereof, the newly elected Board Members and those Board Members whose terms have not expired shall hold an organizational meeting for the purpose of electing officers and transacting any other business. Notice of such meeting of the Board need not be given.

Section 12. Regular Meetings. Regular meetings of the Board may be held at such time and place in Orange County, North Carolina, as may be determined, from time to time, by a majority of the Board, but at least four (4) such meetings shall be held during each calendar year. Notice of regular meetings of the Board shall be given to each Board Member, personally or by mail, telephone or telegraph, at least five (5) days prior to the day named for such meetings. At such meetings, any and all business within the power of the Board may be transacted.

Section 13. Special Meetings. Special Meetings of the Board may be held at any time upon call by the President or any two (2) Board Members. Notice of the time, place and purpose of each special meeting shall be given to each Board Member by the Secretary or by the person or persons calling such meeting. Such notice shall state the purpose or purposes of the meeting and may be given in any manner or method and at such time so that the Board Member receiving it may have reasonable opportunity to attend the meeting. Such notice shall, in all events, be deemed to have been properly and duly given if delivered or mailed at least forty-eight (48) hours prior to the meeting and directed to the residence of the Board Member shown upon the Secretary's records. Unless otherwise indicated in the notice thereof, any business may be transacted at any organizational, regular or special meeting of the Board.

Section 14. Waiver of Notice. Before or at any meeting of the Board, any Board Member may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Board Member at any meeting of the Board shall be a waiver of notice to that Member of the time and place thereof. If all the Board Members are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 15. Quorum. At all meetings of the Board, a majority of the Board shall constitute a quorum for the transaction of business, and the acts of the majority of the Board Members present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board, there shall be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business

which might have been transacted at the meeting; as originally called may be transacted without further notice.

Section 16. Open Meetings. All meetings of the Board shall be open to all Unit Owners. Adequate notice of all meetings shall be posted conspicuously on the Condominium Property at least forty-eight (48) hours in advance of meetings of the Board except in case of emergency.

Section 17. Action Without a Meeting. Any action required to be taken, or any action which may be taken, at a meeting of the Board, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Board Members entitled to vote with respect to the subject matter thereof.

Section 18. Committees. The Board may by resolution provide for such standing or special committees as it deems desirable, and discontinue the same at its discretion. Each such committee consisting of not less than two (2) members shall have such powers and perform such duties, not inconsistent with law, as may be delegated to it by the Board. Each such committee shall keep full records and accounts of its proceedings and transactions. All actions by any such committee shall be reported to the Board at its meeting next succeeding such action and shall be subject to control, revision and alteration by the Board, provided that no rights of third persons shall be prejudicially affected thereby. Each such committee shall fix its own rules of procedure and shall meet as provided by such rules or by resolutions of the Board, and it shall also meet at the call of the President of the Association or of any two members of the committee. Unless otherwise provided by such rules or by such resolutions, the provisions of Section 13 of this Article IV relating to the notice required to be given of special meetings of the Board shall also apply to meetings of each such committee. A majority of the members of the committee shall constitute a quorum. Each such committee may act in writing or by telegram or by telephone with written confirmation, without a meeting, but no such action shall be effective unless concurred in by all members of the committee. Vacancies in such committee shall be filled by the Board or as it may provide.

Section 19. Fidelity Bonds. The Board may require that all officers, employees, volunteers and agents of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds or insurance. The premiums on such bonds or insurance shall be paid by the Association, and shall be a Common Expense.

ARTICLE V

OFFICERS

Section 1. Enumeration of Officers. The Board of Directors shall elect a president, such number of vice presidents as the Board may from time to time determine, a secretary and a treasurer. The Board of Directors may from time to time create such offices and appoint such other officers, subordinate officers and assistant officers as it may determine. The president and any vice president who succeeds to the office of the president shall be, but the other officers need not be, chosen from among the Members of the Board of Directors. Any two (2) of such offices, other than president and secretary, may be held by the same persons, but no officer shall execute, acknowledge or verify any instrument in

more than one capacity. All contracts, notes and other instruments shall require the signature of at least two officers.

Section 2. Election of Officers. The officers of the Association shall hold office during the pleasure of the Board, and, unless sooner removed by the Board, until the first meeting of each new Board or until their successors are chosen and qualified.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the Members of the Board, any officer may be removed, either with or without cause, and such officer's successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose. A vacancy in any office, however created, shall be filled by the Board.

Section 4. President. The President shall be the Chief Executive Officer of the Association. The President shall have all of the general powers and duties which are usually vested in the office of President of an Association, including but not limited to the power to appoint committees from among the Owners from time to time as the President may in the President's discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President shall have authority to sign all contracts, notes and other instruments requiring the President's signature and shall have all the powers and duties as the Board may from time to time assign to the President.

Until the First Annual Meeting, the Declarant reserves the right to designate the President of the Association.

Section 5. Vice President. The Vice President shall perform the duties of the President whenever the President is unable to act and shall have such other authority and perform such other duties as may be determined by the Board.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Association; the Secretary shall have charge of such books and papers as the Board may direct, and the Secretary shall, in general, perform all the duties incident to the office of Secretary and such duties as the Board may prescribe. A copy of such minutes shall be posted in a place designated by the Board.

Section 7. Treasurer. The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit of the Association in such depositories as may from time to time be designated by the Board and the Treasurer shall perform such other duties as from time to time may be assigned the Treasurer by the Board.

Section 8. Officers will serve without compensation for their services, as such; provided, that nothing contained herein shall be construed to preclude any Officer from having dealings with the Association in any other capacity and receiving compensation therefor.

Section 9. Duties of Officers May be Delegated. In the absence of any officer of the Association, or for any other reason the Board may deem sufficient, the Board may delegate the powers or duties, or any of them, of such officers, to any other officer or to any Board Member or to the Managing Agent, if any.

ARTICLE VI

MAINTENANCE AND REPAIR

Section 1. Board's Responsibility for Maintenance and Repair. The Board or the Managing Agent, if one is employed, shall have the authority either to hire permanent or temporary employees or to contract specifically for the performance of ordinary repairs and maintenance, or to do both, and to purchase the tools and implements used in repair and maintenance, and to take any and all actions on behalf of the Association which may be necessary or appropriate to the proper functioning of the Condominium Property. The execution of a management agreement with a Managing Agent or management company which authorizes or requires the Managing Agent or management company to perform certain duties shall be deemed to be a delegation and authorization to such Managing Agent or management company of such duties and of such power and authority necessary to carry out such duties.

Section 2. Unit Owner's Responsibility for Maintenance and Repair. Every Unit Owner must perform promptly all maintenance and repair work within that Owner's Unit, which, if omitted, would affect the Condominium Property in its entirety or in a part belonging to other Unit Owners, said Unit Owner being expressly responsible for the damages and liabilities that the Owner's failure to do so may engender.

ARTICLE VII

COMMON EXPENSES AND PROFITS

Section 1. Common Expenses. The cost of maintenance and repair of Common Areas, hazard, liability, and other insurance, salaries and fees of the Managing Agent or management company, if any, and employees, utilities not separately metered to individual Units, the cost of tools and equipment, bonding fees and all other charges deemed necessary, appropriate, or convenient to the proper functioning of the Condominium Property shall be deemed to be Common Expenses. The cost of such Common Expenses shall be defrayed by Assessments levied against the Units in the manner set forth below.

Notwithstanding anything in these By-Laws or in the Declaration which authorizes expenditures, no single expenditure shall be made by the Association for any additions, alterations, or improvements (as distinguished from expenditures for maintenance, repair or replacement and as distinguished from any expenditure in excess of the following amounts approved in the annual budget) of the Common Areas and Facilities exceeding in total cost Twenty Five Hundred Dollars (\$2,500.00), nor shall annual expenditures aggregating in excess of Five Thousand Dollars (\$5,000.00) be made, without in each case having the prior approval of the members of the Association entitled to exercise a majority of the voting power of all members of the Association present at an annual or a

special meeting duly held for such purpose. If such approval is obtained, the Board shall proceed with such additions, alterations or improvements and shall assess all Unit Owners for the cost thereof as a Common Expense. The limitations on expenditures by the Association contained in this Section 1 of Article VII shall in no event apply to repair of the Condominium Property due to casualty loss, emergency repairs immediately necessary for the preservation and safety of the Condominium Property, for the safety of persons or to avoid suspension of any necessary services. The foregoing provisions of this Section 1 shall not apply to the rehabilitation and renewal of obsolete property which shall be governed by the Declaration.

Section 2. Common Profits. Any revenue derived from the Common Area or from any Unit(s) owned by the Association in excess of the Common Expenses shall be divided pro rata among the Unit Owners, added to a reserve fund, or credited to reduce Assessments, as the Board may determine. The Board is authorized, notwithstanding anything in this Article to the contrary, to adopt any such Condominium Rules which will permit the Association to qualify for any treatment under the Internal Revenue Code of 1954, as it may be amended from time to time, which in the opinion of the Board shall be advantageous to the Association.

ARTICLE VIII

FISCAL YEAR

The fiscal year of the Association shall end on the thirty-first day of December in each year, or on such other day as may be fixed from time to time by the Board.

ARTICLE IX

ASSESSMENTS AND FINANCES

Section 1. Obligation of Unit Owners to Pay Assessments. It shall be the duty of every Unit Owner to pay that person's proportionate share of the Common Expenses. Such proportionate share shall be in the same ratio as the Owner's percentage of interest in the Common Area as set forth in Exhibit "D" to the Declaration. Payment thereof shall be in such amounts and at such times as may be determined by the Board in accordance with these By-Laws.

Section 2. Preparation of Estimated Budget. On or before the 1st day of December of each year, the Board shall estimate the total amount necessary to pay the Common Expenses for the next calendar year together with reasonable amounts for reserves if so determined by the Board, and other amounts necessary or required for the operation of the Condominium Property as authorized by the Declaration and these By-Laws. On or before December 1 following the First Annual Meeting and each year thereafter, the Board shall notify each Owner in writing of the amount of such estimate (the "estimated cash requirement"), with reasonable itemization thereof. Said "estimated cash requirement" shall be assessed to the Unit Owners according to each Unit Owner's percentage of interest in the Common Area as set forth in Exhibit "D" to the Declaration, and as may be modified as authorized in the Declaration. On or before January 1 of the ensuing year, and the first of each and every month of said year, each Unit Owner shall be obligated to pay to the Association or as it may direct, one-

twelfth (1/12) of the Assessment made pursuant to this Section. If the "estimated cash requirement" proves inadequate for any reason, including the non-payment by any Unit Owner of that person's Assessment, the Association may at any time prepare an adjusted estimate and levy an additional Assessment, which shall be assessed to Unit Owners in proportion to each Unit Owner's percentage of interest in the Common Area. The Association shall give written notice of any such additional Assessment to all Unit Owners stating the amount thereof, the reasons therefor and time when the same shall be effective, which shall not be less than ten (10) days after the mailing of such notice, or, if the same is not mailed, the delivery thereof. All Unit Owners shall be obligated to pay the monthly amount as adjusted. Any amount collected by the Association in excess of the amount required for the actual expenses and reserves in any year shall be credited promptly after the same has been determined according to each Unit Owner's percentage of interest in the Common Area, to the installments next due from Unit Owners under the current year's estimate. Any deficiency shall be added, according to each Unit Owner's percentage of interest in the Common Area, to the installments due in the succeeding six months after rendering of the accounting.

Section 3. Budget for First Year. The Board shall determine the estimated cash requirement, as hereinabove defined, for the period commencing at the beginning of the second full month after its election and ending on December 31st of the calendar year in which said election occurs. Assessments shall be levied against the Unit Owners during said period as provided in Section 2 of this Article IX.

Section 4. Failure to Prepare Annual Budget. The failure or delay of the Board to prepare or serve the annual or adjusted budget on any Unit Owner shall not constitute a waiver or release in any manner of such Unit Owner's obligation to pay that Owner's share of the Common Expenses, including, without limitation, the maintenance cost and necessary reserves, as herein provided, whenever the same shall be determined, and in the absence of any annual budget or adjusted budget, each Unit owner shall continue to pay a monthly Assessment at the then existing monthly rate established for the previous period until the amount of the monthly Assessment is changed as herein provided.

Section 5. Reserve Fund. The Board shall establish and maintain for the Association a reasonable reserve fund for contingencies and replacements in such amount as the Board may deem necessary. Upon the sale of a Unit by any Unit Owner, such Unit Owner shall have no right to any portion of the funds in the reserve account; nor shall such Unit Owner have any claim against the Association with respect thereto. Extraordinary expenditures incurred in any year which were not originally included in the estimated cash requirement for such year shall be charged first against such reserve fund. The amount of the reserve fund shall be reviewed annually by the Board.

Section 6. Payment of Assessments. Following the establishment of the Association and prior to the preparation of the estimated budget in accordance with Section 2 of this Article IX, monthly Assessments shall be paid by the Unit Owners, including Declarant in its capacity as Owner of any unsold units, subject to the limitations stated in the Declaration, in an amount estimated by the Board as being sufficient to cover the initial working capital requirements for the Association (the respective amounts payable by each Unit Owner being based upon such Unit Owner's percentage of interest in the Common Areas and Facilities as

set forth in Exhibit "D" to the Declaration) and if such monthly Assessments shall be less than required to meet current Common Expenses, all Unit Owners, including the Declarant in its capacity as Owner of any unsold Units, shall make up any deficiency on a pro-rata basis in accordance with their respective percentages of interest in the Common Areas and Facilities as shown on Exhibit "D" to the Declaration.

Section 7. Status of Funds Collected by Association. All funds collected hereunder shall be held and expended solely for the purposes designated in the Declaration and these By-Laws and (except for special assessments as may be levied hereunder against less than all the Unit Owners, and for such adjustments as may be required to reflect delinquent or prepaid Assessments) shall be deemed to be held for the use, benefit and account of all Unit Owners in proportion to each Unit Owner's percentage ownership in the Common Area. All sums collected by the Association from Assessments may be comingled in a single fund or divided into more than one fund, as determined by the Board.

Section 8. Lien of Unpaid Assessments. Unpaid Assessments shall be a lien upon the Unit in the manner specified in the Declaration. The Board may charge interest as provided in the Declaration.

Section 9. Remedies for Failure to Pay Assessments. If a Unit Owner is in default in the payment of any charges or Assessments for thirty (30) days, the Association upon authorization of the Board may bring suit to enforce collection thereof or to foreclose the lien thereof as provided in the Declaration, together with interest as provided in the Declaration, and reasonable attorney's fees. The amount of any delinquent and unpaid charges or Assessments, and interest, costs and fees as above provided shall constitute a lien and may be foreclosed by an action brought by the Association if authorized by the Board as in the case of foreclosure of liens against real estate.

Section 10. Books and Records of Association. The Association shall keep full and correct books of account and the same shall be open for inspection by any Unit Owner or that person's Mortgagee, or by any representative of a Unit Owner duly authorized in writing, at reasonable times and upon request by a Unit Owner. Upon fifteen (15) days' prior written notice to the Board and upon payment of a reasonable fee, any Unit Owner shall be furnished a statement of that Owner's account setting forth the amount of any unpaid Assessments or other charges due and owing from such Unit Owner.

Section 11. Annual Statements. Within one hundred twenty (120) days after the end of each fiscal year of the Association, the Board shall furnish to each Unit owner a financial statement consisting of (a) a balance sheet containing a summary of the assets and liabilities of the Association as of the date of such balance sheet, and (b) a statement of the income and expenses for the period commencing with the date marking the end of the period for which the last preceding statement of income and expenses required hereunder was made and ending with the date of said statement, or in the case of the first such statement, from the formation of the Association to the date of said statement. The financial statement shall have appended thereto a certificate signed by the President or a Vice President and the Treasurer of the Association or by a public accountant or firm of public accountants to the effect that the financial statement presents fairly the financial position of the Association and the results of its operations in conformity with generally accepted accounting

principles applied on a basis consistent with that of the preceding period except as specified therein.

Section 12. Annual Audit. The books of the Association shall be reviewed once a year by the Board, and such review shall be completed prior to each annual meeting. At any time upon the request of Unit Owners holding more than fifty percent (50%) of the voting power of the Association, or upon request of two (2) members of the Board, the Board shall cause a review of the books of the Association to be made by a Certified Public Accountant, any such additional review to be at the expense of the Association.

Section 13. Special Services. The Association may arrange for special services and facilities for the benefit of such Unit Owners and/or Occupants as may desire to pay for same, including, without limitation, the cleaning, repair and maintenance of Units and special recreational, restaurant, garage, educational or medical facilities available to specific Unit Owners and/or Occupants. The cost of any such special services or facilities shall be determined by the Association and may be charged directly to participating Unit Owners and/or Occupants or paid through a special assessment levied against such participating Unit Owners and/or Occupants.

ARTICLE X

MORTGAGEES

Section 1. Notices to Mortgagees. A Unit Owner who mortgages that person's Unit shall notify the Association through the Managing Agent, if any, or the President of the Board in the event there is no Managing Agent, of the name and address of the Mortgagee and thereafter shall notify the Association of the full payment, cancellation or other alteration in the status of such mortgage. The Association shall maintain such information in a book entitled "Mortgagees of Units."

Section 2. Rights of Mortgagees. A Mortgagee of a Unit shall be entitled to written notice from the Association of any default by its mortgagor Unit Owner which is not cured within sixty (60) days. Any Mortgagee may from time to time request in writing a written statement from the Board setting forth any and all unpaid Assessments due and owing from its mortgagor Unit Owner with respect to the Unit subject to the lien of its mortgage and such request shall be complied with within twenty (20) days from receipt thereof. Any Mortgagee holding a mortgage on a Unit may pay any unpaid Common Expenses assessed with respect to such Unit and upon such payment, such Mortgagee shall have a lien on such Unit for the amounts so paid at the same rank as the lien of its mortgage.

ARTICLE XI

INDEMNIFICATION

Section 1. General. The Association shall indemnify any Board Member, officer, employee, or agent of the Association or any former Board Member, officer, employee or agent of the Association and/or its or their respective heirs, executors and administrators, against reasonable expenses, including attorneys' fees, judgments, decrees, fines, penalties or amounts paid in settlement actually

and necessarily incurred by such person in connection with the defense of any pending or threatened action, suit, or proceeding, criminal or civil, to which such person is or may be made a party by reason of being or having been such Board Member, officer, employee or agent of the Association, provided it is determined in the manner hereinafter set forth (a) that such Board Member, officer, employee or agent of the Association was not, and is not adjudicated to have been, negligent or guilty of misconduct in the performance of such person's duty to the Association; (b) that such person acted in good faith in what such person reasonably believed to be in the best interests of the Association; (c) that, in any matter the subject of a criminal action, suit or proceeding, such person had not reasonable cause to believe that such person's conduct was unlawful; and (d) in case of settlement, that the amount paid in the settlement was reasonable. Such determination shall be made either (i) by the Board Members of the Association acting at a meeting at which a quorum consisting of Board Members who are not parties to or threatened with any such action, suit or proceeding is present, or (ii) in the event of settlement, by a written opinion of independent legal counsel selected by the Board Members.

Section 2. Advance of Expenses. Funds to cover expenses, including attorney's fees, with respect to any pending or threatened action, suit, or proceeding, may be advanced by the Association prior to the final disposition thereof upon receipt of an undertaking by or on behalf of the recipient to repay such amounts unless it shall ultimately be determined that such person is entitled to indemnification hereunder.

Section 3. Indemnification Not Exclusive; Insurance. The Indemnification hereinabove provided for in this Article XI shall not be exclusive, but shall be in addition to (a) any other rights to which any person may be entitled under the Articles of Incorporation, Rules and Regulations of the Association, any agreement, any insurance provided by the Association, by law, or otherwise. The Association may purchase and maintain insurance on behalf of any person who is or was a Board Member, officer, agent or employee of the Association against any liability asserted against such person or incurred by such person in any such capacity or arising out of such person's status as such whether or not the Association would have the power to indemnify such person against such liability under the provisions of this Article.

Section 4. Indemnification by Unit Owners. The Board members and officers of the Association shall not be liable to the Unit Owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Unit Owners shall indemnify and hold harmless each of the Board Members and officers of the Association against all contractual liability to third parties arising out of contracts made on behalf of the Association except with respect to any such contracts made in bad faith or contrary to the provisions of the Declaration or By-Laws. It is intended that the Board Members and officers of the Association shall have no personal liability with respect to contracts entered into on behalf of the Association. Every agreement made by any Board Member, officer, employee or agent of the Association or by the Managing Agent, if any, on behalf of the Association, shall provide that such Board Member, officer, employee or agent of the Association, or Managing Agent, as the case may be, is acting only as agent for the Association and shall have no personal liability thereunder (except as a Unit Owner), and that each Unit Owner's liability thereunder shall be limited to such proportion of the total liability thereunder as that Owner's percentage of interest

in the Common Areas and Facilities bears to the total percentage interest of all Unit Owners in the Common Areas and Facilities.

Section 5. Cost of Indemnification. Any sum paid or advanced by the Association under this Article XI shall constitute a Common Expense of the Association and the Board shall have the power to raise and the responsibility for raising, by special assessment or otherwise, any sums required to discharge its obligations under this Article XI; provided, however, that the liability of any Unit Owner arising out of any contract made by or other acts of any Board Member, officer, employee or agent of the Association, or out of the aforesaid indemnity in favor of such Board Member, officer, employee or agent of the Association, shall be limited to such proportion of the total liability hereunder as said Unit Owner's percentage of interest in the Common Areas and Facilities bears to the total percentage interest of all the Unit Owners in the Common Areas and Facilities.

ARTICLE XII

GENERAL PROVISIONS

Section 1. Right of Entry.

(a) Each Unit shall be subject to the right of access for the purpose of maintenance, repair, or service of any Common Area and Facility located within its boundaries or any portion of the Unit itself, by persons authorized by the Board. No maintenance, repair, or service of any portion of a Unit shall be authorized, however, unless it is necessary in the opinion of the Board for public safety or in order to prevent damage or destruction of any other part of the Condominium Property. In connection therewith, the Board reserves the right to retain a passkey to each Unit, and no locks or other devices shall be placed on the doors to any Unit to obstruct access through the use of such passkey. Such passkeys shall be kept in a secure manner.

(b) Each Unit shall also be subject to the right of other Unit Owners or their representatives, when so required, to enter a Unit for the purpose of performing installations, alterations, or repairs to the mechanical or electrical services, provided that requests for entry are made in advance and that such entry is not made at an unreasonable time. In case of emergency, such right of entry shall be immediate.

Section 2. Acquisition, Lease, Sale or Exchange of Property. Whenever the Board determines to acquire, lease, sell or exchange real property or any interest therein, other than any Unit, or any personal property, the Board shall submit such acquisition, lease or exchange to the vote of the Unit Owners, and, upon the affirmative vote of the Unit Owners entitled to exercise not less than seventy-five percent (75%) of the voting power of the Association present in person or by proxy at any annual meeting or a special meeting duly held for such purpose, the Board may proceed with such acquisition, lease, sale or exchange, in the name of the Association and on behalf of all Unit Owners, and the costs and expenses incident thereto shall constitute part of the Common Expense.

Section 3. Rules and Regulations. The Association, by the affirmative vote of the Unit Owners entitled to exercise a majority of the voting power of the Association, or the Board, by a vote of majority of the Board Members, may

adopt such reasonable Rules and Regulations and from time to time amend the same supplementing the Rules and Regulations set forth in the Declaration and these By-Laws as it or they may deem advisable for the operation, use, maintenance, conservation and beautification of the Condominium Property or any portion thereof, or for the health, comfort, safety and general welfare of the Unit Owners and Occupants of the Condominium Property. Written notice of such Rules and Regulations shall be given to all Unit Owners and Occupants, and the Condominium Property shall at all times be maintained subject to the Rules and Regulations.

Section 4. Declarant's Rights Pending First Annual Meeting. Between the date that the Association is established and the date of the event which gives rise to the First Annual Meeting, the Declarant or persons designated by the Declarant shall have the right to appoint and remove Members of the Board of Directors and officers of the Association and to exercise the powers and responsibilities otherwise assigned by law or the Declaration to the Association, the Board or the officers of the Association so long as such rights are exercised in accordance with the provisions of the Act.

Section 5. Severability. The invalidity of any covenant, restriction, condition, limitation or other provision of these By-Laws, or of any part of the same, shall not impair or affect in any manner the validity, enforceability or effect of any other provision contained in these By-Laws or in the Declaration.

Section 6. Ratification. All present or future Unit Owners or their employees or Occupants shall be subject to the provisions set forth in the Declaration and in these By-Laws. The mere acquisition or rental of any of the Units located within the Condominium Property described in the Declaration, or the mere act of occupancy of any of said Units will constitute acceptance and ratification of the Declaration and of these By-Laws.

Section 7. Conflict Between Declaration, Articles of Incorporation, By-Laws and Rules and Regulations. In the event of conflict or inconsistency between any of the provisions of the Declaration and the Articles of Incorporation of the Association or these By-Laws or the Rules and Regulations of the Association, as the case may be, it is hereby agreed that the provisions of the Declaration shall be paramount, and the Unit Owners and all persons claiming under them covenant to vote in favor of such amendments to the Articles of Incorporation or the By-Laws or the Rules and Regulations, as the case may be, as will remove such conflicts or inconsistencies.

Section 8. Agreements Binding. All agreements and determinations lawfully made by the Association in accordance with the procedure established in the Declaration and these By-Laws shall be deemed to be binding upon all Unit Owners and their respective heirs, executors, administrators, successors and assigns.


Section 9. Amendments. These By-Laws may be amended by agreement of the Unit Owners possessing seventy-five percent (75%) of the aggregate percentage interest in the Common Areas. Such amendment shall be evidenced by an instrument in writing prepared in accordance with the requirements for same as set forth in these By-Laws and the Declaration. No provision in these

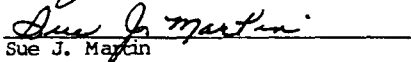
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IN WITNESS WHEREOF, Sidney A. Martin, has executed this instrument on this the 29th day of JULY, 1986.

 (SEAL)
Sidney A. Martin

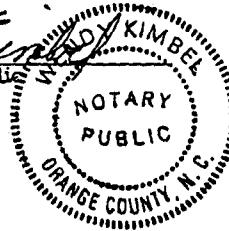
 (SEAL)
Sue J. Martin

NORTH CAROLINA, ORANGE COUNTY

I, a Notary Public for said County and State, do hereby certify that Sidney A. Martin, personally appeared before me this day and acknowledged the due execution of the foregoing and attached Bylaws.

Witness my hand and notarial seal, this the 29th day of JULY, 1986.

Hendy Kimbel
Notary Public



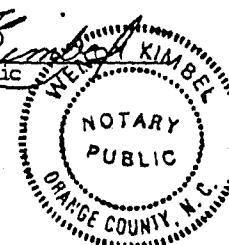
My Commission Expires: 7-4-88

NORTH CAROLINA, ORANGE COUNTY

I, a Notary Public for said County and State, do hereby certify that Sue J. Martin, personally appeared before me this day and acknowledged the due execution of the foregoing and attached Bylaws.

Witness my hand and notarial seal, this the 29th day of JULY, 1986.

Hendy Kimbel
Notary Public



My Commission Expires: 7-4-88

COLEMAN, BARNHILL, DICKSON, BARNHILL & HARGRAVE, ATTORNEYS AT LAW


NORTH CAROLINA
ORANGE COUNTY

SUBMISSION AND CONSENT TO
DECLARATION OF CONDOMINIUM OWNERSHIP

The undersigned, First Financial Service Corporation of Raleigh and First Federal Savings and Loan Association of Raleigh, are the Trustee and Beneficiary, respectively, under a Deed of Trust upon the premises described in this Declaration of Condominium Ownership for The Gables, executed by Sidney A. Martin and recorded in Deed Book 488, Page 307, Orange County Registry. The undersigned hereby consent to the execution and delivery of the foregoing Declaration of Condominium Ownership and subordinates the above-described Deed of Trust to the Condominium Act (N.C.G.S. Chapter 47A), this Declaration and the Bylaws.

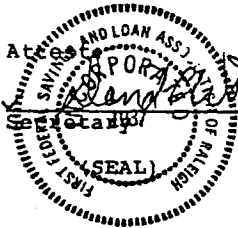
IN WITNESS WHEREOF, First Financial Service Corporation of Raleigh and First Federal Savings and Loan of Raleigh, by their duly authorized officers, have executed this instrument this 14 day of August, 1986.

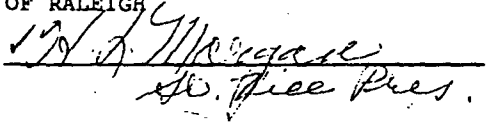
CHELMAN, BERNHOLD, DE KESON, BARNHILL & HARRIS, ATTORNEYS AT LAW

Attest
Secretary


FIRST FINANCIAL SERVICE CORPORATION OF RALEIGH

VICE PRESIDENT

Attest
Secretary


FIRST FEDERAL SAVINGS AND LOAN OF RALEIGH

President

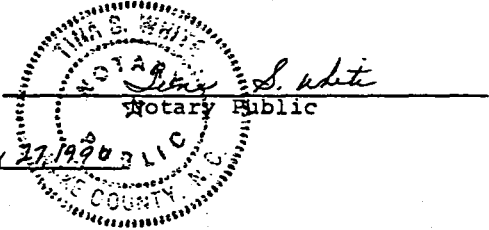
NORTH CAROLINA

Wake COUNTY

BOOK 605 PAGE 378

I, Joni S. White, a Notary Public for said County and State, do hereby certify that Rich Merrill, personally appeared before me this day and stated that he is Vice President of First Financial Service Corporation of Raleigh, and acknowledged, on behalf of First Financial Service Corporation of Raleigh, the due execution of the foregoing instrument.

Witness my hand and official seal this 14th day of August, 1986.



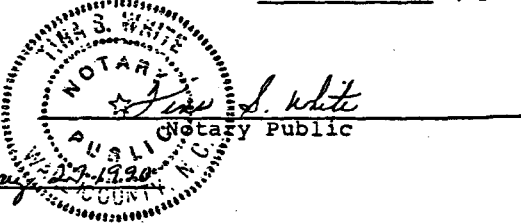
My Commission Expires: February 27, 1990

NORTH CAROLINA

Wake COUNTY

I, Joni S. White, a Notary Public for said County and State, do hereby certify that H.L. Morgan, personally appeared before me this day and stated that he is Vice President of First Federal Savings and Loan of Raleigh, and acknowledged, on behalf of First Federal Savings and Loan of Raleigh, the due execution of the foregoing instrument.

Witness my hand and official seal this 14th day of August, 1986.



My Commission Expires: February 27, 1990

CLERKMAN, BERNHARDT, INVERSON, RICHMOND, CHEWELL & HARRIS, ATTORNEYS AT LAW