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STATE OF NORTH CAROLINA

DECLARATION OF RESTRICTIONS

COUNTY OF NEW HANOVER

CHURCHILL ESTATES

HIGH DENSITY

SECTION 1

JUL 5 2 45 PM '88

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RECORDED AND VERIFIED
REBECCA P. TUCKER
REGISTER OF DEEDS
NEW HANOVER CO, NC

KNOW ALL MEN BY THESE PRESENTS:

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THAT the undersigned DEVELOPER, G & F CONSTRUCTION, is the owner of that tract of real property described as CHURCHILL ESTATES HIGH DENSITY, SECTION 1, and it is the desire of the DEVELOPER to promote and establish a uniform and harmonious development of said CHURCHILL ESTATES HIGH DENSITY, SECTION 1 by restricting the use, enjoyment and development of the same;

NOW, THEREFORE, DEVELOPER does hereby declare that all of the lots of CHURCHILL ESTATES HIGH DENSITY, SECTION 1 as shown on the map thereof recorded in Map Book 28, at Page 84 of the New Hanover County Registry, as well as any improvements constructed thereon, shall be held, conveyed, hypothecated, encumbered, used, occupied and improved subject to the following covenants, conditions, restrictions, uses, limitations and obligations, all of which are declared to be in furtherance of a plan for the improvement of CHURCHILL ESTATES HIGH DENSITY, SECTION 1, and shall be deemed to run with the land and shall be a burden and a benefit to the DEVELOPER, its successors and assigns, and any person or entity acquiring or owning an interest in CHURCHILL ESTATES, HIGH DENSITY SECTION 1, or any portion thereof, their Grantees, successors, assigns, devisees, heirs, executors and/or administrators.

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ARTICLE I

RESTRICTIONS

1. No lot shall be put to any use other than for single-family purposes, except that DEVELOPER reserves the right to convert any of the lots shown on said map into a street right of way.

2. No improvement shall be erected, altered, placed upon, or permitted to remain on any lot other than one detached single-family dwelling with garage for not more than two cars. No such garage shall be more than one story in height and shall never be used for living quarters of any kind, either for guests, members of the family or servants, and the construction or maintenance of so-called "garage-apartments" on any lots is expressly prohibited.

3. The building plans for all improvements to the lots in this subdivision must be first approved by DEVELOPER. If plans are submitted for approval to an officer, nominee or successor to G & F Construction, Inc., and after a period of twenty days from the delivery thereof, the person or corporation so delivering the plans has not received either approval, disapproval or request for modification of the plans, then the plans shall be deemed to be approved so long as the improvements, dwelling or structure is in general conformity with the other improvements, dwellings and structures in the subdivision.

4. No building or structure of any kind shall be located on any lot nearer than 25 feet from the front street line. No building or structure of any kind shall be located on any lot nearer than ten feet from any side lot line, provided, however, if the owner of two or more adjoining lots shall elect to use them for one residence, the boundary line or lines between the lots so used shall not be regarded as side boundary lines of the lots. Provided, that detached garages or approved storage or utility buildings may be constructed no nearer than 5 feet to the

This instrument is re-recorded to reflect addition of By-Laws of Churchill Estates Homeowners Association which were previously omitted.

RETURNED TO *J. J. Jackson*

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side or rear lines of any lot. In computing the front and side setback distances called for in these restrictive covenants, measurements shall be from the base or ground level of the building or structure, and neither the overhang of eaves, not in excess of three feet, nor the establishment of uncovered stoops, patios, decks, or steps, within the setback area, shall be considered a violation of this covenant. In the event of the unintentional violation of any of the building line restrictions herein set forth, the undersigned reserves the right to change such restrictions accordingly; provided, however, that such change shall not exceed 10% of the marginal requirement of the building line restrictions existing as to such lot. Provided, further, that in any event, regardless of the set back and side and rear minimum requirements set forth herein, lot owners shall comply with the minimum set back, side and rear distances established by the New Hanover County Zoning and Subdivision Ordinances in effect at the time of construction of a dwelling upon his lot.

5. The DEVELOPER reserves for itself, its successors and/or assigns an easement and right at any time in the future to grant an easement or right of way under, over and along the side, rear and front property lines of each and every lot in the subdivision described herein, for the installation and maintenance of poles, lines, cables, conduits, pipes and other equipment necessary to or useful for furnishing electric power, gas, telephone service or other utilities including water and sewer service, and for drainage.

6. No culvert or pipe shall be placed in any street or road, ditch or drain unless it in all respects meets the standards set by the governmental authority having jurisdiction over the same.

7. No commercial trade or activity, or any noxious trade or activity whatsoever, shall be carried on upon any lot, nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to other lot owners. In the event yards in the subdivision are not property maintained they may be cleaned by the DEVELOPER at the owners' expense. Unsightly, inoperative junk cars and like eyesores cannot be maintained on any lot or on any street in the subdivision either prior to or after the dwelling has been erected and any such automobiles may be removed by the DEVELOPER at the lot owners' expense.

8. No house trailer, mobile home, modular home, prefabricated home, tent, shack or temporary structure of any nature shall be located on any lot or used at any time as a residence, temporarily or permanently, nor shall any structure of a temporary character be used as a residence.

9. Fences may be installed on any lot in the subdivision, provided the DEVELOPER shall have the right to approve the type, quality, height, and installation of any fence to be installed. No fence so approved or consented to shall be permitted nearer the front lot line than the front corners of the house to be constructed upon said lot. Provided, however, wrought iron, brick or other ornamental fences may be permitted to the front lot line of any lot, with the express written consent of the DEVELOPER.

10. All buildings, structures and their appurtenances shall be maintained in a suitable state of repair, and in the event of destruction by fire or other casualty, premises are to be cleared and debris removed within ninety (90) days from date of such casualty.

11. No animals, other than domesticated dogs, cats or other household pets, may be kept or housed on any lot. No dogs, cats or other household pets may be kept, bred or maintained for

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 any commercial purposes; nor may they be kept in such numbers or of such a nature as to be or become a nuisance to adjoining property owners or any residents of the subdivision.

12. No lot area shall be used or maintained as a dumping ground for rubbish, trash, garbage, or other waste, and such materials may not be kept on any lots, except in sanitary containers. All incinerators or other equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition.

13. Sewerage disposal for any dwelling or other building erected on any lot shall only be connecting to the Community sewerage disposal system.

14. No lot as shown on the map of the subdivision above referred to shall be resubdivided unless each part of the subdivided lot becomes a part of another whole lot, except that DEVELOPER may subdivide any lot, so long as each portion of any such resubdivided lot meets the minimum zoning requirements for said lots established by the New Hanover County Board of Commissioners or other governmental authority having jurisdiction over the property in question.

15. No signs of any type or description shall be placed on or displayed on any residential lot except signs "For Rent" or "For Sale" which signs shall not exceed six square feet in size.

16. Water to be used for human consumption by the residents of any lot in the subdivision shall be obtained from Kings Grant Water Company. Private wells are prohibited unless approved in writing by Kings Grant Water Company..

17. To provide for the maintenance, repair and upkeep of common areas and open spaces, G & F CONSTRUCTION, INC. has formed or will form CHURCHILL ESTATES HOMEOWNERS ASSOCIATION, a non-profit corporation organized pursuant to the Non-Profit Corporation Act of the State of North Carolina.

There are no common areas or open spaces in this section of CHURCHILL ESTATES HIGH DENSITY, SECTION 1.

The By-Laws of said Association are attached hereto as Exhibit "A" and are incorporated herein by reference. Said By-Laws provide, among other things, for the collecting and the enforcement of collection of assessments for the maintenance and upkeep of common areas and open spaces in the subdivision. The owners of all lots in CHURCHILL ESTATES HIGH DENSITY, SECTION 1, upon acceptance of a deed to their lot shall automatically become a member of said Association and shall be subject to all of the terms, conditions and provisions of said Articles of Incorporation and said By-Laws.

18. Every owner of a fee simple title to a lot within the development shall be deemed to own, possess and have accepted:

(a) The membership(s) in the CHURCHILL ESTATES HOMEOWNERS ASSOCIATION appurtenant to his lot(s);

(b) An undivided equal interest with all other owners, for each membership in the Association owned, in the Association and all of its assets;

(c) An easement of enjoyment, equal to that of all other owners, in and to the common areas and open spaces, if any, subject to the right of the Association to dedicate or transfer all or any part of the common areas and open spaces, if any, for such purposes and subject to such conditions as the

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Association may determine, acting by and pursuant to the provisions of its duly enacted By-Laws;

(d) The duty of complying with and abiding by all of the provisions of these Articles, the By-Laws of the Association and the Rules and Regulations of the Association, including the payment of dues and assessments as provided in the By-Laws.

19. These restrictions are subject to being altered, modified, cancelled or changed at any time as to said subdivision as a whole or as to any subdivided lot or part thereof by written document executed as a whole or as to any subdivided lot or part thereof by written document executed by the owners of not less than ninety percent (90%) of the lots of said subdivision to which these restrictions apply, and recorded in the Office of the Register of Deeds of New Hanover County, North Carolina.

20. Invalidation of any one of these covenants or portions thereof by Judgment or Court Order shall in no wise affect any of the other provisions, which shall remain in full force and effect.

21. Any person or entity owning any lot or lots in said subdivision shall have the right and authority to bring appropriate legal proceedings to prevent violations of or enforce these restrictions and/or to recover damages for such violation or violations.

22. DEVELOPER shall have no responsibility for maintaining any drainage easements in connection with any lot sold. All maintenance shall be the responsibility of the purchaser of a lot, his successors and/or assigns. Within the easements reserved to DEVELOPER no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation or maintenance of utilities or which may change the direction or flow of drainage channels in the easements. The easement area of the lots and all improvements to it shall be maintained by the owner of the lot except for the improvements for which a public authority or utility company is responsible.

22. The DEVELOPER reserves the right to subject the real property in the subdivision to contracts with public utility companies for the installation of utility lines, mains, poles and other equipment for the provision of utility service to the lots which may require a continuing monthly payment to such utility companies by the owners of each lot.

ARTICLE II

SCOPE OF RESTRICTIONS

THESE RESTRICTIONS APPLY ONLY TO SECTION 1, CHURCHILL ESTATES HIGH DENSITY, AS THE SAME IS SHOWN ON THE MAP REFERENCED ABOVE, AND NOTHING HEREIN IS INTENDED, NOR SHALL BE DEEMED, TO BE A REPRESENTATION, WARRANTY, COVENANT OR PROMISE THAT THESE RESTRICTIONS APPLY OR SHALL APPLY TO ANY OTHER REAL PROPERTY OWNED BY DEVELOPER AND AS DESCRIBED IN THAT DEED RECORDED IN BOOK _____, AT PAGE _____ IN SAID REGISTRY. DEVELOPER, FOR ITSELF, ITS SUCCESSORS AND/OR ASSIGNS, DECLARES THAT SECTION 1, CHURCHILL ESTATES HIGH DENSITY, IS NOT PART OF ANY OVERALL PLAN FOR THE DEVELOPMENT OF THE REAL PROPERTY DESCRIBED IN THE DEED REFERENCED HEREIN, AND THAT THE REMAINDER OF SAID PROPERTY MAY AND CAN BE USED, DEVELOPED, CONVEYED AND/OR IMPROVED FOR PURPOSES AND SUBJECT TO RESTRICTIONS OTHER THAN AS SET OUT HEREIN.

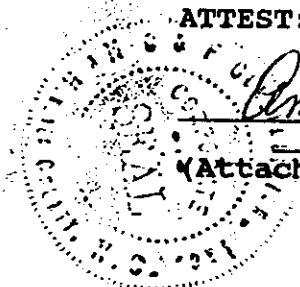
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IN WITNESS WHEREOF the DEVELOPER has caused this Declaration to be executed in its corporate name, and its seal to be hereto attached, by its duly authorized officers, all the day and year first above written.

ATTEST:

G & F CONSTRUCTION, INC.



Dale B. Covil

SECRETARY

(Attach Corporate Seal)

BY: *[Signature]*

PRESIDENT

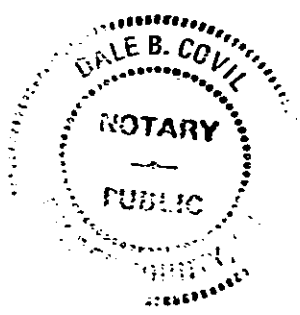
STATE OF NORTH CAROLINA
COUNTY OF PENDER

I, DALE B. COVIL, a Notary Public in and for the state and county aforesaid do hereby certify that ANN F. GRATHWOL personally appeared before me this day and acknowledged that she is Secretary of G & F CONSTRUCTION, INC., a North Carolina corporation, and that, by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal, and attested by herself as its Secretary.

Witness my hand and notary seal this the 6th day of July, 1988.

Dale B. Covil

Notary Public



My Commission Expires:
March 16, 1991

STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

The foregoing Certificate of Dale B. Covil, a Notary Public is certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

This the 8th day of July, 1988.

REBECCA P. TUCKER, Register of Deeds
for New Hanover County, North Carolina

BY: *[Signature]*

Deputy/Assistant Register of Deeds

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RESTRICT

BY-LAWS
OF
CHURCHILL ESTATES HOMEOWNERS ASSOCIATION

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ARTICLE I.

General Provisions

SECTION 1. - IDENTITY: These are the By-Laws of CHURCHILL ESTATES HOMEOWNERS ASSOCIATION, a nonprofit corporation organized pursuant to the laws of the State of North Carolina.

SECTION 2. - INCORPORATION: The provisions of these By-Laws supplement and are enacted pursuant to the provisions of the above referenced Articles of Incorporation and are applicable to the record owners of certain lots located upon or within those certain developments of real property, taken or developed from the property described on Exhibit "A" hereto attached, made a part hereof, and incorporated herein by reference. For the purposes hereof, the Developer of the property described on Exhibit "A" is G & F CONSTRUCTION, INC., its successors and assigns.

SECTION 3. - APPLICATION: These By-Laws shall, in conjunction with the above referenced Articles of Incorporation govern the affairs, rights, privileges, duties and obligations of the Association, all owners, the Developer, all mortgagees, beneficiaries under Deeds of Trust, Lessees and occupants of all lots subject hereto, their employees and all others who may use or enjoy any of the property subjected hereto, and the acceptance of a Deed for or conveyance of, or the succeeding to title to, or the entering into a lease for, or the actual occupancy of, or use of a lot, the common areas and open spaces, or any of the improvements thereon by any of the above shall constitute an acceptance by the same of the provisions of these By-Laws, the Rules and Regulations enacted pursuant hereto and the provisions of the herein above referenced Articles, and an agreement to comply and abide by the same.

SECTION 4. - PRINCIPAL OFFICE: The principal office of the Association and of the Board of Directors shall be located at 2905 Market Street, Wilmington, New Hanover County, North Carolina, 28403.

ARTICLE II.

Membership

SECTION 1. - IDENTIFICATION: The Association shall have two (2) classes of voting memberships:

CLASS A. Class A members shall be those Owners, with the exception of the Developer until its Class B membership has converted to Class A membership, who own lots within the property described on Exhibit "A" to the By-Laws of CHURCHILL ESTATES HOMEOWNERS ASSOCIATION, which By-Laws are recorded in Book 1392 beginning at Page 798 of the New Hanover County Registry. Each Class A member shall be entitled to one (1) vote for each such lot so owned.

CLASS B. The Class B member shall be the Developer and it shall be entitled to three (3) votes for each lot owned by it. The Class B membership shall cease and be converted to Class A membership upon the happening of either of the following events, whichever occurs earlier:

(a) when the total votes outstanding in the Class A membership equals the total votes outstanding in the Class B membership, or

(b) On December 31, 2000.

SECTION 2. - RECORDS: The Secretary of the Association shall maintain at the principal office of the Association a register of all of the current owners of memberships in the Association and the mailing address of each owner and of all mortgagees or beneficiaries under Deeds of Trust of all such lots. 1422 0885

SECTION 3. - VOTING RIGHTS: Each membership shall be entitled to one (1) vote for each lot owned, in all matters of the Association requiring a vote of the membership. If a membership is owned by one (1) person his right to vote shall be established by the record title to his lot. If a membership is owned by more than one (1) person, or is under lease, the person entitled to cast the vote for such membership shall be designated by a certificate signed by all of the record owners of such membership and filed with the Secretary of the Association. If a membership is owned by a corporation, the person entitled to cast the vote for that membership shall be designated by a certificate signed by the President or Vice President and attested by the Secretary or the Assistant Secretary of such corporation and filed with the Secretary of the Association. If a membership is owned by a partnership, whether general or limited, or a joint venture, the certificate designating the voting member shall be signed by all partners or joint venturers, as the case may be. Such certificates shall be valid until revoked or superceded by a subsequent certificate or until a change occurs in the ownership of the membership concerned. A certificate designating the person entitled to cast the vote of a membership may be revoked by any owner of such membership. If such a certificate is not on file, the vote of such membership shall not be considered in determining the requirements for a quorum nor for any other purpose under these By-Laws.

SECTION 4. - MORTGAGEES AND TRUSTEES UNDER DEEDS OF TRUST: In the event that any such lot is conveyed by mortgage or by Deed of Trust, then the rights, duties, obligations, powers and privileges appurtenant to the membership appurtenant to such lot shall be exercised by the owner of the equity in the lot, and not by the mortgagee under any mortgage or the trustee or beneficiary under any Deed of Trust against such lot.

SECTION 5. - ANNUAL MEETINGS: Subject to the provisions of Article VI of these By-Laws, the annual meetings of the Association shall be held on the last Saturday in January of each year unless such date shall occur on a legal holiday, in which event, the meeting shall be held on the next succeeding business day. The purpose of the annual meeting shall be for the election of the Directors of the Association for the succeeding year and for the transaction of any and all business of the Association as may properly come before the meeting.

SECTION 6. - SPECIAL MEETINGS: It shall be the duty of the President to call a special meeting of the membership if so directed by resolution of the Board of Directors or upon a petition calling for a special meeting presented to the Secretary of the Association and signed by at least twenty-five percent (25%) of the owners of memberships in the Association. The notice of any special meeting shall state the time, place and purpose of the meeting. No business shall be transacted at a special meeting except as stated in the notice.

SECTION 7. - NOTICE OF MEETINGS: The Secretary shall mail to each owner of a membership in the Association notice of each annual or special meeting of the membership at least ten (10) days but not more than sixty (60) days prior to such meeting, stating the purpose thereof as well as the time and place where it is to be held. Said notice shall be mailed to the address

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which the owner of each membership has designated to the Secretary and maintained by the Secretary on his current register of owners. The mailing of a notice of a meeting in the manner provided in this section shall be considered service of notice.

SECTION 8. - ADJOURNMENT OF MEETINGS: If any meeting of the membership cannot be held because a quorum has not attended, a majority of the membership who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not more than forty-eight (48) hours from the time the original meeting was called.

SECTION 9. - QUORUM: A quorum at all membership meetings shall consist of persons representing and entitled to cast the vote appurtenant to at least fifty-one percent (51%) of the memberships in the Association. The acts approved by a majority of the votes present at a meeting at which a quorum is present shall constitute the acts of the membership, except when approval by a greater number of members is required by the Declaration, these By-Laws or by law; but those present at any meeting, though less than a quorum, may adjourn said meeting to a future time.

SECTION 10. - PROXIES: The vote appurtenant to each membership may be cast by the person designated as entitled to cast such vote by proxy. The designation of any such proxy shall be made in writing to the Secretary, and shall be revocable at any time by written notice to the Secretary by the owner of the membership to which said vote is appurtenant. Such proxy shall be valid only for the particular meeting designated in the proxy and must be filed with the Secretary before the appointed time of the meeting or any adjournment of such meeting.

SECTION 11. - PLACE OF MEETINGS: Meetings of the Association's membership shall be held at the principal office of the Association or at such other suitable place convenient to the membership as may be designated by the Board of Directors.

SECTION 12. - ORDER OF BUSINESS: The order of business at all meetings of the Association shall be as follows: (a) roll call; (b) proof of notice of meeting; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of Board of Directors; (f) reports of committees; (g) election of members of the Board of Directors, if necessary; (h) unfinished business; and (i) new business.

ARTICLE III.

Board of Directors

The property, affairs and business of the Association shall be managed by the Board of Directors; provided, however, that the provisions of this Article are subject to the provisions of Article VI of these By-Laws.

SECTION 1. - NUMBER, TERM OF OFFICE AND QUALIFICATIONS:
The members constituting the Board of Directors shall be five (5). Each Director shall continue in office until the annual meeting of the membership held next after his election and until his successor shall have been elected and qualified or until his death or until he shall resign or shall have become disqualified or removed from office. Directors need not be residents of the State of North Carolina, nor year-round residents of any development subject hereto; provided, however, that each Director shall be an owner or spouse of an owner in one of the developments subject hereto and in the case of partnership owners, shall be a member or employee of such partnership, and in the case of corporate owners, shall be an officer, shareholder, or employee of such corporation, and in the case of fiduciary owners, shall be the fiduciary, or an officer or employee of such fiduciary.

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SECTION 2. - ELECTION OF DIRECTORS: Except for the first Board of Directors, which is appointed in the Articles of Incorporation, and subject to the provisions of Article VII hereof, the election of the Board of Directors shall be conducted in the following manner: (a) election of Directors shall be held at the annual meeting of the membership; (b) nominations for Directorships shall be made from the floor by the membership or by the Board of Directors; (c) the election shall be by written ballot (unless dispensed with by unanimous consent) and by a plurality of the votes cast, each person representing a membership entitled to vote being entitled to cast one (1) vote for each of as many nominees as there are Directorships to be filled. There shall be no cumulative voting.

SECTION 3. - REMOVAL OF DIRECTORS: Except for the first Board of Directors, which is appointed in the Articles of Incorporation, and subject to the provisions of Article VII hereof, any Director may be removed by concurrence of two-thirds (2/3rds) of the votes of the membership of the Association present at a special meeting of the membership called for the consideration of such removal. The vacancy in the Board of Directors so created shall be filled by the members of the Association at the same meeting.

SECTION 4. - ORGANIZATIONAL MEETING: The organizational meeting of a newly elected Board of Directors shall be held within ten (10) days of their election at such place and time as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organizational meeting shall be necessary.

SECTION 5. - REGULAR MEETINGS: Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the members of the Board of Directors, but at least two (2) such meetings shall be held during each fiscal year. Notice of the regular meetings of the Board of Directors shall be given to each member of the Board of Directors, by personal delivery, mail or telegraph, at least five (5) business days prior to the day named for such meetings.

SECTION 6. - SPECIAL MEETINGS: Special meetings of the Board of Directors may be called by the President of the Association on five (5) business days notice to each member of the Board of Directors, given by mail or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notices on the written request of any member of the Board of Directors.

SECTION 7. - WAIVER OF NOTICE: Any member of the Board of Directors may at any time waive notice of any meeting of the Board of Directors, in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board of Directors at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all of the members of the Board of Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

SECTION 8. - QUORUM: At all meetings of the Board of Directors a majority of the members thereof shall constitute a quorum for the transaction of business, and the votes of a majority of the members of the Board of Directors present at such a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present any business which might have been transacted at the meeting originally called, may be transacted without further notice.

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SECTION 9. - COMPENSATION: No member of the Board of Directors shall receive any compensation from the Association for acting as such.

SECTION 10. - JOINDER IN MEETING BY APPROVAL OF MINUTES: The joinder of a Director in the action of a meeting by signing and concurring with the minutes of that meeting shall constitute the presence of such Director at such meeting for the purpose of determining a quorum.

SECTION 11. - PRESIDING OFFICER AT DIRECTORS' MEETINGS: The presiding officer of a Directors' meeting shall be the President of the Association. In the absence of the presiding officer the Directors present shall designate one (1) of their number to preside.

SECTION 12. - ORDER OF BUSINESS AT DIRECTORS' MEETINGS: The order of business at Directors' meetings shall be: (a) the calling of the roll; (b) the proof of due notice of the meeting; (c) reading and disposal of any unapproved minutes; (d) the reports of officers and committees; (e) the election of officers; (f) unfinished business; (g) new business; and (h) adjournment.

SECTION 13. - POWERS AND DUTIES: The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association except such powers and duties as by law or by these By-Laws may not be delegated to the Board of Directors by the membership of the Association. The powers and duties to be exercised and performed by the Board of Directors shall include, but shall not be limited to, the following:

- a. the operation, care, upkeep and maintenance of the common areas and open spaces, and the improvements thereon;
- b. the determination of the amounts required for the operation, maintenance, care and upkeep of said areas, and the improvements thereto, and the amounts required for the general operation of the Association;
- c. the levying and collection of the assessments from the membership owners;
- d. the employment and dismissal of personnel as necessary for the efficient maintenance of the development and operation of the Association;
- e. the adoption and the amendment of rules and regulations governing the operation of the Association and the use and enjoyment of the common areas and open spaces;
- f. the opening and maintaining of bank accounts on behalf of the Association and designating the signatories required therefor;
- g. the purchasing, leasing or otherwise acquiring in the name of the Association or its designee, corporate or otherwise, on behalf of all members of the Association, lots offered for sale or lease;
- h. the purchasing of lots at foreclosure or other judicial sales in the name of the Association, or its designee, corporate or otherwise, on behalf of the membership;
- i. the selling, conveying, leasing, mortgaging of, voting the votes appurtenant to (other than for the election of members of the Board of Directors), or otherwise dealing with the lots acquired by, and subleasing lots by the Board of Directors on behalf of the membership of the Association;
- j. the organizing of the corporation to act as designee of the Board of Directors in acquiring title to or

leasing lots by the Board of Directors on behalf of the membership of the Association;

k. the purchasing and maintaining of insurance for the lots, the common areas and open spaces, subject hereto, and the improvements thereto pursuant to the provisions of these By-Laws;

l. the making of repairs, additions and improvements to, or alterations of, the property, and repairs to and restoration of any property belonging to the Association, in accordance with the other provisions of these By-Laws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings;

m. the appointing of committees to be composed of members of the Association to aid in governance of the Association in such numbers and for such specific purposes as the Board may determine necessary and proper;

n. the adoption of a seal for the Association;

o. the enforcing of the obligations of the members of the Association, allocating income and expenses of the Association and doing anything and everything else necessary and proper for the sound management of the Association;

p. the levying of fines or expenses against the members of the Association, allocating income and expenses of the Association;

q. adjusting and settling claims under insurance policies obtained pursuant to the By-Laws and executing and delivering releases on settlements of such claims on behalf of all lot owners, all holders of mortgages, Deeds of Trust or other liens on the lots and all owners of any other interest in the property.

r. employ or engage a manager, an independent contractor, attorney or accountant or such other employees and agents as they deem necessary, and to prescribe their duties. Provided, however, any such person so hired shall serve only at the pleasure of the Board of Directors hiring him, and no Board of Directors shall have the authority to bind any succeeding Board of Directors to any such contract.

SECTION 14. - LIABILITY OF THE BOARD OF DIRECTORS: The members of the Board of Directors shall not be liable to the Association or any of its members for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The members of the Association shall indemnify and hold harmless each member of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Articles of Incorporation, or these By-Laws. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association. It is also intended that the liability of any member of the Association arising out of any contract made by the Board of Directors or out of the indemnity in favor of the members of the Board of Directors shall be limited to such proportions of the total liability thereunder as his interest in the Association bears to the interest of all members of the Association in the Association. Every agreement made by the Board of Directors on behalf of the Association shall provide that the members of the Board of Directors are acting only as agents for the Association and shall have no personal liability thereunder (except as members of the Association), and that each member of the Association's liability

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thereunder shall be limited to such proportion of the total liability thereunder as his interest in the Association bears to the interest of all members in the Association.

SECTION 15. - FIDELITY BONDS: The Board of Directors shall obtain adequate fidelity bonds for all officers and employees of the Association. The premiums on such bonds shall constitute an expense of operating the affairs of the Association.

ARTICLE IV.

Officers

SECTION 1. - DESIGNATION: The principal officers of the Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an Assistant Treasurer and Assistant Secretaries, and such other officers as in its judgment may be necessary. The President and Vice President must be members of the Board of Directors. All other officers need not be members of the Board of Directors or of the Association.

SECTION 2. - ELECTION OF OFFICERS: Officers shall be elected annually by the Board of Directors at the organizational meeting of each new Board of Directors and shall hold office at the pleasure of the Board of Directors and until their successors are elected.

SECTION 3. - REMOVAL OF OFFICERS: Upon the affirmative vote of a majority of the members of the Association or members of the Board of Directors, any officer may be removed, either with or without cause; and his successor may be elected at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for such purpose.

SECTION 4. - PRESIDENT: The President shall be the chief executive officer of the Association. He shall preside at all meetings of the membership and at all meetings of the Board of Directors. He shall have all of the general powers and duties which are incident to the office of President of a corporation organized under the Business Corporation Laws of the State of North Carolina, including, but not limited to, the power to appoint from among the membership any committee which he deems appropriate to assist in the conduct of the affairs of the Association.

SECTION 5. - VICE PRESIDENT: The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President or Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President.

SECTION 6. - SECRETARY: The Secretary shall keep the minutes of all meetings of the membership and the Board of Directors; he shall have charge of all books, papers, accounts and records of the Board of Directors as the Board of Directors may direct; and he shall, in general, perform all of the duties incident to the office of Secretary of a corporation organized under the Business Corporation laws of the State of North Carolina.

SECTION 7. - TREASURER: The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of accounts showing all receipts and disbursements, and for the preparation of all required financial statements. He shall

be responsible for the deposit of all monies and other valuable effects in the name of the Board of Directors, in such depositories as may from time to time be designated by the Board of Directors, and he shall, in general, perform all of the duties incident to the office of Treasurer of a corporation organized under the Business Corporation laws of the State of North Carolina.

SECTION 8. - COMPENSATION: No officer shall receive any compensation from the Association for acting as such. However, the Board of Directors may appoint a manager to handle the day to day affairs of the Association, and may establish a rate of compensation and salary for said manager.

SECTION 9. - EXECUTION OF INSTRUMENTS: All instruments, including, but not limited to, agreements, contracts, Deeds or leases of the Association shall be executed in the name of the Association by the President, Vice President or Assistant Vice-President and attested to by the Secretary or Assistant Secretary of the Association. All checks of the Association are to be executed by such person or persons as may be designated by the Board of Directors.

ARTICLE V.

Operation of the Association

SECTION 1. - RULE MAKING: The Board of Directors shall promulgate and establish, pursuant to the provisions set out hereinbelow, reasonable rules and regulations governing the use, enjoyment, maintenance, repair of and additions or alterations to the lots, common areas and open spaces, subject hereto, and the improvements thereon.

Subsection 1.1. - PROCEDURES: The Board of Directors, or a rule making committee specifically appointed by the President, shall formulate reasonable rules and regulations, or amendments or modifications thereto, to be proposed to the membership of the Association. Such proposals may be considered by the membership of the Association for adoption either at the annual meeting of the membership or at a special meeting of the membership called by the President specifically for the consideration of the adoption of such proposals. All such proposals shall be stated in writing and sent to the owners of the memberships in the Association in any notice of the special meeting called for the consideration thereof, or at least fifteen (15) days prior to the annual meeting of the membership of the Association at which they will be considered. At such meeting such proposed rules and regulations shall be considered new business of the Association. In order to be adopted as rules and regulations, amendments or modifications thereof, of the Association such proposed rules and regulations must receive assent from two-thirds (2/3) of the votes of the entire membership of the Association present in person or by proxy at such meeting.

Subsection 1.2. - AMENDMENT, MODIFICATION, ADDITIONS OR REPEAL: In addition to the above, any member of the Association may propose a modification, amendment, addition to or repeal of any and all rules and regulations of the Association by stating the same in writing to the Board of Directors. If any such member shall have obtained to such proposal the signatures of at least twenty-five percent (25%) of the membership owners in the Association, then the Board of Directors shall submit such proposal to the Association at the next annual meeting of the Association for consideration or at a special meeting of the Association called pursuant to a request therefor made in such proposal when submitted to the Board of Directors. Adoption of any such proposal shall be as stated in Subsection 1.1. hereinabove.

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Subsection 1.3. - PROHIBITIONS: No rule or regulation, nor amendment, modification, addition to or repeal of any or all of the rules and regulations of the Association shall discriminate against any lot owner or against any lot or group of lots unless the owners thereof so affected shall consent in writing; nor shall any of the above change any lot nor the common areas and open spaces, subject hereto, nor shall any of the above increase any owner's share in the common expenses of the Association nor change the voting rights of any member unless the owner of the membership appurtenant to the lot so affected and all record owners of liens thereon shall join in the execution of such rule, regulation, amendment, modification, addition to or repeal of the same.

Subsection 1.4. - RECORDING: A copy of all rules and regulations or amendments, additions, modifications to or repeals of rules and regulations of the Association shall be certified by the President and Secretary of the Association as having been duly adopted by the Association and shall be effective from the date the same is recorded in the Office of the Register of Deeds of New Hanover County, North Carolina.

SECTION 2. - INSURANCE: The Board of Directors shall be required to obtain and maintain, to the extent possible, the following insurance:

Subsection 2.1. - FIRE INSURANCE with extended coverage, vandalism and malicious mischief endorsements, insuring all improvements upon the areas, subject hereto, and covering the interests of the Association, the Board of Directors, and all owners and their mortgagees or beneficiaries under Deeds of Trust, as their respective interests may appear, in an amount at least equal to the full replacement value of all structures insured, without deduction for depreciation; each of said policies shall contain a North Carolina standard mortgage clause in favor of each mortgagee or beneficiary under a Deed of Trust of a lot which shall provide that the loss, if any, thereunder shall be payable to such mortgagee or beneficiary under Deed of Trust as its interest may appear; subject, however, to the loss payment provisions in favor of the Board of Directors hereinafter set forth.

Subsection 2.2. - FLOOD INSURANCE covering all of the lots when required or deemed necessary.

Subsection 2.3. - PUBLIC LIABILITY INSURANCE in such limits as the Board of Directors may, from time to time, determine covering each member of the Board of Directors, each officer of the Association, the Association and each owner of a lot; such public liability coverage shall also cover cross-liability claims of one insured against another.

Subsection 2.4. Such other insurance as the Board of Directors may determine is necessary for the protection of the development, the Association, its Directors, officers and members.

Subsection 2.5. - PREMIUMS: The premiums for all such insurance shall be an annual expense of the Association, and as such, shall constitute a portion of the annual assessment to be levied against each member of the Association pursuant to the provisions of these By-Laws.

Subsection 2.6. - ADJUSTMENT FOR LOSS: All such insurance policies shall provide that adjustment of loss shall be made by the Board of Directors and that the net proceeds thereof shall be payable to the Board of Directors.

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Subsection 2.7. - WAIVERS, CANCELLATIONS, MODIFICATIONS, RENEWALS: All policies of physical damage insurance shall contain waivers of subrogation and waivers of any defense based on coinsurance or other insurance or of invalidity arising from any acts of the insured and of prorata reduction of liability, and shall provide that such policies may not be cancelled or substantially modified without at least ten (10) days' prior written notice to all insureds, including all mortgagees and beneficiaries under Deeds of Trust. Duplicate originals of all policies of physical damage insurance and all renewals thereof, together with proof of payment of premiums, shall be delivered to all mortgagees or beneficiaries under Deeds of Trust at least ten (10) days prior to expiration of the then current policies. Prior to obtaining any policy of fire insurance or any renewal thereof, the Board of Directors shall obtain an appraisal from a fire insurance company or otherwise of the full replacement value of the areas, the amenities, subject hereto, and all improvements thereon, without deduction for depreciation, for the purpose of determining the amount of fire insurance to be effected pursuant hereto.

Subsection 2.8. - OWNERS' INSURANCE: The owners of lots shall not be prohibited from carrying other insurance for their own benefit provided that such policies shall contain waivers of subrogation and further provided that the liability of the carriers issuing insurance obtained by the Board of Directors shall not be affected or diminished by reason of any such additional insurance carried by any lot owner.

Subsection 2.9. - INITIAL MINIMUM AMOUNTS: Until the first regular meeting of the Board of Directors following the first annual meeting of the membership of the Association, the Board of Directors shall obtain and maintain all such insurance in the following amounts:

- a. Fire insurance in an amount of not less than \$100,000.00 for the common areas and open spaces, subject hereto, and the improvements thereon;
- b. Public liability insurance in an amount of not less than Five Hundred Thousand Dollars (\$500,000.00) covering all claims for personal injury arising out of one occurrence, and not less than One Hundred Thousand Dollars (\$100,000.00) covering all claims for property damage arising out of one occurrence.

Subsection 2.10. - REPAIR OR RECONSTRUCTION AFTER CASUALTY: In the event of damage to or destruction of any or all of the common areas and open spaces, subject hereto, and/or improvements to the common elements as a result of fire or other casualty, the Board of Directors shall arrange for the prompt repair and restoration of all damaged improvements. The Board of Directors shall disburse the proceeds of all insurance policies to the contractors engaged in such repair and restoration in appropriate progress payments. Any cost of such repair and restoration in excess of the net insurance proceeds received by or payable to the Board of Directors shall constitute a common expense of the Association.

In the event of a repair or restoration of the improvements to the property and in the event that the net proceeds of insurance received by or payable to the Board of Directors shall exceed the cost of such repair