WAKE COUNTY, NC 481
LAURA M RIDDICK
REGISTER OF DEEDS
PRESENTED & RECORDED ON
12/22/2005 AT 13:18:16

BOOK:011744 PAGE:00829 - 00924

INDEXING NOTE TO CLERK'S OFFICE:
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Please index in Grantee index under "Churchill" and under "Churchill Community Association, Inc."

# DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

# FOR

# CHURCHILL

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# DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

# FOR

# CHURCHILL

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS is made this 22d day of December, 2005, by Crosland Churchill, LLC, a North Carolina limited liability company, on behalf of itself, its successors, and assigns ("**Declarant**").

## PART ONE: INTRODUCTION TO THE COMMUNITY

*Crosland Churchill, LLC, as the developer of Churchill, has established this Declaration to provide a governance structure and a flexible system of standards and procedures for the overall development, expansion, administration, maintenance and preservation of Churchill as a planned community.*

### Article I Creation of the Community

1.1. Purpose and Intent.

Declarant, as the owner of the real property described in Exhibit "A," intends by this Declaration to establish a general plan of development for the planned community known as Churchill. An integral part of the development plan is the creation of Churchill Community Association, Inc., an association comprised of all owners of real property in Churchill, to own, operate and/or maintain various common areas and community improvements and to administer and enforce this Declaration and the other Governing Documents referenced in this Declaration.

This document establishes a planned community under the North Carolina Planned Community Act, N.C.G.S. §47F-1-101, *et seq.* (as it may be amended, the "Act").

1.2. Binding Effect.

All property described in Exhibit "A," and any additional property which is made a part of Churchill in the future by amendment of this Declaration or by recording one or more Supplemental Declarations, shall be owned, conveyed and used subject to all of the provisions of this Declaration, which shall run with the title to such property. This Declaration shall be binding upon all Persons having any right, title, or interest in any portion of Churchill, their heirs, successors, successors-in-title, and assigns.

This Declaration, as it may be amended, is intended to have perpetual duration, subject to the right of the Owners to terminate this Declaration and the planned community established by this Declaration in accordance with the procedures set forth in Article XIX.

1.3. Governing Documents.

The Governing Documents for Churchill consist of:

- this Declaration and such Supplemental Declarations as may be recorded from time to time;
- the Association's Articles of Incorporation and By-Laws;
- the Restrictions and Rules described in Article III;
- the Architectural Guidelines described in Article IV; and
- such resolutions as the Association's Board of Directors may adopt;

all as they may be amended. In the event of a conflict between or among any of the Governing Documents, the documents shall be given priority in the order listed above.

Some areas within Churchill may be subject to additional covenants, restrictions and easements. If there is a conflict between the Governing Documents and any such additional covenants or restrictions, the Governing Documents shall control; however, if one document is simply more restrictive than another, the more restrictive shall control.

The Governing Documents apply to all Owners and occupants of property within Churchill, as well as to their respective tenants, guests and invitees. If a Unit is leased, the tenant and all occupants of the leased Unit are bound by and obligated to comply with the Governing Documents and the lease shall so provide.

The Association, the Declarant, and every Owner shall have the right to take legal action to enforce the Governing Documents. The Association shall have the specific enforcement powers and remedies described in Section 7.5 and elsewhere in the Governing Documents.

If any court should determine that any provision of this Declaration is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications of such provision.

Throughout the Governing Documents there are diagrams to illustrate the concepts discussed and aid in the reader's comprehension. Such diagrams are for illustrative purposes only. In the event of a conflict between any diagram and the text of the Governing Documents, the text shall control.

Diagram 1.1 identifies the various Governing Documents and their functions.

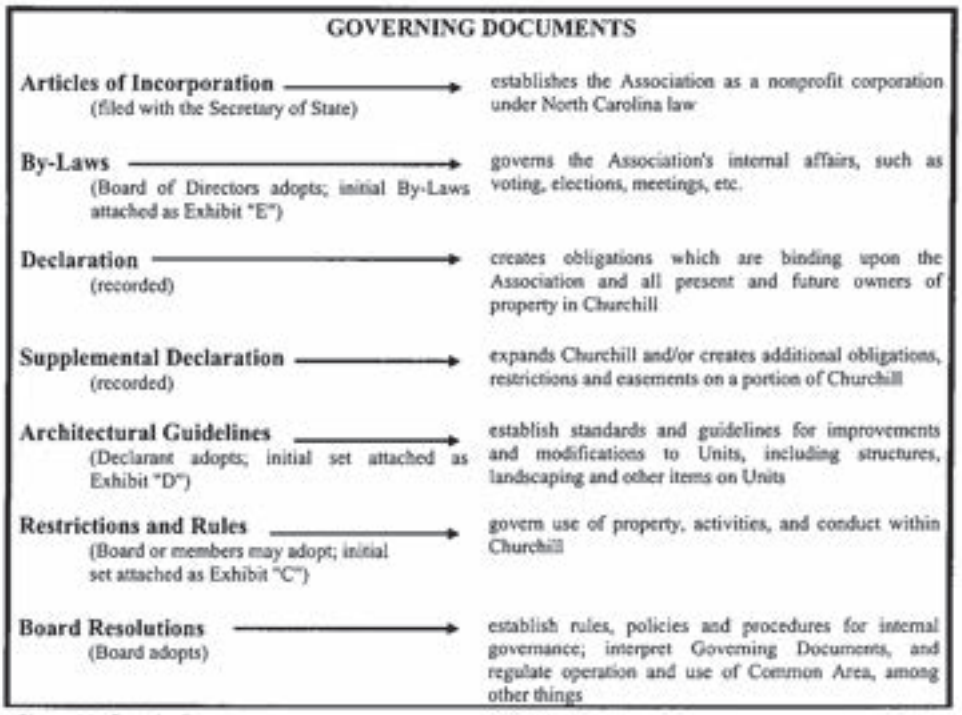



Diagram 1.1 - Governing Documents

## Article II Concepts and Definitions

2.1. Defined Terms.

The terms used in the Governing Documents shall generally be given their natural, commonly accepted definitions unless otherwise specified. Capitalized terms shall be defined as set forth below.

"Architectural Guidelines": The guidelines and standards for design, construction, landscaping, and exterior items placed on Units adopted pursuant to Article IV, as they may be amended.

"Area of Common Responsibility": The Common Area, together with such other areas, if any, for which the Association has or assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration, or other applicable covenants, contracts, or agreements.

"Articles": the Articles of Incorporation of Churchill Community Association, Inc., filed with the Office of the Secretary of State, State of North Carolina, as they may be amended.

"Association": Churchill Community Association, Inc., a North Carolina non-profit corporation, its successors or assigns.

"Board of Directors" or "Board": The body responsible for administration of the Association, selected as provided in the By-Laws and generally serving the same role as the board of directors under North Carolina corporate law.

"Builder": Centex Homes, a Nevada general partnership, or any other Person who purchases one or more Units from the Declarant or a Builder for the purpose of constructing a dwelling thereon for later sale to consumers, or who purchases one or more parcels of land within Churchill from the Declarant for further subdivision, development, and/or resale in the ordinary course of its business.

"By-Laws": The By-Laws of Churchill Community Association, Inc., as they may be amended. A copy of the initial By-Laws is attached to this Declaration as Exhibit "E."

"Churchill" or "Community": The real property described on Exhibit "A" together with such additional property as is submitted to this Declaration pursuant to Article IX.

"Class "B" Control Period": The period of time during which the Declarant, as the Class "B" Member, is entitled to appoint a majority of the members of the Board, as provided in Article III of the By-Laws. The Class "B" Control Period shall terminate not later than 90 days after the first to occur of the following:

(a) the date that 75% of the total number of Units permitted by the Master Plan for the property described in Exhibits "A" and "B" have certificates of occupancy issued thereon and have been conveyed to Class "A" Members other than Builders; or

(b) 20 years from the date of recording of this Declaration; or

(c) such earlier date as the Class "B" Member, in its sole discretion, executes and records a written notice voluntarily terminating the Class "B" Control Period.

Temporary suspension of the Class "B" Membership pursuant to Section 6.2(a) shall not affect the Class "B" Control Period.

"Common Area": All real and personal property, including easements, which the Association owns, leases or otherwise holds possessory or use rights in for the common use and enjoyment of the Owners. The term shall include the Limited Common Area, as defined below.

"Common Expenses": The actual and estimated expenses which the Association incurs, or expects to incur, for the general benefit of all Owners, including any reasonable reserve, as the Board may find necessary or appropriate pursuant to the Governing Documents. Common

Expenses shall not include any expenses incurred during the Class "B" Control Period for initial development or other original construction costs unless approved by Members representing a majority of the total Class "A" votes in the Association and by the Class "B" Member. Payments due under leases of capital improvements such as street lights shall not be considered an initial development expense or original construction cost.

"Community" or "Churchill": The real property described on Exhibit "A" together with such additional property as is submitted to this Declaration pursuant to Article IX.

"Community-Wide Standard": The standard of conduct, maintenance, or other activity generally prevailing in Churchill, or the minimum standards established pursuant to the Architectural Guidelines, Restrictions and Rules, and Board resolutions, whichever is the highest standard. Declarant initially shall establish such standard and it may contain both objective and subjective elements. The Community-Wide Standard may evolve as development progresses and as the needs and desires within Churchill change.

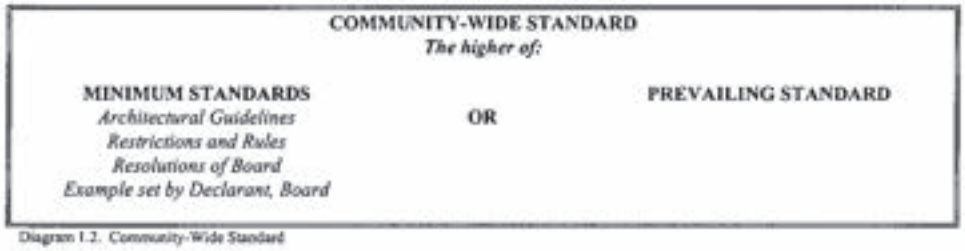



Diagram 1.2. Community-Wide Standard

"Declarant": Crosland Churchill, LLC, a North Carolina limited liability company, or any successor or assign who takes title to any portion of the property described in Exhibits "A" or "B" for the purpose of development and/or sale and who the immediately preceding Declarant designates as Declarant in a recorded instrument.

"Declarant Affiliate": Any Person that controls, is controlled by, or is under common control with the Declarant, and any Person that is an owner, a member, a partner, or a shareholder of the Declarant.

"Development Agreement": the Development Agreement entered into between the Declarant and the Town of Knightdale relating to Churchill dated January 25, 2005 and recorded in Book 11220, at Page 1776, *et seq.*, in the Office of the Register of Deeds for Wake County, North Carolina.

"Development and Sale Period": The period of time during which Declarant, any Declarant Affiliate, or any Builder owns property subject to this Declaration or Declarant holds an unexpired option to unilaterally expand the Community pursuant to Section 9.1.

"Eligible Mortgage Holder": a holder, insurer or guarantor of a first priority Mortgage on a Unit who has submitted a written request to the Association to notify it of any proposed action

requiring the consent of a specified percentage of Eligible Mortgage Holders pursuant to Article XV. The term "**Eligible Mortgage**" shall refer to the Mortgage held by an Eligible Mortgage Holder.

"General Assessment": Assessments levied on all Units subject to assessment under Article VIII to fund Common Expenses for the general benefit of all Units, as determined in accordance with Section 8.2.

"Governing Documents": A collective term referring to this Declaration and any applicable Supplemental Declaration, the By-Laws, the Articles, the Architectural Guidelines, the Restrictions and Rules, and Board resolutions, all as they may be amended.

"Limited Common Area": A portion of the Common Area assigned, pursuant to Article XII, for the primary benefit or use of one or more, but less than all, Units.

"Master Plan": The Planned Residential Development plan for the Churchill Subdivision approved by the Town of Knightdale, North Carolina, as it may be supplemented or amended, which includes all of the property described in Exhibit "A" and all or a portion of the property specifically described by metes and bounds in Exhibit "B." Except as otherwise specifically provided in Section 9.1, inclusion of property on the Master Plan shall not, under any circumstances, obligate Declarant to submit such property to this Declaration, nor shall the omission of property described in Exhibit "B" from the Master Plan bar its later submission to this Declaration as provided in Article IX.

"Member": A Person subject to membership in the Association pursuant to Section 6.2.

"Mortgage": A mortgage, a security deed, a deed of trust, or any other form of security instrument affecting title to any Unit. The term "**Mortgagee**" shall refer to a beneficiary or holder of a Mortgage.

"Owner": One or more Persons who hold the record title to any Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Unit is sold under a recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

"Person": A natural person, a corporation, a partnership, a limited liability company, a trust, or any other legal entity.

"Restrictions and Rules": The initial restrictions and rules set forth in Exhibit "C," as they may be supplemented, modified and repealed pursuant to Article III.

"Service Area": A group of Units designated as a separate Service Area pursuant to this Declaration for purposes of sharing Limited Common Areas and/or receiving other benefits or services from the Association which are not provided to all Units. For example, all Units served by alleys shall be assigned to an "Alley Service Area" for purposes of sharing the benefits provided and expenses incurred by the Association in connection with the ownership,

maintenance, repair, and servicing of such alleys. Other Service Areas may be established as described in Section 7.3. A Service Area may be comprised of more than one housing type and may include noncontiguous parcels of property. A Unit may be assigned to more than one Service Area. Where the context permits or requires, the term "Service Area" shall also refer to any Service Area Committee established in accordance with the By-Laws to represent the interests of Owners of Units within a Service Area.

"Service Area Assessments": Assessments levied against the Units in a particular Service Area to fund Service Area Expenses, as described in Section 8.2.

"Service Area Expenses": The actual and estimated expenses which the Association incurs or expects to incur for the benefit of Owners within a particular Service Area, which may include a reasonable reserve for capital repairs and replacements and a reasonable administrative charge, as may be authorized pursuant to this Declaration or in the Supplemental Declaration(s) applicable to such Service Area.

"Special Assessment": Assessments levied in accordance with Section 8.3.

"Specific Assessment": Assessments levied in accordance with Section 8.4.

"Supplemental Declaration": An instrument recorded pursuant to Article IX which subjects additional property to this Declaration, designates Service Areas, and/or creates or imposes additional easements, restrictions and obligations on the land described in such instrument.

"Unit": A portion of Churchill, whether improved or unimproved, which may be independently owned and is intended for development, use, and occupancy as an attached or detached residence for a single family. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon. In the case of a structure containing multiple dwellings, each dwelling shall be deemed to be a separate Unit.

In the case of a parcel of vacant land or land on which improvements are under construction, the parcel shall be deemed to contain the number of Units designated for residential use for such parcel on the Master Plan or Declarant's site plan, whichever is more recent, until such time as a subdivision plat is recorded subdividing all or a portion of the parcel. Thereafter, the portion encompassed by such plat shall contain the number of Units determined as set forth in the preceding paragraph and the number of Units in any remaining portion shall continue to be calculated in accordance with this paragraph.

Units may be combined or further subdivided, and boundary lines of Units may be changed, only by recording of a plat or other legal instrument further subdividing or resubdividing the parcel of property (which subdivision shall be subject to such other restrictions as may be set forth in this Declaration or the Restrictions and Rules). In the absence of recording such a legal instrument, ownership of adjacent Units by the same Owner shall not permit such Units to be treated as a single Unit for purposes of voting and assessment, notwithstanding that such Units may be improved with a single dwelling.

2.2. Interpretation of Certain References.

(a) Recording. All references in the Governing Documents to a "recorded" legal instrument, or to recordation or the recording of a legal instrument, shall refer to an instrument filed, or the filing of a legal instrument, in the Office of the Register of Deeds for Wake County, North Carolina, or such other place as may be designated as the official location for filing documents affecting title to real estate in Wake County in order to make them a matter of public record.

(b) Consent or Approval. All references in the Governing Documents to "consent" or "approval" shall refer to permission or approval that, unless otherwise expressly qualified in the specific provision, may be granted or withheld in the discretion of the Person whose consent or approval is required.

(c) Discretion and Determinations. All references in the Governing Documents to "discretion" or to the right to "determine" any matter shall refer to the sole and absolute power or right to decide or act and, unless otherwise expressly limited in the Governing Documents, a Person entitled to exercise discretion or make a determination may do so without regard to the reasonableness of, and without the necessity of justifying, the decision, determination, action or inaction.

## PART TWO: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS

*The standards for use and conduct, maintenance, architecture, landscaping and other aesthetic matters at Churchill are what give the community its identity and make it special. Each Owner and resident participates in upholding such standards and can take pride in the results of that common effort. This Declaration establishes procedures for adopting, modifying, applying and enforcing such standards while providing the flexibility for the community standards to evolve over time.*

### Article III Use and Conduct

3.1. Framework for Regulation.

The Governing Documents establish, as part of the general plan of development for Churchill, a framework of affirmative and negative covenants, easements and restrictions that govern Churchill. Within that framework, the Board and the Members must have the ability to respond to unforeseen problems and changes in circumstances, conditions, needs, desires, and trends. Therefore, this Article establishes rulemaking authority and procedures for modifying and expanding the initial Restrictions and Rules set forth in Exhibit "C." This Article is not intended to apply to rules and regulations relating to use and operation of the Common Area which the Board may adopt by resolution pursuant to Section 7.1(c), nor to administrative policies which the Board may adopt by resolution to interpret, define or implement the Restrictions and Rules.

3.2. Rule Making Authority.

(a) Subject to the terms of this Article and the Board's duty pursuant to Section 6.1 of the By-Laws to exercise its powers in a reasonable, fair and nondiscriminatory manner, the Board may modify, cancel, limit, create exceptions to, or expand the Restrictions and Rules. The Board shall send notice to all Owners concerning any proposed action at least five business days prior to the Board meeting at which such action is to be considered. Members shall have a reasonable opportunity to be heard at a Board meeting prior to such action being taken.

(b) In addition to the Board's authority under subsection (a) above, Members may, at an Association meeting duly called for such purpose, modify, cancel, limit, create exceptions to, or expand the Restrictions and Rules then in effect. Any such action shall require approval of persons entitled to cast more than 50% of the total Class "A" votes in the Association. In addition, during the Development and Sale Period, any such action shall require the written consent of Declarant.

(c) Prior to any action taken under this Section becoming effective, the Board shall send a copy of the new rule or explanation of any changes to the Restrictions and Rules to each Owner. The effective date shall be not less than 30 days following distribution to Owners. The Association shall provide, without cost, a copy of the Restrictions and Rules then in effect to any requesting Member or Mortgagee.

(d) No action taken under this Article shall have the effect of modifying, repealing or expanding the Architectural Guidelines or any provision of this Declaration other than the initial Restrictions and Rules set forth in Exhibit "C." In the event of a conflict between the Architectural Guidelines and the Restrictions and Rules, the Architectural Guidelines shall control.

3.3. Owners' Acknowledgment and Notice to Purchasers.

**ALL OWNERS ARE GIVEN NOTICE THAT USE OF THEIR UNITS AND THE COMMON AREA IS LIMITED BY THE RESTRICTIONS AND RULES AS AMENDED, EXPANDED AND OTHERWISE MODIFIED FROM TIME TO TIME.** Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of his or her Unit can be affected by this provision and that the Restrictions and Rules may change from time to time. All purchasers of Units are on notice that the Association may have adopted changes. Copies of the current Restrictions and Rules may be obtained from the Association.

3.4. Protection of Owners and Others.

Except as may be set forth in this Declaration (either initially or by amendment) or in the initial Restrictions and Rules set forth in Exhibit "C," all Restrictions and Rules shall comply with the following provisions:

(a) Similar Treatment. Similarly situated Owners shall be treated similarly; however, the Restrictions and Rules may vary by housing type or area.

(b) Religious and Holiday Displays. The rights of Owners to display religious and holiday signs, symbols, and decorations inside structures on their Units of the kinds normally displayed in dwellings located in single-family residential neighborhoods shall not be abridged, except that the Association may adopt time, place, and manner restrictions with respect to displays visible from outside the dwelling.

(c) Flags and Political Signs. No rules shall regulate the content of political signs; however, rules may regulate the time, place and manner of posting such signs and the Architectural Guidelines may establish design criteria for such signs. No rule shall regulate or prohibit the display on a Unit of the flag of the United States or the flag of North Carolina, of a size no greater than four feet by six feet, by the Owner or occupant of such Unit, provided the flag is displayed in accordance with or in a manner consistent with the patriotic customs set forth in 4 U.S.C. Sections 5-10, as amended, governing the display and use of the flag of the United States. No rule shall regulate or prohibit the indoor or outdoor display of a political sign on a Unit by the Owner or occupant of the Unit, except that the Association may adopt rules (i) prohibiting the display of political signs earlier than 45 days before the day of the election and later than seven days after an election day, and (ii) regulating the size and number of political signs that may be placed on a Unit, subject to the limitations set forth in Section 47F-3-121 of the Act. For the purposes of this Section, "political sign" means a sign that attempts to influence the outcome of an election, including supporting or opposing an issue on the election ballot.

(d) Household Composition. No rule shall interfere with the freedom of Owners to determine the composition of their households, except that the Association shall have the power to require that all occupants be members of a single housekeeping unit and to limit the total number of occupants permitted in each Unit on the basis of the size and facilities of the Unit and its fair use of the Common Area.

(e) Activities Within Dwellings. No rule shall interfere with the activities carried on within the confines of dwellings, to the extent in compliance with local laws and ordinances, except that the Association may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create a danger to the health or safety of occupants of other Units, that generate excessive noise or traffic, that create unsightly conditions visible outside the dwelling, or that create an unreasonable source of annoyance to persons outside the Unit.

(f) Allocation of Burdens and Benefits. No rule shall alter the allocation of financial burdens among the various Units or rights to use the Common Area to the detriment of any Owner over that Owner's objection expressed in writing to the Association. Nothing in this provision shall prevent the Association from changing the Common Area available, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who are delinquent in paying assessments, abuse the Common Area, or violate the Governing Documents. This provision does not affect the right to increase the amount of assessments as provided in Article VIII.

(g) Alienation. No rule shall prohibit leasing or transfer of any Unit, or require consent of the Association or Board for leasing or transfer of any Unit; however, rules may restrict leasing of multiple Units by the same Owner or by related or affiliated Persons and may require a minimum lease term of up to 12 months. The Association may also require that Owners use lease forms approved by the Board.

(h) Abridging Existing Rights. No rule shall require an Owner to dispose of personal property that was in or on a Unit prior to the adoption of such rule if such personal property was in compliance with all rules previously in force. This exemption shall apply only during the period of such Owner's ownership of the Unit, and shall not apply to subsequent Owners who take title to the Unit after adoption of the rule.

(i) Reasonable Rights to Develop and Sell. No rule or action by the Association or Board shall unreasonably impede Declarant's right to develop Churchill, nor restrict Declarant or such Builders as Declarant may so authorize from maintaining upon Common Areas and Units which they own any facilities necessary or incidental to construction or sale of Units. By way of example and not limitation, no rule shall prohibit Declarant or such Builders as Declarant may so authorize from maintaining temporary structures for use during construction of a Unit or from using any home as a sales office.

The limitations in subsections (a) through (h) of this Section 3.4 shall only limit rulemaking authority exercised under Section 3.2; they shall not apply to amendments to this Declaration adopted in accordance with Article XVIII provided such amendments are not inconsistent with the Act.

**Article IV Architecture and Landscaping**

4.1. General.

No structure or thing shall be placed, erected, or installed upon any Unit and no improvements or other work (including staking, clearing, excavation, grading and other site work, exterior alterations of existing improvements, or planting or removal of landscaping) shall take place within Churchill, except in compliance with this Article and the Architectural Guidelines. This Article and the Architectural Guidelines shall not be construed to regulate or prohibit those flags or political signs permitted under Section 3.4(c) or those antennae and other Permitted Devices described in Exhibit "C", provided they are installed in compliance with those sections and such rules as are specifically authorized in those sections.

No approval shall be required to repaint the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with originally approved plans and specifications. Any Owner may remodel, paint or redecorate the interior of his or her Unit without approval. However, modifications to the interior of screened porches, patios, and similar portions of a Unit visible from outside the structure shall be subject to approval.

All construction on Units shall comply with all applicable building codes and requirements.

This Article shall not apply to Declarant's activities, nor to activities of the Association during the Class "B" Control Period.

4.2. Architectural Review.

(a) By Declarant. Each Owner, by accepting a deed or other instrument conveying any interest in a Unit, acknowledges that Declarant has a substantial interest in ensuring that the improvements within Churchill enhance Declarant's reputation as a community developer and do not impair Declarant's ability to market, sell, or lease its property in, or in the vicinity of, Churchill. Therefore, each Owner agrees that no activity within the scope of this Article shall be commenced on such Owner's Unit unless and until Declarant or its designee has given its prior written approval for such activity, which approval may be granted or withheld in the Declarant's or its designee's sole discretion.

In reviewing and acting upon any request for approval, Declarant or its designee shall be acting solely in Declarant's interest and shall owe no duty to any other Person. Declarant's rights reserved under this Article shall continue so long as Declarant owns any portion of Churchill or any real property subject that may be made a part of to Churchill pursuant to Section 9.1 and until a certificate of occupancy has been issued for a dwelling on every Unit, unless earlier terminated in a written instrument that Declarant executes and records.

Declarant may, in its sole discretion, designate one or more Persons from time to time to act on its behalf in reviewing applications hereunder.

Declarant may from time to time, but shall not be obligated to, delegate all or a portion of its reserved rights under this Article to (i) an architectural review committee appointed by the Board of Directors (the "**ARC**"), or (ii) a committee comprised of architects, engineers or other persons who may or may not be Members of the Association. Any such delegation shall be in writing specifying the scope of responsibilities delegated. It shall be subject to (i) Declarant's right to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated and (ii) Declarant's right to veto any decision which Declarant determines, in its sole discretion, to be inappropriate or inadvisable for any reason. So long as Declarant has any rights under this Article, the jurisdiction of the foregoing entities shall be limited to such matters as Declarant specifically delegates to them.

(b) Architectural Review Committee. Upon delegation by Declarant or upon expiration or termination of Declarant's rights under this Article, the Association, acting through the ARC, shall assume jurisdiction over architectural matters. The ARC, when appointed, shall consist of at least three, but not more than seven, persons who shall serve and may be removed and replaced in the Board's discretion. The members of the ARC need not be Members of the Association or representatives of Members, and may, but need not, include architects, engineers or similar professionals, who may be compensated in such manner and amount if any, as the Board may establish.

Unless and until such time as Declarant delegates all or a portion of its reserved rights to the ARC or Declarant's rights under this Article terminate, the Association shall have no jurisdiction over architectural matters.

(c) Fees; Assistance. For purposes of this Article, the entity having jurisdiction in a particular case shall be referred to as the "**Reviewer**." The Reviewer may establish and charge reasonable fees for review of applications and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers or other professionals. Declarant and the Association may employ architects, engineers, or other persons as deemed necessary to perform the review. The Board may include the compensation of such persons in the Association's annual operating budget.

4.3. Guidelines and Procedures.

(a) Architectural Guidelines. The initial Architectural Guidelines applicable to Churchill are set forth on Exhibit D. The Declarant may adopt additional Architectural Guidelines, which may contain general provisions applicable to all of Churchill as well as specific provisions that vary by housing type and from one area to another within Churchill. The Architectural Guidelines are intended to provide guidance to Owners and Builders regarding matters of particular concern to the Reviewer in considering applications. The Architectural Guidelines are not the exclusive basis for decisions of the Reviewer and compliance with the Architectural Guidelines does not guarantee approval of any application.

Declarant shall have sole and full authority to amend the Architectural Guidelines so long as it has any rights under this Article, as described in Section 4.2(a), notwithstanding a delegation of reviewing authority to the ARC, unless Declarant also delegates the power to amend to the ARC. Upon termination or delegation of Declarant's right to amend, the ARC shall have the authority to amend the Architectural Guidelines with the consent of the Board. However, no amendment shall be inconsistent with the requirements of the Development Agreement.

Any amendments to the Architectural Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Architectural Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Architectural Guidelines less restrictive.

The Reviewer shall make the Architectural Guidelines available to Owners and Builders who seek to engage in development or construction within Churchill.

(b) Procedures. Except as otherwise specifically provided in this Declaration or the Architectural Guidelines, no activities shall commence on any Unit until an application for approval has been submitted to and approved by the Reviewer. Such application shall include plans and specifications showing site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation, and other features of

proposed construction, as applicable. The Architectural Guidelines and the Reviewer may require the submission of such additional information as may be reasonably necessary to consider any application.

In reviewing each submission, the Reviewer may consider any factors it deems relevant, including, without limitation, harmony of external design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and/or attractiveness of particular improvements. The Reviewer shall have the sole discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment and such determinations shall not be subject to review so long as made in good faith and in accordance with the procedures set forth herein.

The Reviewer shall make a determination on each application within 30 days after receipt of a completed application and all required information. The Reviewer may (i) approve the application, with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the application.

Until expiration of Declarant's rights under this Article, the ARC shall notify Declarant in writing within three business days after the ARC has approved any application within the scope of matters delegated to the ARC by Declarant. The notice shall be accompanied by a copy of the application and any additional information that Declarant may require. Declarant shall have 10 days after receipt of such notice to veto any such action, in its sole discretion, by written notice to the ARC.

The Reviewer shall notify the applicant in writing of the final determination on any application within five days thereafter or, with respect to any determination by the ARC subject to Declarant's veto right, within five days after the earlier of: (i) receipt of notice of Declarant's veto or waiver thereof; or (ii) expiration of the 10-day period for exercise of Declarant's veto. In the case of disapproval, the Reviewer may, but shall not be obligated to, specify the reasons for any objections and/or offer suggestions for curing any objections. Notice shall be deemed given when deposited in the U.S. Mail, certified mail, return receipt requested, properly addressed to the applicant at the address stated in such applicant's notice, or upon receipt if given by any other means.

In the event that the Reviewer fails to give notice of its approval or disapproval of any application within the time period required above, the applicant may notify the Reviewer by certified mail, return receipt requested, at the address for such notices set forth in the current edition of the Architectural Guidelines, stating that no response has been received and that unless a written response is given at the address set forth in such notice within 15 days of the Reviewer's receipt of the applicant's notice, as evidenced by the return receipt, the application shall be deemed approved. However, no approval, whether expressly granted or deemed granted, shall be inconsistent with the Architectural Guidelines unless a written variance has been granted pursuant to Section 4.5.

If construction does not commence on a project for which Plans have been approved within nine months after the date of approval, such approval shall be deemed withdrawn and it shall be necessary for the Owner to reapply for approval before commencing any activities. Once construction is commenced, it shall be diligently pursued to completion. All work shall be completed within one year of commencement unless otherwise specified in the notice of approval or unless the Reviewer grants an extension in writing, which it shall not be obligated to do. If approved work is not completed within the required time, it shall be considered nonconforming and shall be subject to enforcement action by the Association, Declarant or any aggrieved Owner.

The Reviewer may (i) pre-approve Plans for Builders and excuse such Builders from all or a portion of the application and review procedures set forth in this Section with respect to construction undertaken in accordance with such pre-approved Plans; and (ii) by resolution, exempt certain activities from the application and approval requirements of this Article, provided such activities are undertaken in strict compliance with the requirements of such resolution.

4.4. No Waiver of Future Approvals.

Each Owner acknowledges that the persons reviewing applications under this Article will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Architectural Guidelines, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features until work is completed, in which case the Reviewer may elect not to require changes to the improvements involved, but the Reviewer may refuse to approve similar proposals in the future. Approval of applications or plans, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar applications, plans, or other matters subsequently or additionally submitted for approval.

4.5. Variances.

The Reviewer may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. No variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) preclude the Reviewer from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

4.6. Limitation of Liability.

The standards and procedures established by this Article are intended as a mechanism for maintaining and enhancing the overall aesthetics of Churchill; they do not create any duty to any Person. Review and approval of any application pursuant to this Article may be made on the basis of aesthetic considerations only, and the Reviewer shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements, nor for ensuring

that all dwellings are of comparable quality, value or size, of similar design, or aesthetically pleasing or otherwise acceptable to neighboring property owners.

Neither Declarant, the Association, the Board, any committee, nor any member of any of the foregoing, shall be held liable for soil conditions, drainage or other general site work; any defects in plans revised or approved hereunder; any loss or damage arising out of the action, inaction, integrity, financial condition or quality of work of any contractor or its subcontractors, employees or agents, whether or not Declarant has approved or featured such contractor as a builder in Churchill; or any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction on or modifications to any Unit. In all matters, the Board, the ARC, and the members of each shall be defended and indemnified by the Association as provided in Article VI of the By-Laws.

**Article V Maintenance and Repair of Units**

5.1. Maintenance by Owners.

Unless such maintenance responsibility is otherwise assigned to or assumed by the Association pursuant to Section 7.2 or any Supplemental Declaration applicable to the Unit, each Owner shall maintain:

(a) his or her Unit and all landscaping and improvements comprising the Unit; and

(b) the landscaping within that portion of any adjacent Common Area or public right-of-way lying between the Unit boundary and any wall, fence or curb located on the Common Area or public right-of-way within 15 feet of the Unit boundary;

all in a manner consistent with the Governing Documents, the Community-Wide Standard and all applicable covenants, except that there shall be no right to remove trees, shrubs or similar vegetation without prior approval pursuant to Article IV.

5.2. Responsibility for Repair and Replacement; Insurance by Owners.

Unless otherwise specifically provided in the Governing Documents or in other instruments creating and assigning maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement as necessary to maintain the property to a level consistent with the Community-Wide Standard.

Each Owner shall carry property insurance for the full replacement cost of all insurable improvements on his or her Unit, less a reasonable deductible, unless the Association is obligated to carry such insurance pursuant to any Supplemental Declaration or other covenants applicable to the Unit, or unless the Association otherwise notifies the Owner in writing that it is carrying such insurance on the Unit (which they may, but are not obligated to do hereunder). If the Association assumes responsibility for obtaining any insurance coverage on behalf of Owners, the premiums for such insurance shall be levied as a Specific Assessment against the benefited Unit and the Owner.

In the event of damage to or destruction of structures on or comprising a Unit, the Owner shall, within 180 days thereafter, complete the repair or reconstruction of the damaged structures in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article IV. Alternatively, the Owner shall clear the Unit and maintain it in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. The Owner shall pay any costs not covered by insurance proceeds.

Additional covenants applicable to any Unit may establish more stringent requirements for insurance and more stringent standards for rebuilding or reconstructing structures on the Unit and for clearing and maintaining the Unit in the event the structures are not rebuilt or reconstructed.

Neither the Association nor Declarant shall bear any responsibility for the maintenance or safekeeping of personal property of any Owner or occupant of a Unit, their family, guests or invitees, nor shall the Association or Declarant be held liable for the condition of, or any loss or damage to, any such personal property except to the extent directly attributable to the reckless acts or willful misconduct of the Association, Declarant or their respective agents or employees.

## PART THREE: COMMUNITY GOVERNANCE AND ADMINISTRATION

*This Declaration establishes the Association as a mechanism by which each Owner is able to participate in the governance and administration of Churchill. While many powers and responsibilities are vested in the Association's board of directors in order to facilitate day-to-day management and operation, some decisions are considered of such importance that they are reserved for the Association's membership -- the owners of property in Churchill.*

### Article VI The Association and its Members

6.1. Function of Association.

The Association has been established to administer Churchill in accordance with the Governing Documents. Its responsibilities include, but are not limited to:

(a) management, maintenance, operation and control of the Area of Common Responsibility; and

(b) interpretation and enforcement of the Governing Documents; and

(c) establishing and upholding the Community-Wide Standard; and

(d) upon delegation or termination of Declarant's authority under Article IV, administering the architectural review process for Churchill, as provided in that Article.

6.2. Membership.

(a) Classes of Membership. The Association initially shall have two classes of membership, Class "A" and Class "B". Class "A" Members shall be all Owners, including the Declarant as to any Unit which it owns. The sole Class "B" Member shall be the Declarant. The Class "B" membership shall be temporarily suspended during any period that the Declarant does not own a Unit, subject to automatic reinstatement upon Declarant's acquisition of any Unit or annexation of additional property pursuant to Article IX; however, such temporary suspension shall not suspend, terminate, or otherwise affect the Class "B" Control Period. The Class "B" membership shall terminate upon the earlier of:

(i) the date that 75% of the total number of Units permitted by the Master Plan for the property described in Exhibits "A" and "B" have certificates of occupancy issued thereon and have been conveyed to Class "A" Members other than Builders; or

(ii) 20 years from the date of recording of this Declaration; or

(iii) such earlier date as the Class "B" Member, in its sole discretion, executes and records a written notice voluntarily terminating the Class "B" membership.

Upon termination of the Class "B" membership, Declarant shall hold a Class "A" membership for each Unit that it owns.

(b) Automatic Membership; Exercise of Privileges. Every Owner automatically becomes a Member of the Association upon taking title to a Unit and remains a Member as long as the Owner holds title to such Unit. There shall be only one membership per Unit. If a Unit is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 6.3 and in the By-Laws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner that is not a natural person may be exercised by any officer, director, partner or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

6.3. Voting.

The voting rights of each class of membership shall be as follows:

(a) Class "A". Each Unit owned by a Class "A" Member is assigned one vote equal to that of every other Unit owned by a Class "A" Member. If there is more than one Owner of a Unit, the vote for such Unit shall be exercised as the co-Owners determine among themselves and advise the Secretary of the Association in writing prior to the vote being taken. Absent such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it.

No vote shall be exercised for any property that is exempt from assessment under Section 8.7.

(b) Class "B". The Class "B" Member shall not have voting rights relative to the number of Units it owns; rather, the consent of the Class "B" Member shall be required for various actions of the Board, the membership and committees, as specifically provided elsewhere in the Governing Documents. In addition, the Class "B" Member may appoint a majority of the members of the Board of Directors during the Class "B" Control Period, as specified in Article III of the By-Laws. Additional rights of the Class "B" Member are specified in the relevant sections of the Governing Documents. In addition, the Class "B" Member shall have a right to disapprove actions of the Board and committees as provided in the By-Laws.

**Article VII Association Powers and Responsibilities**

7.1. Acceptance and Control of Association Property.

(a) The Association, through action of its Board, may acquire, hold, lease (as lessor or lessee), operate and dispose of tangible and intangible personal property and real property, subject to the provisions of Article XVII. The Association may enter into leases, licenses or operating agreements for portions of the Common Area, for such consideration or no consideration as the Board deems appropriate, to permit use of such portions of the Common Area by community organizations and by others, whether nonprofit or for profit, for the provision of goods or services for the general benefit or convenience of owners, occupants and residents of Churchill.

(b) Declarant, any Declarant Affiliate, and their respective designees may convey to the Association, and the Association shall accept, personal property and fee title, leasehold or other property interests in any real property, improved or unimproved, described in Exhibits "A" or "B." Upon Declarant's written request, the Association shall reconvey to Declarant any unimproved portions of the Common Area that Declarant originally conveyed to the Association for no consideration, to the extent conveyed by Declarant in error or needed by Declarant to make minor adjustments in property lines.

(c) At a minimum, the Declarant shall construct and convey to the Association (i) a junior Olympic swimming pool with pool deck, lifeguard stands, and clubhouse with men's and women's changing rooms/restrooms with showers, mechanical room, chemical storage room, and lifeguard office; (ii) two "tot lot" playgrounds; (iii) a grassed, crowned, and irrigated play field for informal recreation; and (iv) a greenway walking trail; all as required by the terms of the Development Agreement entered into between the Declarant and the Town of Knightdale relating to Churchill. Declarant may convey Common Area to the Association in one or more transactions. Each conveyance of Common Area shall be free and clear of all liens and encumbrances of a monetary nature. Declarant shall deliver to the Association, at the time of conveyance of each portion of the Common Area: (i) a warranty bill of sale to any facilities constructed thereon; (ii) a lien waiver and release from all contractors, subcontractors, and suppliers of materials or labor who may have lien rights with respect to such portion of the Common Area; and (iii) all original manufacturers' warranties and operating manuals, if any, applicable to such portion of the Common Area. Not later than termination of the Development

and Sale Period, Declarant shall deliver to the Association and the Town of Knightdale a complete set of as-built drawings for all facilities constructed on the Common Area.

(d) Declarant shall warrant the improvements constructed or installed by the Declarant on the Common Area to be free of substantial defects in materials or construction for a period of three years from the date upon which Declarant notifies the Association that the improvement is complete and available for use by Owners and others, whether or not title has been transferred to the Association as of that date. Declarant does not warrant any consumer products installed on or in or used in connection with the improvements to the Common Area, except as may be required by any statutory warranty.

EXCEPT TO THE EXTENT THAT NORTH CAROLINA MAY PROHIBIT LIMITATIONS ON THE TERM OF IMPLIED WARRANTIES, AS TO ANY CONSUMER PRODUCT FINALLY DETERMINED BY A COURT TO BE WITHIN THE SCOPE OF ANY STATUTORY WARRANTY, ALL IMPLIED WARRANTIES ARE LIMITED IN DURATION TO THE PERIOD OF THIS WRITTEN WARRANTY. ON ALL OTHER CONSUMER PRODUCTS AND ALL NONCONSUMER PRODUCTS, WHETHER OR NOT WARRANTED BY MANUFACTURERS, ALL IMPLIED WARRANTIES ARE EXPRESSLY DISCLAIMED AND DO NOT APPLY, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR HABITABILITY.

EXCEPT TO THE EXTENT THAT DISCLAIMERS OF LIABILITY MAY BE PROHIBITED BY NORTH CAROLINA LAW, DECLARANT SPECIFICALLY DISCLAIMS ANY LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL (SECONDARY) DAMAGE TO ANY PERSON, ANY UNIT, THE COMMON AREA, OTHER COMPONENTS, OR ANY OTHER REAL OR PERSONAL PROPERTY RESULTING FROM ANY DEFECT IN THE COMMON AREA.

The written warranties set forth in this Section are in lieu of all other warranties which may be implied by law, except to the extent that North Carolina law prohibits limitation of implied warranties.

Nothing in this Section shall be construed to make Declarant responsible for routine maintenance, repair or replacement, normal wear and tear or aging, problems resulting from failure to provide reasonable and necessary maintenance, or damage or destruction resulting from misuse, negligence of others, severe weather conditions, or insurable hazards.

(e) The Association shall be responsible for management, operation and control of the Common Area, subject to any covenants and restrictions set forth in the deed or other instrument transferring such property to the Association. The Board may adopt such reasonable rules regulating use of the Common Area as it deems appropriate.

7.2. Maintenance of Area of Common Responsibility.

The Association shall maintain the Area of Common Responsibility in accordance with the Community-Wide Standard. The Area of Common Responsibility shall include, but need not be limited to:

(a) all portions of and structures situated on the Common Area, including recreation areas and open space; and

(b) all streets and alleys within Churchill unless and until such time as they are accepted by a public body for perpetual maintenance; provided, the Association shall have no responsibility for removal of snow or ice on streets or alleys; and

(c) any landscaping, signage, street lights, sidewalks, and street trees within public rights-of-way or sidewalk easements lying within or abutting the property subject to this Declaration, except to the extent such responsibility is otherwise assigned to Owners pursuant to Section 5.1 or assumed by a governmental body or utility provider; and

(d) any pipes, lines, pumps, or other apparatus comprising any irrigation system serving the Common Area, to the extent located within Common Area, rights-of-way, or easements granted to the Association, and serving Units, if there is a common irrigation system serving the Units; and

(e) the grass and grounds on that portion of each Unit which is not located inside a fence. Such maintenance shall consist of normal grass mowing and such other activities as the Board deems appropriate to keep such grounds in a condition satisfactory to the Board. The Association shall have no responsibility for maintaining trees, flowers, shrubbery, or other plant material on a Unit, which shall remain the responsibility of the Owner under Section 5.1; and

(f) such portions of any additional property included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, or any contract or agreement for maintenance thereof entered into by the Association; and

(g) any property and facilities Declarant owns and makes available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members. Such property and facilities shall be identified by written notice from Declarant to the Association and will remain part of the Area of Common Responsibility maintained by the Association until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association.

The Association may maintain other property that it does not own, including, without limitation, property dedicated to the public, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

The Association shall not be liable for any damage or injury occurring on or arising out of the condition of property that it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

Notwithstanding the above, some portions of the Area of Common Responsibility may consist of open space or conservancy areas intentionally left in a natural or relatively undisturbed state. The level of maintenance that the Association provides to the Area of Common Responsibility may vary from a high level of landscaping and regular, weekly maintenance to intermittent or no maintenance, depending on the nature and intended use of the particular open space area. Open space or other natural areas may serve as habitats for a variety of native plant, animal, and insect species, and may contain creeks, fallen trees and other naturally occurring conditions, some of which may pose hazards to persons or pets coming in contact with them. Neither the Association, the Declarant, or any Builder shall have any responsibility for providing maintenance in such areas or taking action to abate such conditions.

The Association shall maintain the facilities and equipment within the Area of Common Responsibility in continuous operation, except for any periods necessary, as determined in the Board's sole discretion, to perform required maintenance or repairs, unless Members entitled to cast at least 75% of the total Class "A" votes in the Association and, during the Development and Sale Period, the Declarant, agree in writing to discontinue such operation.

Except as provided above, the Area of Common Responsibility shall not be reduced without Declarant's prior written approval as long as Declarant owns any property described in Exhibits "A" or "B" of this Declaration.

Except as otherwise specifically provided in this Declaration or any applicable Supplemental Declaration, the costs associated with maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense, subject to the right of the Association to seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, other recorded covenants, or agreements with the owner(s) thereof. The costs that the Association incurs or expects to incur for maintenance, repair and replacement of Limited Common Areas and alleys shall be a Service Area Expense assessed against the Units within the Service Area to which the Limited Common Areas or alleys are assigned.

7.3. Provision of Benefits and Services to Service Areas.

(a) All Units served by alleys are hereby assigned to an "Alley Service Area." In addition, the Declarant, on Exhibit "A" to this Declaration and/or by Supplemental Declaration submitting additional property to this Declaration, may assign the property submitted thereby to one or more Service Areas (by name or other identifying designation) as it deems appropriate, which Service Areas may be then existing or newly created, and may require that the Association provide benefits or services to such Units in addition to those which the Association generally provides to all Units. So long as it has the right to subject additional property to this Declaration pursuant to Section 9.1, Declarant may unilaterally amend this Declaration or any Supplemental Declaration to redesignate Service Area boundaries; provided, nothing in this Section shall

authorize the Declarant to assign property owned by a Builder to a Service Area without the consent of the Builder. All costs associated with the provision of services or benefits to a Service Area shall be assessed against the Units within the Service Area as a Service Area Assessment.

(b) In addition to Service Areas which Declarant may designate, any group of Owners may petition the Board to designate their Units as a Service Area for the purpose of receiving from the Association (a) special benefits or services which are not provided to all Units, or (b) a higher level of service than the Association otherwise provides. Upon receipt of such petition signed by Owners of a majority of the Units within the proposed Service Area, the Board shall investigate the terms upon which the requested benefits or services might be provided and notify the Owners in the proposed Service Area of such terms and the charge to made therefor, which may include a reasonable administrative charge in such amount as the Board deems appropriate (provided, any such administrative charge shall apply at a uniform rate per Unit among all Service Areas receiving the same service). Upon written approval of the proposal by Owners of at least 67% of the Units within the proposed Service Area, the Association shall provide the requested benefits or services on the terms set forth in the proposal. The cost and administrative charges associated with such benefits or services shall be assessed against the Units within such Service Area as a Service Area Assessment, subject to the right of the Owners of Units within the Service Area to veto the budget for their Service Area as provided in Section 8.2.

7.4. Insurance.

(a) Required Coverages. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:

(i) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area and within the Area of Common Responsibility to the extent that Association has assumed responsibility in the event of a casualty, regardless of ownership. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes; and

(ii) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, such coverage (including primary and any umbrella coverage) shall have a limit of at least $1,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage; provided, should additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Association shall obtain such additional coverages or limits; and

(iii) Workers compensation insurance and employers liability insurance, if and to the extent required by law; and

(iv) Directors and officers liability coverage; and

(v) Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's business judgment but not less than an amount equal to one-quarter of the annual General Assessments on all Units plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

(vi) Such additional insurance as the Board, in the exercise of its business judgment, determines advisable.

In addition, the Association shall, if so specified in a Supplemental Declaration applicable to any Service Area, obtain and maintain property insurance on the insurable improvements within such Service Area, which insurance shall comply with the requirements of Section 7.4(a)(i). Any such policies shall provide for a certificate of insurance to be furnished upon request to the Owner of each Unit insured.

Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses, except that (i) premiums for property insurance on Units within a Service Area shall be a Service Area Expense; and (ii) premiums for insurance on Limited Common Areas shall be a Service Area Expense of the Service Area to which such Limited Common Areas are assigned, unless the Board reasonably determines that other treatment of the premiums is more appropriate.

(b) Policy Requirements. The Association shall arrange for a periodic review of the sufficiency of its insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the Charlotte, North Carolina area. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member.

The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 7.4(a). In the event of an insured loss, the deductible shall be treated as a Common Expense or a Service Area Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the By-Laws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Units as a Specific Assessment.

All insurance coverage obtained by the Board shall:

(i) be written with a company authorized to do business in North Carolina which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate; and

(ii) be written in the name of the Association as trustee for the benefited parties. Policies on the Common Areas shall be for the benefit of the Association and its Members. Policies secured on behalf of a Service Area shall be for the benefit of the Owners within the Service Area and their Mortgagees, as their interests may appear; and

(iii) be primary and not be brought into contribution with insurance purchased by Owners, occupants, or their Mortgagees individually; and

(iv) contain an inflation guard endorsement; and

(v) include an agreed amount endorsement, if the policy contains a co-insurance clause; and

(vi) provide that each Owner is an insured person under the policy with respect to liability arising out of such Owner's interest in the Common Area as a Member in the Association (provided, this provision shall not be construed as giving an Owner any interest in the Common Area other than that of a Member); and

(vii) provide a waiver of subrogation under the policy against any Owner or occupant of any Unit; and

(viii) include an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure; and

(ix) include an endorsement precluding cancellation, invalidation, or condition to recovery under the policy on account of any act or omission of any one or more individual Owners or members of their households, unless such Owner is acting within the scope of its authority on behalf of the Association.

In addition, the Board shall use reasonable efforts to secure insurance policies that list the Owners as additional insureds and provide:

(i) a waiver of subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests; and

(ii) a waiver of the insurer's rights to repair and reconstruct instead of paying cash; and

(iii) an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal; and

(iv) a cross liability provision; and

(v) a provision vesting in the Board exclusive authority to adjust losses; provided, however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

(c) Restoring Damaged Improvements. In the event of damage to or destruction of Common Area or other property which the Association is obligated to insure, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

The Association shall cause damaged improvements on the Common Area to be repaired or reconstructed unless a decision not to repair or reconstruct is approved within 60 days after the loss or damage by Owners of at least 80% of the Units, including the 100% of the Units to which any Limited Common Area is assigned, if the damaged improvements are Limited Common Area, and during the Development and Sale Period, by the Declarant. If either the insurance proceeds or estimates of the loss, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed 60 additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If a decision is made not to restore the damaged improvements and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive, landscaped condition consistent with the Community-Wide Standard.

Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be distributed as follows: (i) to the extent that the excess insurance proceeds are attributable to damaged improvements on Limited Common Area that are not rebuilt, they shall be distributed to the Owners of Units to which such Limited Common Area was assigned or to their Mortgagees, as their interests may appear; and (ii) the remainder shall be distributed to all of the Owners or their Mortgagees, as their interests may appear, at an equal rate per Unit.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Members, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under Section 7.4(a).

7.5. Compliance and Enforcement.

(a) Every Owner and occupant of a Unit shall comply with the Governing Documents. The Board may impose sanctions for violation of the Governing Documents as set forth in this Section 7.5 and elsewhere in the Governing Documents.

(b) The Board may impose the following sanctions only after notice and a hearing in accordance with the procedures set forth in Article VIII of the By-Laws:

(i) imposing reasonable monetary fines (subject to the limitations set forth in Section 47F-3-107 of the Act), which shall constitute a lien upon the violator's Unit (In the event that any occupant, guest or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine shall first be assessed against the violator; provided, however, if the fine is not paid by the violator within the time period set by the Board, the Owner shall pay the fine upon notice from the Board); and

(ii) suspending the vote attributable to a violating Owner's Unit, suspending the privilege of using any recreational facilities within the Common Area, and suspending any services which the Association provides to an Owner or the Owner's Unit, during any period that the Owner is more than 30 days delinquent in paying any assessment or other charge owed to the Association or for a reasonable period for other violations of the Governing Documents; and

(iii) without liability to any Person, precluding any contractor, subcontractor, agent, employee or other invitee of an Owner who fails to comply with the terms and provisions of Article IV and the Architectural Guidelines from continuing or performing any further activities in Churchill; and

(iv) levying Specific Assessments pursuant to Section 8.4 to cover costs which the Association incurs to bring a Unit into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of an Owner or occupant of a Unit, their guests or invitees.

(c) In addition, the Association, acting through the Board or its designee, may take the following action to enforce the Governing Documents without the necessity of compliance with the procedures set forth in Article VIII of the By-Laws:

(i) requiring an Owner, at the Owner's expense, to perform maintenance on such Owner's Unit, or to remove any structure, item or improvement on such Owner's Unit in violation of the Governing Documents and to restore the Unit to its previous condition; or

(ii) entering the property and exercising self-help to remove or cure a violating condition upon failure of an Owner to take action as required pursuant to subsection (i) above within 10 days after receipt of written notice to do so, and any such entry shall not be deemed a trespass; or

(iii) exercising self-help in any situation which requires prompt action to avoid potential injury or damage or unreasonable inconvenience to other persons or their property (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations); and/or

(iv) bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both, subject to the procedures set forth in Article XIV, if applicable.

(d) All remedies set forth in the Governing Documents shall be cumulative of any remedies available at law or in equity. In any action to enforce the Governing Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorneys fees and court costs, reasonably incurred in such action.

(e) The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing sentence, the Board may determine that, under the circumstances of a particular case:

(i) the Association's position is not strong enough to justify taking any or further action; or

(ii) the covenant, restriction or rule being enforced is, or is likely to be construed as, inconsistent with applicable law; or

(iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or

(iv) it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

Such a decision shall not be construed a waiver of the right of the Association to enforce such provision at a later time under other circumstances or preclude the Association from enforcing any other covenant, restriction or rule.

(f) The Association, by contract or other agreement, may enforce applicable Town of Knightdale ordinances and permit the Town of Knightdale to enforce ordinances within Churchill for the benefit of the Association and its Members.

7.6. Implied Rights; Board Authority.

The Association may exercise any right or privilege given to it expressly by the Governing Documents, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. All rights and powers of the Association may be exercised by the Board without a vote of the membership except to the extent that the Governing Documents or North Carolina law specifically require a vote of the membership.

The Board may institute, defend, settle, or intervene on behalf of the Association in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Area of Common Responsibility, enforcement of the Governing Documents, or any other civil claim or action. However, the Governing Documents shall not be construed as creating any independent legal duty to institute litigation on behalf of or in the name of the Association or its Members.

In exercising the rights and powers of the Association, making decisions on behalf of the Association, and conducting the Association's affairs, Board members shall be subject to, and their actions shall be judged in accordance with, the standards set forth in Article VI of the By-Laws.

7.7. Provision of Services to Units.

The Association may provide, or provide for, services and facilities for the Owners and their Units, and shall be authorized to enter into and terminate contracts or agreements with other entities, including Declarant, to provide such services and facilities. The Board may charge use or service fees for any such services and facilities provided at the option of an Owner, or may include the costs thereof in the Association's budget as a Common Expense and assess it as part of the General Assessment if provided to all Units. By way of example, such services and facilities might include trash collection, landscape maintenance; pest control service; cable, digital, satellite or similar television service; telecommunication and internet connection services; security monitoring; utilities; and other services and facilities.

Nothing in this Section shall be construed as a representation by Declarant or the Association as to what, if any, services shall be provided. In addition, the Board shall be permitted to modify or cancel existing contracts for services in its discretion, unless the provision of such services is otherwise required by the Governing Documents. Non-use of services provided to all Owners or Units as a Common Expense shall not exempt any Owner from the obligation to pay assessments for such services.

7.8. Relationships with Other Properties.

The Association may enter into contractual agreements or covenants to share costs with any neighboring property to contribute funds for, among other things, shared or mutually beneficial property or services and/or a higher level of Common Area maintenance.

7.9. Use of Technology.

The Association may, as a Common Expense, provide for or offer services that make use of technological opportunities to facilitate the goals and fulfill the responsibilities of the Association. For example, to the extent North Carolina law permits, and unless otherwise specifically prohibited in the Governing Documents, the Association may send required notices by electronic means; hold Board or Association meetings and permit attendance and voting by electronic means; collect assessments by electronic means; sponsor a community cable television

channel; create and maintain a community intranet or Internet homepage; and maintain an "online" newsletter or bulletin board.

7.10. Safety and Security.

**The Association may, but shall not be obligated to, maintain or support certain activities within Churchill designed to enhance the level of safety or security that each person provides for himself and his property. However, no representation or warranty is made that any systems or measures, including any mechanism or system for limiting access to Churchill or any portion thereof, cannot be compromised or circumvented, nor that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Neither the Association, the Declarant, the Builders, nor the members, partners, affiliates, officers, directors, agents or employees of any of the foregoing, shall in any way be considered insurers or guarantors of safety or security within Churchill, nor shall either be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.**

**Each Owner and occupant of a Unit, and their respective guests and invitees, shall be responsible for their own personal safety and the security of their property in Churchill and each of them assumes all risks of personal injury and loss or damage to their property, including Units and their contents, resulting from acts of third parties.**

## Article VIII Association Finances

8.1. Authority to Levy Assessments for Association Expenses.

(a) Purposes and Types. There are hereby created, and the Association is hereby authorized to levy, assessments for expenses incurred or anticipated to be incurred by the Association in performing its responsibilities and exercising its rights and powers under this Declaration, any Supplemental Declaration, the Articles and the Bylaws, specifically including but not limited to: expenses of maintaining, repairing, replacing, improving, operating, and insuring the Area of Common Responsibility, including amounts due to third parties who perform such tasks on behalf of the Association, and the costs of labor, equipment, materials, management, supervision, and utilities; taxes, if any, imposed on the Association or the Common Area; the cost of insurance and fidelity bond coverage obtained pursuant to Section 7.4; the cost of water or other utilities provided to the Area of Common Responsibility, and to Units if metered through a master meter and billed to the Association; expenses of monitoring and enforcing compliance with the provisions of the Governing Documents; expenses arising out of the Association's indemnification obligations; expenses arising out of any measure undertaken to enhance the safety of the Owners and occupants of Units and the Community; expenses incurred in exercising architectural control under Article IV; expenses of managing the Association, including compensation of management personnel, maintaining books and records, handling Association funds, providing financial reports, and corresponding with Members; administrative expenses such as postage, copying expense, office supplies and equipment; legal, accounting,

and other professional fees; and such other expenses as the Board deems necessary or desirable to keep the Community in good, clean, and attractive condition and to maintain and enhance property values and marketability of Units within the Community.

There shall be four types of assessments: (a) General Assessments; (b) Service Area Assessments; (c) Special Assessments as described in Section 8.3; and (d) Specific Assessments as described in Section 8.4. Each Owner, by accepting a deed or entering into a recorded contract of sale for any portion of the Properties, is deemed to covenant and agree to pay these assessments. Such assessments shall commence at the time and in the manner set forth in Section 8.5.

(b) Personal Obligation and Lien. Each Owner, by accepting a deed or entering into a recorded contract of sale for any portion of Churchill, is deemed to covenant and agree to pay all assessments authorized in the Governing Documents. All assessments, together with interest (computed from its due date at a rate of 10% per annum or such higher rate as the Board may establish by resolution, not to exceed 18% per annum), late charges as determined by Board resolution (subject to the limitations of North Carolina law), costs, and reasonable attorneys' fees, shall be the personal obligation of each Owner, and a charge and continuing lien upon each Unit as provided in Section 8.6, until paid in full. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance. However, no Mortgagee who obtains title to a Unit by exercising the remedies provided in its Mortgage shall be liable for unpaid assessments that accrued prior to such acquisition of title.

Failure of the Board to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay General Assessments and Service Area Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfall.

No Owner may exempt himself from liability for assessments by non-use of Common Area, abandonment of his or her Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

Within 10 business days after receipt of a written request therefor, the Association shall furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth the amount of any unpaid assessments or other charges levied on the Unit. Such certificate shall be binding on the Association and every Owner. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

(c) Declarant's Obligations for Assessments. During the Class "B" Control Period, Declarant may satisfy its obligation for General Assessments and Special Assessments for Common Expenses on any Units that it owns in the form of cash or by "in kind" contributions of services or materials, or by a combination of these. After termination of the Class "B" Control Period, Declarant shall pay assessments on its unsold Units in the same manner as any other Owner, in accordance with the applicable rate of assessment under Section 8.5.

8.2. Budgeting and Allocating Association Expenses.

(a) General Budget and Assessment. The Board shall adopt a budget for general Common Expenses ("General Budget") prior to the conveyance of any Unit. The initial General Budget shall include:

(i) expense projections based upon the Board's reasonable projection of general Common Expenses to be incurred by the Association during the initial 12-month period after all streets, utilities, and Common Area amenities and improvements have been completed; and

(ii) a reasonable contribution to a reserve fund for repair and replacement of capital assets which the Association maintains as a general Common Expense, based on the Board's consideration of the number and nature of replaceable assets, the expected useful life of each, the expected repair or replacement cost, and the estimated contribution required to fund the projected need by an annual contribution over the useful life of the asset; and

(iii) income projections based upon a rate of General Assessment sufficient to meet the projected expenses and budgeted contributions to reserves determined under clauses (i) and (ii) above without consideration of any surplus from prior years or any other sources of income that might be available to the Association, assuming that 70% of the total number of Units described in the Master Plan have been completed and conveyed to Persons other than a Builder.

At least 60 days before the beginning of each fiscal year, and at such other times as the Board deems appropriate, the Board shall review the General Budget and consider any adjustments that may be appropriate in light of actual operating history, unforeseen expenses, the addition of Common Area amenities and improvements not contemplated by the previous budget, inflation, and other factors which the Board deems relevant. The Board may revise the General Budget and resulting General Assessment from time to time to reflect such adjustments; provided, after conveyance of the first Unit, any such budget revisions shall be subject to the notice and ratification procedures set forth in Section 8.2(d).

During the Declarant Subsidy Period described in Section 8.2(b), the General Assessment rate shall be determined as described in Section 8.2(a)(iii). After the Declarant Subsidy Period, upon determining the total amount of income required to be generated through the levy of General Assessments, the Board shall establish the General Assessment at an equal rate per Unit, subject to discount for certain incomplete or unoccupied Units as provided in Section 8.5.

(b) Declarant Subsidy. Until 250 Units in Churchill are subject to full assessment under Section 8.5 or four years from the date assessments are first levied by the Association, whichever occurs first ("**Declarant Subsidy Period**"), the Declarant, in addition to its assessment obligations under Section 8.5, shall fund any deficits under the General Budget which the Association actually incurs, not to exceed in any period the difference between (i) budgeted general Common Expenses incurred by the Association, including budgeted contributions to reserve for capital repairs and replacements of assets maintained as a general Common Expense; and (ii) the sum of assessments levied (whether or not collected) and any other income received by the Association during such period.

(c) Service Area Budget and Assessments. At such time as the Board anticipates that the Association will begin to incur Service Area Expenses for any Service Area, the Board shall prepare a separate budget for such Service Area reflecting the estimated Service Area Expenses that the Association expects to incur for the benefit of such Service Area in the coming year, which shall include, in addition to any operating reserves, a reasonable contribution to a reserve fund for repair and replacement of any capital items to be maintained as a Service Area Expense of the Service Area for whom the budget is prepared. Such budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than Service Area Assessments levied against the Units, and the amount to be generated through the levy of Service Area Assessments. Any adoption of or revisions to a Service Area budget shall be subject to the notice and ratification requirements set forth in Section 8.2(d).

Except as may otherwise be provided in this Declaration or any applicable Supplemental Declaration, the total amount of estimated Service Area Expenses for each Service Area shall be allocated equally among all Units in the benefited Service Area which are subject to assessment under Section 8.5, to be levied as a Service Area Assessment; provided, unless otherwise specified in the applicable Supplemental Declaration, any portion of the assessment intended for exterior maintenance of structures, insurance on structures, or replacement reserves which pertain to particular structures, may be levied on each of the benefited Units in proportion to the benefit received, as the Board may reasonably determine.

All amounts that the Association collects as Service Area Assessments shall be held in trust for and expended solely for the benefit of the Service Area for which they were collected and shall be accounted for separately from the Association's general funds.

(d) Notice of Budget and Assessment; Ratification. Within 30 days following the Board's adoption of any new or revised budget under Section 8.2(a) or (c), the Board shall send a summary of the applicable budget, together with notice of the amount of the General Assessment or Service Area Assessment to be levied pursuant to such budget, to each Owner to be assessed thereunder. The budget shall be accompanied by notice of the date, time and location of a meeting to consider ratification, which meeting shall be set by the Board to occur no less than 10 nor more than 60 days after mailing of the budget summary and notice. The notice shall include a statement that the meeting may be held and the budget may be ratified without a quorum being present.

Subject to the limitation set forth in Section 8.2(a), if applicable, the General Budget shall be deemed ratified unless rejected at the meeting by Owners of at least 75% of the total number of Units then subject to the Declaration. The Service Area Expense budget for each Service Area shall be deemed ratified unless rejected by Owners of at least 75% of the total number of Units in the Service Area to which the budget applies, except that the right to reject a Service Area budget shall apply only to those line items which are attributable to services or benefits requested by the Service Area and shall not apply to any item which the Governing Documents require to be assessed as a Service Area Expense.

If any proposed budget or budget revision is rejected by the percentage vote specified above, then the budget most recently in effect shall continue in effect until a new budget is determined.

8.3. Special Assessments.

In addition to other authorized assessments, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted under Section 8.2. Any such Special Assessment may be levied against the entire membership, if such Special Assessment is for general Common Expenses, or against the Units within any Service Area if such Special Assessment is for Service Area Expenses. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of Members entitled to cast more than 50% of the total votes allocated to Units which will be subject to such Special Assessment, and during the Development and Sale Period, the written consent of Declarant. Except as otherwise provided in Section 8.5, Special Assessments shall be levied equally on all Units subject to such assessment.

8.4. Specific Assessments.

The Association shall have the power to levy Specific Assessments against a particular Unit as follows:

(a) to cover the costs, including overhead and administrative costs, of providing services to the Unit upon request of the Owner pursuant to any menu of special services which the Association may offer (which might include the items identified in Section 7.7). Specific Assessments for special services may be levied in advance of the provision of the requested service;

(b) for monetary fines imposed pursuant to Section 7.5 and to cover costs incurred in bringing the Unit into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of the Owner or occupants of the Unit, their agents, contractors, employees, licensees, invitees, or guests; provided, the Board shall give the Unit Owner prior written notice and an opportunity for a hearing in accordance with the By-Laws, before levying any Specific Assessment under this subsection (b); and

(c) pursuant to Section 8.8.

8.5. Payment of Assessments.

Except as otherwise provided herein, the obligation to pay assessments shall commence as to each Unit on the first day of the month following: (a) the month in which the Unit is made subject to this Declaration, or (b) the month in which the Board first determines a budget and levies assessments pursuant to this Article, whichever is later; provided, until the first day of the first month following the month in which the Unit is improved with a dwelling and conveyed by the Builder for residential occupancy or the Unit is first occupied for residential purposes, whichever is earlier, such Unit shall be assessed only 25% of the full General Assessment rate, shall pay only 25% of any Special Assessment for Common Expenses that would otherwise be payable during such period, and shall not be assessed for any Service Area Expenses. The first annual General Assessment levied on each Unit, whether levied at the partial or full rate, shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

Assessments shall be paid in such manner and on such dates as the Board may establish. The Board may require advance payment of assessments at closing of the transfer of title to a Unit and impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in two or more installments. Unless the Board otherwise provides, the General Assessment and any Service Area Assessment shall be due and payable in advance on the first day of each fiscal year.

If any Owner is delinquent in paying any assessments or other charges levied on his Unit, the Board may require the outstanding balance on all assessments to be paid in full immediately or it may, in its discretion, permit payment of the outstanding balance in installments. Neither the Association nor the Owner is obligated to accept any proposed installment payment schedule. The Board may add reasonable administrative fees and costs for accepting and processing installments to the outstanding balance and include them in the installment payment schedule; provided, such costs may include reasonable attorneys fees only if the Owner has first been given notice of the Board's intention to recover attorneys fees and court costs, as required in 47F-3-116 of the Act, and given 15 days from the mailing of the notice to pay the outstanding balance without attorneys fees and court costs. The notice shall also provide the name and telephone number for a representative of the Association with whom the Owner may speak to discuss a payment schedule.

8.6. Lien for Assessments.

(a) Subject to North Carolina law, as it may be amended, if any assessment or installment thereof remains unpaid 30 days or more after the due date, the Association shall, upon filing a claim of lien in the office of the clerk of the Superior Court of Wake County, North Carolina conforming to the requirements of Section 47F-3-116 of the Act, have a lien against each Unit in favor of the Association to secure payment of assessments, as well as interest, late charges, and costs of collection (including attorneys fees and court costs, if and to the extent authorized under Section 8.5 and the Act). Subject to the limitations of North Carolina law, such lien shall be superior to all other liens, except (i) the liens of all taxes, bonds, assessments, and

other levies which by law would be superior, and (ii) the lien or charge of any recorded first Mortgage (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value.

(b) The Association may foreclose its lien through judicial or, to the extent allowed by law, nonjudicial foreclosure proceedings in accordance with North Carolina law, as it may be amended, except that any lien securing only fines and/or service or collection fees may be foreclosed only by judicial foreclosure.

(c) The Association may bid for the Unit at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Unit. While a Unit is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Unit shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Unit had it not been acquired by the Association. The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same, in addition to pursuing any and all remedies allowed by law to enforce the lien.

(d) Sale or transfer of any Unit shall not affect the assessment lien or relieve such Unit from the lien for any subsequent assessments. However, the sale or transfer of any Unit pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to the Mortgagee's foreclosure. The subsequent Owner of the foreclosed Unit shall not be personally liable for assessments on such Unit due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Units subject to assessment under Section 8.5, including such acquirer, its successors and assigns.

8.7. Exempt Property.

The following property shall be exempt from payment of General Assessments, Service Area Assessments, and Special Assessments:

(a) All Common Area and such portions of the property owned by Declarant as are included in the Area of Common Responsibility; and

(b) Any property dedicated to and accepted by any governmental authority or public utility.

In addition, Declarant and/or the Association shall have the right, but not the obligation, to grant exemptions to certain Persons qualifying for tax-exempt status under Section 501(c) of the Internal Revenue Code so long as such Persons own property subject to this Declaration for purposes listed in Section 501(c) of the Internal Revenue Code.

8.8. Capitalization of Association.

Upon acquisition of record title to a Unit by the first Owner thereof other than Declarant or a Builder, a contribution shall be made by or on behalf of the purchaser to the working capital

of the Association in the amount of one-sixth (1/6) of the full General Assessment for the year in which such acquisition occurs. This amount shall be in addition to, not in lieu of, the annual General Assessment and any applicable Service Area Assessment and shall not be considered an advance payment of such assessments, but rather shall be considered a Specific Assessment secured by the Association's lien for assessments under Section 8.6. This amount shall be deposited into the purchase and sales escrow and disbursed therefrom to the Association for use in covering operating expenses and other expenses incurred by the Association pursuant to this Declaration and the By-Laws.

## PART FOUR: COMMUNITY DEVELOPMENT

*The Declaration reserves various rights to the developer in order to facilitate the smooth and orderly development of Churchill and to accommodate changes in the master plan that inevitably occur as a community such as Churchill is developed.*

### Article IX Expansion of the Community

9.1. Expansion by Declarant.

Declarant may from time to time expand Churchill to include all or any portion of the property described in Exhibit "B" by recording a Supplemental Declaration describing the additional property and stating the intent to submit it to the provisions of this Declaration. As to each portion of the tract of land specifically described by metes and bounds on Exhibit "B" that Declarant or any Declarant Affiliate hereafter subdivides into single family residential lots by recording of a subdivision plat, Declarant shall not convey any residential lot within such portion to anyone other than a successor Declarant or other Person who takes title subject to this obligation, unless and until such residential lot has been made subject to the terms of this Declaration. A Supplemental Declaration recorded pursuant to this Section shall not require the consent of any Person except the owner of such property, if other than Declarant.

Declarant's right to expand Churchill pursuant to this Section shall expire when all property described in Exhibit "B" has been subjected to this Declaration or 20 years after this Declaration is recorded, whichever is earlier. Until then, Declarant may transfer, assign, or otherwise permit this right to be exercised by any Person or Persons who are the developers of at least a portion of the real property described in Exhibits "A" or "B." Any such transfer, assignment or permission shall be memorialized in a written, recorded instrument executed by Declarant and the Person to whom it is assigned.

Nothing in this Declaration shall be construed to require Declarant or any successor to develop any of the property described in Exhibit "B" in any manner whatsoever, or to require Declarant to submit any portion of the property described in Exhibit "B" to this Declaration if it is not subdivided and developed for single family residential purposes.

9.2. Expansion by the Association.

The Association may also expand Churchill to include additional property by recording a Supplemental Declaration describing the additional property and the intent to submit it to the provisions of this Declaration. Any such Supplemental Declaration shall require the affirmative vote of persons entitled to cast more than 50% of the Class "A" votes in the Association represented at a meeting duly called for such purpose and the consent of the owner of the property. In addition, so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1, Declarant's consent shall be necessary. The Supplemental Declaration shall be signed by the President and Secretary of the Association, by the owner of the property and by Declarant, if Declarant's consent is necessary.

9.3. Additional Covenants and Easements.

Declarant may subject any portion of Churchill to additional covenants and easements, including covenants obligating the Association to maintain and insure such property and authorizing the Association to recover its costs through Service Area Assessments. Such additional covenants and easements may be set forth either in a Supplemental Declaration subjecting such property to this Declaration or in a separate Supplemental Declaration referencing property previously subjected to this Declaration. If the property is owned by someone other than Declarant, then the consent of the Owner(s) shall be necessary and shall be evidenced by their execution of the Supplemental Declaration. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

9.4. Effect of Filing Supplemental Declaration.

A Supplemental Declaration shall be effective upon recording unless otherwise specified in such Supplemental Declaration. On the effective date of the Supplemental Declaration, any additional property subjected to this Declaration shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Declaration.

**Article X Additional Rights Reserved to Declarant**

10.1. Withdrawal of Property.

During the Development and Sale Period, Declarant reserves the right to amend this Declaration for the purpose of removing any portion of the real property which has not yet been improved with structures from the coverage of this Declaration, provided such withdrawal does not reduce the total number of Units then subject to the Declaration by more than 10%. Such amendment shall not require the consent of any Person other than the Owner(s) of the property to be withdrawn, if not the Declarant. If the property is Common Area, the Association shall consent to such withdrawal.

10.2. Right to Veto Changes in Standards.

During the Development and Sale Period, the Declarant shall have the right to veto any amendment to or modification of the Restrictions and Rules or Architectural Guidelines.

10.3. Development and Sales Activities.

During the Development and Sale Period:

(a) Declarant and Builders whom the Declarant so authorizes may construct and maintain upon portions of the Common Area such facilities and activities as, in Declarant's sole opinion, may be reasonably required, convenient, or incidental to the construction or sale of Units, including, but not limited to, business offices, signs, model units, and sales offices. Declarant and authorized Builders shall have easements for access to and use of such facilities at no charge. Such right shall specifically include the right of Declarant and its designees to use Common Area facilities for an information center and/or for administrative, sales and business offices at no charge.

(b) Declarant and its employees, agents and designees shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing and installing such improvements to the Common Area as it deems appropriate in its sole discretion.

10.4. Additional Covenants.

No Person shall record any declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument affecting any portion of Churchill without Declarant's review and written consent. Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by written consent signed and recorded by Declarant.

10.5. Right to Transfer or Assign Declarant Rights.

Any or all of Declarant's special rights and obligations set forth in this Declaration or the By-Laws may be transferred in whole or in part to other Persons; provided, the transfer shall not reduce an obligation nor enlarge a right beyond that which Declarant has under this Declaration or the By-Laws. No such transfer or assignment shall be effective unless it is in a written instrument signed by Declarant and the transferee and recorded. The foregoing sentence shall not preclude Declarant from permitting other Persons to exercise, on a one time or limited basis, any right reserved to Declarant in this Declaration where Declarant does not intend to transfer such right in its entirety, and in such case it shall not be necessary to record any written assignment unless necessary to evidence Declarant's consent to such exercise.

10.6. Exclusive Rights To Use Name of Development.

No Person other than Declarant, its authorized agents, and Builders, shall use the name "Churchill," any derivative of such names, or associated logos or depictions, in any electronic,

printed or promotional media or material without Declarant's prior written consent. However, Owners may use the name "Churchill" in printed or promotional matter where such term is used solely to specify that particular property is located within Churchill. The Association shall also be entitled to use the words "Churchill" in its name.

10.7. Right to Notice of Design or Construction Claims.

No Person shall retain an expert for the purpose of inspecting the design or construction of any structures or improvements within Churchill in connection with or in anticipation of any potential or pending claim, demand or litigation involving such design or construction unless Declarant and any builder involved in the design or construction have been first notified in writing and given an opportunity to meet with the owner of the property to discuss the owner's concerns and conduct their own inspection pursuant to the rights reserved in Section 11.6.

10.8. Right of Convert Unit to Common Area or Roadway.

Declarant reserves the right to convert any Unit which it owns to Common Area or to public right-of-way, or to a combination of Common Area and right-of-way. Such right shall include, without limitation, a right to convert a Unit to right-of-way for the purpose of providing permanent access to property adjacent to the Community, whether or not such property is made subject to this Declaration. Upon conveyance of any Unit by Declarant to the Association as Common Area, the Unit shall cease to be a Unit and shall thereafter be Common Area. Upon recordation by Declarant of a plat or other instrument establishing a public right-of-way over a Unit that Declarant owns, the Unit shall cease to be a Unit and shall thereafter be treated in the same manner as any other property in the Community that has been dedicated to the public.

## PART FIVE: PROPERTY RIGHTS WITHIN THE COMMUNITY

*The nature of living in a planned community requires the creation of special property rights and provisions to address the needs and responsibilities of the Owners, Declarant, the Association, and others within or adjacent to the community.*

### Article XI Easements

11.1. Easements in Common Area.

Declarant grants to each Owner a nonexclusive right and easement of use, access, and enjoyment in and to the Common Area, subject to:

(a) the Governing Documents and any other applicable covenants;

(b) any restrictions or limitations contained in any deed conveying such property to the Association;

(c) the Board's right to:

(i) adopt rules regulating use and enjoyment of the Common Area, including rules limiting the number of guests who may use the Common Area;

(ii) suspend the right of an Owner to use recreational facilities within the Common Area pursuant to Section 7.5;

(iii) dedicate or transfer all or any part of the Common Area, subject to Section 17.3;

(iv) impose reasonable membership requirements and charge reasonable initiation fees, admission or other use fees for the use of any recreational facility situated upon the Common Area;

(v) permit use of any recreational facilities situated on the Common Area by persons other than Owners, their families, lessees and guests upon payment of use fees established by the Board and designate other areas and facilities within the Area of Common Responsibility as open for the use and enjoyment of the public; and

(vi) mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject to the approval requirements set forth in Section 17.3; and

(d) the rights of certain Owners to the exclusive use of those portions of the Common Area designated "Limited Common Areas," as described in Article XII.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, and social invitees, as applicable, subject to reasonable regulation by the Board. An Owner who leases his or her Unit shall be deemed to have assigned all such rights to the lessee of such Unit for the period of the lease.

11.2. Easements of Encroachment.

(a) Declarant grants reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and any adjacent Common Area or right-of-way and between adjacent Units due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

(b) Declarant grants reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and any adjacent Common Area or right-of-way and between adjacent Units as reasonably necessary to install,

maintain, repair and replace any fence constructed on or within one foot of the boundary line of any Unit.

11.3. Easements for Utilities, Etc.

(a) Installation and Maintenance. Declarant reserves for itself, during the Development and Sale Period, and grants to the Association and all utility providers, perpetual non-exclusive easements throughout Churchill (but not through a structure) to the extent reasonably necessary for the purpose of:

(i) installing utilities and infrastructure to serve Churchill, cable and other systems for sending and receiving data and/or other electronic signals, security and similar systems, walkways, pathways and trails, drainage systems, street lights and signage on property which Declarant or any Builder owns or within public rights-of-way or easements reserved for such purpose on recorded plats or in other recorded documents; and

(ii) inspecting, maintaining, repairing and replacing the utilities, infrastructure and other improvements described in Section 11.3(a)(i); and

(iii) access to read utility meters.

(b) Specific Easements. Declarant also reserves for itself the non-exclusive right and power to grant and record such specific easements as may be necessary, in the sole discretion of Declarant, in connection with the orderly development of any property described in Exhibits "A" and "B." The Owner of any property to be burdened by any easement granted pursuant to this subsection (b) shall be given written notice in advance of the grant. The location of the easement shall be subject to the written approval of the Owner of the burdened property, which approval shall not unreasonably be withheld, delayed or conditioned.

(c) Minimal Interference. All work associated with the exercise of the easements described in subsections (a) and (b) of this Section shall be performed in such a manner as to minimize interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to its condition prior to the commencement of the work. The exercise of these easements shall not extend to permitting entry into the structures on any Unit, nor shall it unreasonably interfere with the use of any Unit and, except in an emergency, entry onto any Unit shall be made only after reasonable notice to the Owner or occupant.

11.4. Easements to Serve Additional Property.

Declarant hereby reserves for itself and its duly authorized agents, successors, assigns, and mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit "B," whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property.

Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Area as a result of their respective actions in connection with development of such property. Declarant further agrees that if the easement is exercised for permanent access to such property and such property or any portion thereof benefiting from such easement is not made subject to this Declaration, Declarant, its successors or assigns shall enter into a reasonable agreement with the Association to share the cost of any maintenance which the Association provides to or along any roadway providing access to such Property.

11.5. Easements for Maintenance, Emergency and Enforcement.

Declarant grants to the Association easements over Churchill as necessary to enable the Association to fulfill its maintenance responsibilities under Section 7.2. The Association shall also have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons, to perform maintenance and to inspect for the purpose of ensuring compliance with and enforce the Governing Documents. Such right may be exercised by any member of the Board and its duly authorized agents and designees, and all emergency personnel in the performance of their duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

11.6. Easement to Inspect and Right to Correct.

Declarant reserves for itself, the Builders, and others it may designate the right to inspect, monitor, test, redesign, and correct any structure, improvement, or condition which may exist on any portion of the property within Churchill, including Units, and a perpetual, nonexclusive easement of access throughout Churchill to the extent reasonably necessary to exercise such right. Except in an emergency, entry onto a Unit shall be only after reasonable notice to the Owner and no entry into a dwelling shall be permitted without the consent of the Owner. The person exercising this easement shall promptly repair, at such person's own expense, any damage resulting from such exercise.

11.7. Landscaping and Signage Easements.

Declarant and its designees and the Association shall have perpetual, nonexclusive easements exercisable by their respective employees, agents, and contractors over areas within the rights-of-way of streets within the Community and those portions of Units designated "Landscaping and Signage Easements" on the recorded subdivision plats relating to Churchill for the purpose of installation, maintenance, repair, and replacement of lot bollards, neighborhood entrance monuments, signs, fences, lighting, irrigation systems, and landscaping within the easement area. Nothing herein shall obligate Declarant or the Association to exercise such easements or to construct or install any of the foregoing within any right-of way or Landscaping and Signage Easement. No fences, structures, driveways, plantings, swings, wood piles, dog runs, or any other objects, temporary or permanent, shall be permitted in such easement areas without the Association's prior written approval, other than those installed by Declarant or its designees.

No person shall interfere with the exercise of this easement by Declarant, its designees, or the Association, by removing, defacing, or otherwise vandalizing any signs (temporary or

permanent) or other improvements placed within such easement area by Declarant, its designees, or the Association, or otherwise. The Declarant, its designees and the Association, respectively, may remove signs or other improvements which they have placed on the easement area..

11.8. Easements for Storm Water Collection, Retention, and Irrigation Systems.

Declarant reserves for itself, the Association, and their successors, assigns, and designees, the nonexclusive right and easement to enter upon any portion of the property within the Community, including Units, to (a) install, operate, maintain, and replace pumps to supply irrigation water to the Area of Common Responsibility; (b) construct, maintain, and repair structures and equipment used for retaining water; and (c) maintain such areas in a manner consistent with the Community-Wide Standard. Except in an emergency, entry onto a Unit shall be only after reasonable notice to the Owner and no entry into a dwelling shall be permitted without the consent of the Owner. The person exercising this easement shall promptly return any property damaged as a result of such exercise to substantially the same condition as the property existed prior to the exercise of the easement.

## Article XII Limited Common Areas

12.1. Purpose.

Certain portions of the Common Area may be designated as Limited Common Area and reserved for the exclusive use or primary benefit of Owners and occupants of particular Units. By way of illustration and not limitation, Limited Common Areas may include entry features, recreational facilities, landscaped areas and other portions of the Common Area primarily serving a limited number of Units. All costs associated with ownership, maintenance, repair, replacement, management, operation and insurance of a Limited Common Area shall be a Service Area Expense allocated among the Owners in the Service Area to which the Limited Common Area is assigned.

12.2. Designation.

Initially, any Limited Common Area shall be designated as such in the deed conveying such area to the Association or on the subdivision plat relating to such Common Area; provided, however, any such assignment shall not preclude Declarant from later assigning use of the same Limited Common Area to additional Units, so long as Declarant has a right to subject additional property to this Declaration pursuant to Section 9.1.

Thereafter, a portion of the Common Area may be assigned as Limited Common Area upon approval of (a) the Board, (b) persons entitled to cast a majority of the total Class "A" votes in the Association, and (c) persons entitled to cast a majority of the Class "A" votes attributable to Units to which the Limited Common Area is proposed to be assigned or reassigned. During the Development and Sale Period, any such assignment or reassignment shall also require Declarant's written consent.

12.3. Use by Others.

Upon approval of a majority of Owners of Units to which any Limited Common Area is assigned, the Association may permit Owners of other Units to use all or a portion of such Limited Common Area upon payment of reasonable user fees, which fees shall be used to offset the Service Area Expenses attributable to such Limited Common Area.

**Article XIII Party Walls and Other Shared Structures**

13.1. General Rules of Law to Apply.

Each wall, fence, driveway or similar structure built as a part of the original construction on the Units that serves and/or separates any two adjoining Units shall constitute a party structure. To the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto. Any dispute arising concerning a party structure shall be handled in accordance with the provisions of Article XIV.

13.2. Maintenance; Damage and Destruction.

Except to the extent that a party structure is designated Limited Common Area or responsibility for maintenance or repair is otherwise assigned to or assumed by the Association pursuant to this Declaration, any applicable Supplemental Declaration, or written agreement:

(a) the Owners of the Units separated by a fence that constitutes a party structure shall each be responsible for maintaining that side of the fence facing such Owner's Unit; and

(b) to the extent that any necessary repair or replacement of a party structure affects both sides of the structure, it shall be the joint responsibility of the Owners of both Units and either Owner may perform the necessary maintenance or repair and, within 30 days after receipt of written evidence of the total cost incurred, the other Owner shall reimburse the Owner who has incurred such cost for one half of the reasonable cost he or she has incurred in performing such maintenance or repair.

Notwithstanding the above, if maintenance or repairs to a party structure are necessitated by the conduct of the Owners, occupants or guests of only one of the Units that share such party structure, then the Owner of such Unit shall be responsible for the necessary maintenance or repairs.

In the event that any Owner installs, constructs, or erects a fence on the common boundary line such Owner's Unit and an adjacent Unit, and the owner of the adjacent Unit thereafter attaches another section of fence to it or otherwise makes use of such fence for the purpose of enclosing all or a portion of the adjacent Unit, then such fence shall become a party fence for the purpose of each Owner's responsibility for contributing to the maintenance, repair, and replacement of such fence. However, nothing herein shall confer any ownership interest in or right to remove any such fence on the Owner of the adjacent Unit.

In the event that either Owner fails to provide necessary maintenance or repairs to a party structure within 10 days after the date of written notice from the Association advising of the need for such maintenance or repairs, the Association shall have the right to provide the necessary maintenance or repairs and assess the costs incurred against the responsible Owner(s) and his (or their) Unit(s).

The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors-in-title.

## PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

*The success of Churchill as a community in which people enjoy living and playing requires good faith efforts to resolve disputes amicably, attention to and understanding of relationships within the community and with our neighbors, and protection of the rights of others who have an interest in the community.*

### Article XIV Dispute Resolution and Limitation on Litigation

14.1. Agreement to Encourage Resolution of Disputes Without Litigation.

(a) Declarant, the Association and its officers, directors, and committee members, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "**Bound Parties**"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving Churchill without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to file suit in any court with respect to a Claim described in subsection (b), unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth in Section 14.2 in a good faith effort to resolve such Claim.

(b) As used in this Article, the term "**Claim**" shall refer to any claim, grievance or dispute arising out of or relating to

(i) the interpretation, application, or enforcement of the Governing Documents; or

(ii) the rights, obligations, and duties of any Bound Party under the Governing Documents; or

(iii) the design or construction of improvements within Churchill, other than matters of aesthetic judgment under Article IV, which shall not be subject to review;

except that the following shall not be considered "Claims" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 14.2:

(i) any suit by the Association to collect assessments or other amounts due from any Owner; and

(ii) any suit by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of Part Two of this Declaration (relating to creation and maintenance of community standards); and

(iii) any suit which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents; and

(iv) any suit in which any indispensable party is not a Bound Party; and

(v) any suit as to which any applicable statute of limitations would expire within 180 days of giving the Notice required by Section 14.2(a), unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

14.2. Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim ("**Claimant**") against another Bound Party ("**Respondent**") shall give written notice to each Respondent and to the Board stating plainly and concisely:

(i) the nature of the Claim, including the Persons involved and the Respondent's role in the Claim; and

(ii) the legal basis of the Claim (i.e., the specific authority out of which the Claim arises); and

(iii) the Claimant's proposed resolution or remedy; and

(iv) the Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

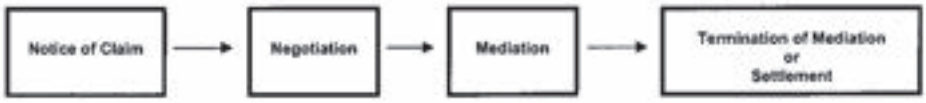
(c) Mediation. If the parties have not resolved the Claim through negotiation within 30 days of the date of the notice described in Section 14.2(a) (or within such other period as the parties may agree upon), the Claimant shall have 30 additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the Charlotte, North Carolina metropolitan area.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the Parties do not settle the Claim within 30 days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Party shall bear its own costs of the mediation, including attorneys fees, and each Party shall share equally all fees charged by the mediator.

**Alternative Dispute Resolution Process**




(d) Settlement. Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys' fees and court costs.

14.3. Initiation of Litigation by Association.

In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association shall not initiate any judicial or administrative proceeding unless first approved by a vote of persons entitled to cast 75% of the total Class "A" votes in the Association, except that no such approval shall be required for actions or proceedings:

(a) initiated during the Class "B" Control Period; or

(b) initiated to enforce the provisions of the Governing Documents, including collection of assessments and foreclosure of liens; or

(c) initiated to challenge ad valorem taxation or condemnation proceedings; or

(d) initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or

(e) to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it.

This Section shall not be amended unless such amendment is approved by the same percentage of votes necessary to institute proceedings.

**Article XV Mortgagee Provisions**

The following provisions are for the benefit of holders, insurers and guarantors of first Mortgages on Units in Churchill. The provisions of this Article apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained therein.

15.1. Notices of Action.

An institutional holder, insurer, or guarantor of a first Mortgage which provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Unit to which its Mortgage relates (thereby becoming an "**Eligible Mortgage Holder**"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of Churchill or which affects any Unit on which there is an Eligible Mortgage held, insured, or guaranteed by such Eligible Mortgage Holder; or

(b) Any delinquency in the payment of assessments or charges owed for a Unit subject to the Eligible Mortgage of such Eligible Mortgage Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Governing Documents relating to such Unit or the Owner or occupant which is not cured within 60 days; or

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association; or

(d) Any proposed action that would require the consent of a specified percentage of Eligible Mortgage Holders.

15.2. No Priority.

No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

15.3. Notice to Association.

Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Unit.

## PART SEVEN: CHANGES IN THE COMMUNITY

*Communities such as Churchill are dynamic and need the ability to monitor and adjust as circumstances, technology, needs and desires, and applicable laws change over time.*

### Article XVI Changes in Ownership of Units

16.1. Notice of Transfer.

Any Owner desiring to sell or otherwise transfer title to his or her Unit shall give the Board at least seven days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The Person transferring title shall continue to be jointly and severally responsible with the Person accepting title for all obligations of the Owner, including assessment obligations, until the date upon which the Board receives such notice, notwithstanding the transfer of title.

16.2. Administrative Transfer Fee.

The Association may charge an "**Administrative Transfer Fee**" on transfer of title to each Unit to cover the administrative expenses associated with updating the Association's records. Any such Administrative Transfer Fee shall be reasonably determined by the Board to cover its costs, including, but not limited to, any fees charged for updating records by a management company retained by the Association, except that any administrative fee charged on the initial sale of a Unit by a Builder shall not exceed $25.00.

### Article XVII Changes in Common Area

17.1. Condemnation.

If any part of the Common Area shall be taken by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice of such taking or conveyance prior to disbursement of any condemnation award. Any condemnation award shall be payable to the Association and shall be disbursed as follows:

If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within 60 days after such taking Declarant, during the Development and Sale Period, and Members entitled to cast at least 75% of the total Class "A" votes in the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 7.4(c) regarding funds for restoring improvements shall apply.

If the taking or conveyance does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be treated in the same manner as if proceeds from the sale of Common Area pursuant to Section 17.3.

17.2. Partition.

Except as permitted in this Declaration, the Common Area shall remain undivided, and no Person shall bring any action seeking the partition of any portion of the Common Area without the written consent of all Owners and Mortgagees. This Section shall not prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property which may or may not be subject to this Declaration, subject to such approval as may be required under Section 17.3.

17.3. Mortgaging, Conveyance or Dedication of Common Area.

The Association may dedicate portions of the Common Area to the Town of Knightdale, Wake County, or the State of North Carolina, or to any other governmental or quasi-governmental entity, or may subject Common Area to a security interest, or may transfer or convey Common Area as follows:

(a) if Common Area other than Limited Common Area, upon the written direction of Members entitled to cast at least 80% of the total Class "A" votes in the Association and the Declarant during the Development and Sale Period; or

(b) if Limited Common Area, upon written agreement of all Owners of Units to which the Limited Common Area is assigned.

The proceeds from the sale or financing of Common Area other than Limited Common Area shall be an asset of the Association to be used as the Board determines. The proceeds from the sale or financing of Limited Common Area shall be disbursed as provided by the agreement authorizing such sale or security interest.

No sale or encumbrance of Common Area may deprive any Unit of rights of access or support.

**Article XVIII Amendment of Declaration**

18.1. By Declarant.

In addition to specific amendment rights granted elsewhere in this Declaration, until termination of the Class "B" Control Period, Declarant may unilaterally amend this Declaration for any purpose. Thereafter, until termination of the Development and Sale Period, Declarant may unilaterally amend this Declaration for the purpose of (a) bringing any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) enabling any reputable title insurance company to issue title insurance coverage on the Units; (c) enabling any institutional or governmental lender, purchaser, insurer or guarantor of

mortgage loans to make, purchase, insure or guarantee mortgage loans on the Units; or (d) complying with the requirements of any state or federal law or any local, state or federal governmental agency. However, any unilateral amendment by Declarant pursuant to this Section shall be subject to the prior written approval of the Town, if required under Section 18.3, and shall not materially adversely affect the allocation of voting rights or assessment burdens among the Units or title to any Unit unless the Owner shall consent in writing.

18.2. By Members.

Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Persons entitled to cast at least 67% of the total Class "A" votes in the Association and, during the Development and Sale Period, the Declarant's consent. In addition, any amendment pursuant to this Section shall be subject to the prior written approval of the Town, if required under Section 18.3.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

18.3. Validity and Effective Date.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant or the Class "B" Member, respectively (or the assignee of such right or privilege).

No amendment which would (i) terminate this Declaration; or (ii) eliminate or materially alter the obligation of each Owner to be a member of the Association, the obligations of the Declarant under Section 7.1(c) and (d), the obligations of the Association under Section 7.1(e) and Section 7.2, or any of the Design Guidelines initially set forth on Exhibit "D," or (iii) otherwise be inconsistent with the terms of the Development Agreement, shall be effective without the prior written approval of the Town Manager of the Town of Knightdale, North Carolina, or his or her designee.

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any amendment shall become effective upon recording, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within one year of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

Amendments shall be indexed in the Grantee index under the names "Churchill" and "Churchill Community Association, Inc." and in the Grantor index under the name "Crosland Churchill, LLC."

18.4. Exhibits.

Exhibits "A" and "B" attached to this Declaration are incorporated by this reference and amendment of such exhibits shall be governed by this Article. All other exhibits are attached for informational purposes and may be amended as provided therein or in the provisions of this Declaration that refer to such exhibits.

**Article XIX Termination of Declaration**

This Declaration may be terminated only upon recording a termination agreement signed by the then Owners of at least 80% of the Units and approved in writing by the Town Manager of the Town of Knightdale, North Carolina or his or her designee. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

[continued on next page]

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration the date and year first written above.

**DECLARANT:** CROSLAND CHURCHILL, LLC, a North Carolina limited liability company

BY: CROSLAND, INC., a North Carolina corporation, its managing member

By: _____
Name: James F. Anderson
Its VICE PRESIDENT

Attest: Melissa Rice Walker
Name: Melissa Rice Walker
Its: _____

STATE OF NORTH CAROLINA )
)
COUNTY OF Wake )

I, Katia Foell, a Notary Public in and for Wake County, North Carolina, certify that James F. Anderson personally came before me this day and acknowledged that s/he is Vice President of CROSLAND, INC., a North Carolina corporation, managing member of CROSLAND CHURCHILL, LLC, a North Carolina limited liability company, and that by authority duly given and as a fact of the corporation, the foregoing instrument was signed in its name by its Vice President, and sealed with its corporate seal, on behalf of said limited liability company.

Witness my hand and official stamp or seal, this 20 day of December 2005

Katia Foell
Notary Public

My Commission Expires:
2/19/06

[NOTARY SEAL]

KATIA FOELL NOTARY PUBLIC WAKE COUNTY, N.C.

565402/CADocs/CCR-Churchill/121405.jps

**CONSENT AND SUBORDINATION OF LENDER**

The undersigned, being the holder of that certain Note secured by a Deed of Trust and Security Agreement between Crosland Churchill, LLC, as Grantor, and TRSTE, Inc., as Trustee, for the benefit of Wachovia Bank, National Association, as Beneficiary, dated May 27, 2005 and recorded on May 27, 2005 in Deed Book 11382, at Page 1955, *et seq.*, in the office of the Register of Deeds of Wake County, North Carolina (the "**Deed of Trust**"), does hereby join in the execution of this Declaration, by and through its authorized representatives, to evidence its consent to this Declaration and to subordinate its interest under the Deed of Trust to this Declaration.

This 21 day of 12, 2005.

WACHOVIA BANK, NATIONAL ASSOCIATION

By: Joy Pulliam
Name: Joy Pulliam
Its: VP

Attest: Jessica Johnson
Name: Jessica Johnson
Its: REIS Risk Analyst

WACHOVIA BANK, NATIONAL ASSOCIATION SEAL

STATE OF NORTH CAROLINA )
)
COUNTY OF Mecklenburg )

I, Phyllis Wood, a Notary Public in and for Mecklenburg County, North Carolina, certify that Joy Pulliam personally came before me this day and acknowledged that she is Vice President of WACHOVIA BANK, NATIONAL ASSOCIATION, and that by authority duly given and as a fact of said association, the foregoing instrument was signed in its name by its Vice President, and sealed with its seal, on behalf of said association.

Witness my hand and official stamp or seal, this 21st day of Dec., 2005.

Phyllis Wood
Notary Public

My Commission Expires:
9-29-07

[NOTARY SEAL]
PHYLLIS WOOD NOTARY PUBLIC MECKLENBURG COUNTY

**EXHIBIT "A"**

**Land Initially Submitted**

ALL THAT TRACT OR PARCEL OF LAND lying and being in the Town of Knightdale, Wake County, North Carolina, and being more particularly described on that certain Final Plat of Churchill PHASE 1A recorded on December 22, 2005, in Plat Book BM 2005 Pages 2340-2347, in the office of the Register of Deeds of Wake County, North Carolina, as such plat may be revised from time to time.

**EXHIBIT "B"**

**Land Subject to Annexation**

ALL THOSE TRACTS OR PARCELS OF LAND lying and being in the Town of Knightdale, Wake County, North Carolina, and being more particularly described as follows:

EWI Tract:

BEGINNING at an existing concrete monument in the southern right-of-way of the Norfolk Southern Railroad, said monument being the northwest corner of the Sew, LLC property as shown in Book of Maps 2005, Page 175 in the Wake County Registry; thence continuing with the said Sew, LLC property line S 14° 24' 47" E 219.50 feet to an existing iron pipe; thence S 15° 09' 53" E 814.69 feet to an existing iron pipe; thence S 22° 37' 31" E 198.06 feet to an existing iron pipe; thence S 15° 05' 03" E 933.82 feet to an existing iron pipe; thence S 09° 47' 59" E 321.85 feet to an existing concrete monument said pipe being the northeast corner of the Herbert & Mary E. Plummer property as referenced in Deed Book 9028, Page 2103 in the Wake County Registry; thence S 69° 54' 10" W 235.12 feet to an existing iron pipe; thence S 69° 46' 10" W 334.40 feet to an existing iron pipe being the northeast corner of the Bobby L. Richardson property as referenced in Deed Book 9040, Page 1376 in the Wake County Registry; thence S 70° 08' 09" W 266.52 feet to an existing concrete monument; thence S 69° 58' 57" W 240.30 feet to an existing iron pipe, said pipe being the northeast corner of the Aaron R. Wall, Jr. et al property as shown in said Book of Maps 2005, Page 175; thence S 69° 47' 26" W 228.45 feet to an existing concrete monument; thence S 70° 04' 17" W 442.63 feet to a point in the eastern right-of-way of the East Wake Expressway; thence continuing with the East Wake Expressway right-of-way, N 28° 16' 25" W 289.95 feet to a nail; thence N 31° 06' 46" W 1314.07 feet to a nail; thence N 28° 15' 17" W 721.69 feet to a nail; thence N 61° 44' 11" E 32.82 feet to a nail; thence N 28° 15' 37" W 122.25 feet to a point in the said southern right-of-way of the Norfolk Southern Railroad; thence continuing with the said Norfolk Southern Railroad right-of-way, N 52° 53' 32" E 389.16 feet to an existing iron pipe; thence S 37° 08' 09" E 70.15 feet to an existing iron pipe; thence N 52° 51' 04" E 232.76 feet to an existing iron pipe on a curve; thence, with said curve having a radius of 1809.86 feet as it turns to the RIGHT an arc length of 219.05 feet, said curve having a chord bearing of N 56° 21' 45" E and a chord distance of 218.92 feet, to an existing iron pipe; thence N 59° 51' 39" E 207.17 feet to an existing iron pipe; thence N 30° 09' 41" W 70.00 feet to an existing iron pipe; thence N 59° 45' 32" E 207.03 feet to an existing iron pipe; thence S 30° 09' 26" E 170.28 feet to an existing iron pipe; thence N 59° 56' 43" E 140.98 feet to an existing iron pipe; thence N 29° 41' 18" W 150.47 feet to an existing iron pipe on a curve; thence, with said curve having a radius of 1095.92 feet as it turns to the RIGHT an arc length of 420.04 feet, said curve having a chord bearing of N 71° 18' 54" E and a chord distance of 417.48 feet, to a point; thence S 07° 45' 04" E 150.00 feet to an existing iron pipe; thence N 86° 11' 21" E 129.94 feet to an existing iron pipe; thence N 00° 08' 29" E 170.00 feet to an existing iron pipe on a curve; thence, with said curve having a radius of 1115.92 feet as it turns to the RIGHT an arc length of 199.08 feet, said curve having a chord bearing of S 84° 36' 43" E and a chord distance of 198.82 feet, to a point; thence S 79° 42' 05" E 271.01 feet to the

Point and Place of BEGINNING and containing 125.0786 acres as shown in said Book of Maps 2005, Page 175.

**TOGETHER WITH:**

SEW, LLC Tract 1:
BEGINNING at an existing iron pipe in the northern right-of-way of Old Faison Road, SR 2515, a 60 foot public right-of-way, said pipe being the southeast corner of the property of Aaron R. Wall, Jr. et al as shown in Book of Maps 2005, Page 175 in the Wake County Registry; thence leaving the said right-of-way and along the common line with the said Aaron R. Wall, Jr. et al property, N 51° 03' 30" W 479.46 feet to a point being the southwest corner of the Bobby L. Richardson property as referenced in Deed Book 9040, Page 1376 in the Wake County Registry; thence continuing with the said Bobby L. Richardson property line, N 42° 13' 49" E 10.63 feet to an existing iron pipe; thence N 42° 13' 49" E 152.97 feet to a point; thence N 16° 17' 48" W 111.30 feet to an existing iron pipe; thence N 17° 47' 34" E 176.43 feet to an existing iron pipe; thence N 17° 49' 48" E 64.77 feet to an existing iron pipe in the common line with the EWI Associates property as shown in said Book of Maps 2005, Page 175; thence continuing with the said EWI Associates property line N 69° 46' 10" E 334.40 feet to an existing iron pipe being the northwest corner of the Herbert & Mary E. Plummer property as referenced in Deed Book 9028, Page 2103 in the Wake County Registry; thence with the said Herbert & Mary E. Plummer property line S 34° 18' 00" E 497.35 feet to an existing iron pipe in the said northern right-of-way of Old Faison Road; thence with the said right-of-way S 38° 17' 24" W 209.51 feet to an existing iron pipe; thence S 39° 09' 39" W 386.02 feet to the Point and Place of BEGINNING and containing 8.5875 acres as shown in said Book of Maps 2005, Page 175.

**TOGETHER WITH:**

SEW, LLC Tract 2:
BEGINNING at an existing iron pipe in the northern right-of-way of Old Faison Road, SR 2515, a 60 foot public right-of-way, said pipe being the southeast corner of the Herbert & Mary E. Plummer property as referenced in Deed Book 9028, Page 2103 in the Wake County Registry; thence leaving the said right-of-way and with the said Herbert & Mary E. Plummer property line N 34° 33' 58" W 381.09 feet to an existing concrete monument being the southeast corner of the property of EWI Associates as shown in Book of Maps 2005, Page 175 in the Wake County Registry; thence with the said EWI Associates property line, N 09° 47' 59" W 321.85 feet to an existing iron pipe; thence N 15° 05' 03" W 933.82 feet to an existing iron pipe; thence N 22° 37' 31" W 198.06 feet to an existing iron pipe; thence N 15° 09' 53" W 814.69 feet to an existing iron pipe; thence S 79° 40' 57" E 526.43 feet to an existing iron pipe, said pipe being a common corner with the O. William Faison, et al property; thence continuing with the said O. William Faison et al property line S 41° 09' 38" E 337.66 feet to a point; thence S 79° 59' 17" E 120.71 feet to a point; thence S 12° 21' 08" E 246.00 feet to an existing iron pipe; thence S 02° 53' 21" E 579.52 feet to an existing iron pipe; thence S 02° 26' 35" W 836.83 feet to a point; thence S 02° 26' 35" W 53.14 feet to an existing iron pipe in the common line of the Olen L. Jr. & Vada L. Watson property as shown in said Book of Maps 2005, Page 175; thence continuing with the said Olen L. Jr. & Vada L. Watson property line S 08° 36' 26" E 216.38 feet to an existing iron pipe; thence S 37° 33' 15" E 70.00 feet to a new iron pipe set in the said northern

right-of-way of Old Faison Road; thence continuing with the said right-of-way S 52° 44' 00" W 31.79 feet to a point; thence S 50° 37' 34" W 54.31 feet to a point; thence S 48° 43' 10" W 52.84 feet to a point; thence S 45° 42' 15" W 94.53 feet to the Point and Place of BEGINNING and containing 28.9389 acres as shown in said Book of Maps 2005, Page 175.

**TOGETHER WITH:**

SEW, LLC Tract 3:
BEGINNING at an existing concrete monument in the southern right-of-way of the Norfolk Southern Railroad, said monument being the northeast corner of the EWI Associates property as shown in Book of Maps 2005, Page 175 in the Wake County Registry; thence with the said Norfolk Southern Railroad right-of-way S 79° 28' 38" E 519.66 feet to an existing iron pipe, said pipe being the northwest corner of the O. William Faison, et al property as shown in said Book of Maps 2005, Page 175; thence with the said O. William Faison, et al property line S 16° 12' 45" E 220.76 feet to an existing iron pipe; thence N 79° 40' 57" W 526.43 feet to an existing iron pipe, said pipe being a common corner with the said EWI Associates property; thence with the said EWI Associates property N 14° 24' 47" W 219.50 feet to the Point and Place of BEGINNING and containing 2.3807acres as shown in said Book of Maps 2005, Page 175.

**LESS AND EXCEPT** the property described on Exhibit "A."

In addition to the above, as the owner or with the written consent of the owner, Declarant may also submit to the terms of the Declaration any real property situated within two (2) miles of the perimeter boundaries of the property described on Exhibit "A" or this Exhibit "B."

**Note to clerk and title examiners:**

**This Declaration is not intended to create an encumbrance on title to the property described on this Exhibit "B." Such title may be encumbered only with the consent of the owner by filing a Supplemental Declaration in accordance with Article IX.**

**EXHIBIT "C"**

**Initial Restrictions and Rules**

The following restrictions shall apply to all of Churchill until such time as they are amended, modified, repealed or limited pursuant to Article III of the Declaration.

1. General. The properties submitted to this Declaration shall be used only for residential, recreational, and related purposes consistent with this Declaration and any Supplemental Declaration. Such purposes may include, without limitation, an information center and/or a sales office for any real estate broker retained by Declarant to assist in the sale of property described in Exhibits "A" or "B," offices for any property manager retained by the Association, business offices for Declarant and the Association, and public facilities.

2. Restricted Activities. The following activities are prohibited within Churchill unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board of Directors:

(a) Parking of any vehicle (other than emergency vehicles in the course of their duties) on public or private streets or alleys within the Community, or parking of commercial vehicles or equipment, mobile homes, recreational vehicles, golf carts, boats and other watercraft, trailers, stored vehicles or inoperable vehicles in places other than enclosed garages except temporarily during loading and unloading; provided, construction, service and delivery vehicles shall be exempt from this provision for such period of time as is reasonably necessary to provide service or to make a delivery to a Unit or the Common Area. For purposes of this provision, "commercial vehicles" shall be defined as trucks or vans with commercial writing on their exteriors or vehicles primarily used or designed for a commercial purpose, and vehicles with advertising signage attached or displayed on such vehicle's exterior, but shall not include passenger cars with identifying decals or painted lettering not exceeding a total area of one square foot in size or official vehicles owned by governmental or quasi-governmental bodies; and

(b) Raising, breeding or keeping animals, livestock, or poultry of any kind, except that a reasonable number of dogs, cats, or other usual and common household pets may be permitted in a Unit; however, those pets which are permitted to roam free, or, in the sole discretion of the Board, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the occupants of other Units shall be removed upon request of the Board. If the pet owner fails to honor such request, the Board may remove the pet. Dogs shall be kept on a leash or otherwise confined in a manner acceptable to the Board whenever outside the dwelling. Pets shall be registered, licensed and inoculated as required by law; and

(c) Any activity which emits foul or obnoxious odors outside the Unit or creates an unreasonable level of noise or other conditions which tend, in the Board's judgment, to unreasonably disturb the peace or threaten the safety of the occupants of other Units (this paragraph shall not preclude normal and customary use of power tools, lawn mowers, and other yard maintenance equipment); and

(d) Any activity which violates local, state or federal laws or regulations; however, the Board shall have no obligation to take enforcement action in the event of a violation; and

(e) Pursuit of hobbies or other activities which tend to cause an unclean, unhealthy or untidy condition to exist outside of enclosed structures on the Unit; and

(f) Any noxious or offensive activity which in the reasonable determination of the Board tends to cause embarrassment, discomfort, annoyance, or nuisance to persons using the Common Area or to the occupants of other Units; and

(g) Outside burning of trash, leaves, debris or other materials, except during the normal course of constructing a dwelling on a Unit; and

(h) Use or discharge of any radio, loudspeaker, horn, whistle, bell, or other sound device so as to be audible to occupants of other Units, except alarm devices used exclusively for security purposes; and

(i) Use and discharge of firecrackers and other fireworks; and

(j) Dumping grass clippings, leaves or other debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in any drainage ditch, stream, pond, or lake, or elsewhere within Churchill, except that fertilizers may be applied to landscaping on Units provided care is taken to minimize runoff; and

(k) Accumulation of rubbish, trash, or garbage except between regular garbage pick ups, and then only in approved containers which must either be stored in an enclosed garage or in the rear yard of the Unit, screened from view of adjacent property in a manner approved pursuant to Article IV except on the day garbage is collected; and

(l) Obstruction or rechanneling drainage flows after location and installation of drainage swales, storm sewers, or storm drains, except that Declarant, its designees, and the Association shall have such right, and Builders may alter drainage flow so long as the alteration does not adversely affect other Units; provided, the exercise of such right shall not materially diminish the value of or unreasonably interfere with the use of any Unit without the Owner's consent; and

(m) Subdivision of a Unit into two or more Units, or changing the boundary lines of any Unit after a subdivision plat including such Unit has been approved and recorded, except that Declarant and Builders, with Declarant's written consent, shall be permitted to subdivide or replat Units which they own; and

(n) Conversion of any garage to finished space for use as an apartment or other integral part of the living area on any Unit without prior approval pursuant to Article IV, or use of any garage for storage or other purposes which preclude its use for parking of that number of vehicles for which it was originally designed; and

(o) Use of any Unit for operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Unit rotates among participants in the program on a fixed or floating time schedule over a period of years, except that Declarant and its assigns may operate such a program with respect to Units which it owns; and

(p) Discharge of firearms; provided, the Board shall have no obligation to take action to prevent or stop such discharge; and

(q) On-site storage of gasoline, heating, or other fuels, except that a reasonable amount of fuel may be stored on each Unit for emergency purposes and operation of lawn mowers and similar tools or equipment, and the Association shall be permitted to store fuel for operation of maintenance vehicles, generators, and similar equipment. This provision shall not apply to any underground fuel tank authorized pursuant to Article IV; and

(r) Any yard sale, garage sale, moving sale, rummage sale, or similar activity, except on such dates as the Board may designate for such activities to be conducted on a community-wide basis; and

(s) Any business, trade, or similar activity, except that an Owner or occupant residing in a Unit may conduct business activities within the Unit so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Unit; (ii) the business activity conforms to all zoning requirements for Churchill; (iii) the business activity does not involve door-to-door solicitation of residents of Churchill, (iv) the business activity does not, in the Board's reasonable judgment, generate a level of vehicular or pedestrian traffic or a number of vehicles being parked in Churchill which is noticeably greater than that which is typical of Units in which no business activity is being conducted; and (v) the business activity is consistent with the residential character of Churchill and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of Churchill as may be determined in the sole discretion of the Board.

The terms "**business**" and "**trade**," as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (i) such activity is engaged in full or part-time, (ii) such activity is intended to or does generate a profit, or (iii) a license is required.

Leasing of a Unit in compliance with Paragraph 4 of these Rules shall not be considered a business or trade within the meaning of this subsection; and

(t) Any construction, erection, placement, or modification of any thing, permanently or temporarily, on the outside portions of the Unit, whether such portion is improved or unimproved, except in strict compliance with the provisions of Article IV of the Declaration. This shall include, without limitation, signs and flags (except as otherwise provided in Section

3.4(c) and Section 4.1), basketball hoops, swing sets and similar sports and play equipment; clotheslines; garbage cans; woodpiles; above-ground swimming pools; docks, piers and similar structures; and hedges, walls, dog runs, animal pens, or fences of any kind; satellite dishes and antennas, except that:

(i) an antenna designed to receive direct broadcast satellite services, including direct-to-home satellite services, that is one meter or less in diameter; or

(ii) an antenna designed to receive video programming services via multipoint distribution services, including multichannel multipoint distribution services, instructional television fixed services, and local multipoint distribution services, that is one meter or less in diameter or diagonal measurement; or

(iii) an antenna that is designed to receive television broadcast signals;

(collectively, "**Permitted Antennas**") shall be permitted on Units, subject to such reasonable requirements as to location and screening as may be set forth in the Architectural Guidelines, consistent with applicable law, in order to minimize obtrusiveness as viewed from streets and adjacent property. Declarant and/or the Association shall have the right, without obligation, to erect an aerial, satellite dish, or other apparatus for a master antenna, cable, or other communication system for the benefit of all or a portion of Churchill, should any master system or systems be utilized by the Association and require such exterior apparatus.

3. Prohibited Conditions. The following shall be prohibited in Churchill:

(a) Plants, animals, devices or other things of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of Churchill; and

(b) Structures, equipment or other items on the exterior portions of a Unit which have become rusty, dilapidated or otherwise fallen into disrepair; and

(c) Sprinkler or irrigation systems or wells of any type which draw upon water from ground or surface waters within Churchill, except that Declarant, its designees, and the Association shall have the right to draw water from such sources.

4. Leasing of Units. "**Leasing**," for purposes of this Paragraph, is defined as regular, exclusive occupancy of a Unit by any person, other than the Owner for which the Owner receives any consideration or benefit, including, but not limited to, a fee, service, gratuity, or emolument. All leases shall be in writing. All leases shall have an initial term of at least six months. Notice of any lease, together with such additional information as may be required by the Board, shall be given to the Board by the Unit Owner within 10 days of execution of the lease. The Owner must make available to the lessee copies of the Declaration, By-Laws, and the Restrictions and Rules. , No Owner or group of related or affiliated Owners (as the Board may determine in its reasonable judgment) shall collectively lease or hold for lease more than one Unit at any time. This restriction shall not apply to any activity conducted by Declarant or a

Builder approved by Declarant with respect to its development and sale of Churchill or its use of any Units which it owns within Churchill.

**EXHIBIT "D"**

**Initial Architectural Guidelines**

1. Finished Floor Area. Each dwelling constructed in the Community shall contain at least 1,700 square feet of heated, finished floor area, except as otherwise approved by the Reviewer subject to the limitation that no more than 10% of the total homes constructed or 55 homes, whichever is less, may be of less than 1,700 square feet and any such exceptions shall be of a one-story ranch style containing a minimum of 1,600 square feet of heated, finished floor area. Any finished area within a garage shall not be credited to the ranch minimum size.

2. Garage. Each dwelling shall have a garage capable of accommodating two cars.

3. Exterior Facade. The exterior siding of each dwelling shall be limited to brick, cultured stone, fiber cement board (*e.g.*, Hardiplank®), cedar shake, or vinyl.

4. Foundations. All dwellings shall be constructed with a full basement, on a crawl space foundation, or on a "raised slab" foundation consistent with construction specifications established for the Community by the Town of Knightdale, Subdivision file #Sp-4-04, S-4-04, except as otherwise may be approved by the Reviewer with advance approval of the Planning Director of the Town of Knightdale.

5. Foundation walls. Brick or other masonry veneers shall be applied to all foundation walls (including crawl space, raised slab and basements); no plain concrete block shall be exposed. Siding material may not extend below the first habitable floor structure.

6. Driveway. Each dwelling shall have a driveway which leads directly from the back of curb of the nearest street or alley to the garage door threshold and which is at least fifteen feet (15') wide along the entire length. All driveways must be concrete unless otherwise approved by the Reviewer with advance approval of the Planning Director of the Town of Knightdale.

**EXHIBIT "E"**

**By-Laws of Churchill Community Association, Inc.**

# BY-LAWS

# OF

# CHURCHILL COMMUNITY ASSOCIATION, INC.

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# BY-LAWS

# OF

# CHURCHILL COMMUNITY ASSOCIATION, INC.

## Article I Name, Principal Office, and Definitions

1.1. Name.

The name of the corporation is Churchill Community Association, Inc. (the "**Association**").

1.2. Principal Office.

The principal office of the Association shall be located in Wake County, North Carolina. The Association may have such other offices, either within or outside North Carolina, as the Board of Directors may determine or as the affairs of the Association may require.

1.3. Definitions.

Unless otherwise specified, the words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that certain Declaration of Covenants, Conditions, and Restrictions for Churchill, executed and recorded by Crosland Churchill, LLC ("**Declarant**") in the Office of the Register of Deeds of Wake County, North Carolina, as it may be amended (the "**Declaration**"), unless the context indicates otherwise. The term "**majority**," as used in these By-Laws, means those votes, Owners, or other group, as the context may indicate, totaling more than 50% of the total eligible number.

## Article II Membership: Meetings, Quorum, Voting, Proxies

2.1. Membership.

The Association initially shall have two classes of membership, Class "A" and Class "B," as more fully set forth in the Declaration. The provisions of the Declaration pertaining to membership are incorporated by this reference.

2.2. Place of Meetings.

Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as the Board may designate.

2.3. Annual Meetings.

The first meeting of the Association, whether a regular or special meeting, shall be held within one year after the date of incorporation of the Association. The Board shall schedule subsequent regular annual meetings to occur during the fourth quarter of the Association's fiscal year, on such date and at such time and place as the Board shall determine.

2.4. Special Meetings.

The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of the Board or upon a petition signed by Members representing at least 10% of the total Class "A" votes in the Association.

2.5. Notice of Meetings.

The President, the Secretary, or the officers or other persons calling a meeting of the Members shall deliver or cause to be delivered to each Member entitled to vote at such meeting a written notice stating the place, day, and hour of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these By-Laws to be voted on at the meeting, any budget changes, and any proposal to remove a director or officer. In the case of a special meeting, no business shall be transacted except as stated in the notice.

Such notice shall be delivered by such means as permitted under Section 9.5, not less than 10 nor more than 60 days before the date of such meeting.

2.6. Waiver of Notice.

Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may waive, in writing, notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7. Adjournment of Meetings.

If any meeting of the Members cannot be held because a quorum is not present, a majority of the Members who are present at such meeting may adjourn the meeting to a time not less than 5 nor more than 30 days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If a time and place for reconvening the meeting is not fixed by those in attendance at the meeting when originally called, or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the departure of Members leaving less than a quorum, provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

2.8. Voting.

The voting rights of the Members set forth in the Declaration are specifically incorporated by this reference.

2.9. Proxies.

Members may vote in person or by proxy, subject to the limitations of North Carolina law and subject to any specific provision to the contrary in the Declaration or these By-Laws. Every proxy shall be in writing, shall identify the Unit for which it is given, and shall be signed by the Member or his duly authorized attorney-in-fact, dated, and filed with the Secretary of the Association prior to the meeting for which it is to be effective. Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon: (a) transfer of title to any Unit for which it was given; (b) receipt by the Secretary of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is a natural person; or (c) 11 months from the date of the proxy, unless a shorter period is specified in the proxy.

2.10. Quorum.

Except as otherwise provided in these By-Laws or in the Declaration, the presence, in person or by proxy, of persons entitled to cast 20% of the total Class "A" votes in the Association shall constitute a quorum at all meetings of the Association; provided, if a quorum is not represented at any meeting when originally called, then the quorum for any subsequent attempt to convene such meeting shall be reduced to 10% of the total Class "A" votes in the Association.

2.11. Conduct of Meetings.

The President shall preside over all meetings of the Association. The Secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

2.12. Action Without a Meeting.

Any action required to be taken at a meeting of the Members may be taken without a meeting, without prior notice and without a vote, if written consent specifically authorizing the

proposed action is signed by all Members entitled to vote on such matter. Such consents shall be signed within 60 days after receipt of the earliest dated consent, dated and delivered to the Association. Such consents shall be filed with the minutes of the Association and shall have the same force and effect as a vote of the Members at a meeting.

**Article III Board of Directors: Selection, Meetings, Powers**

**A. Composition and Selection.**

3.1. Governing Body; Qualifications.

The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one vote. Except with respect to directors appointed by the Class "B" Member, directors shall be Owners or residents. A "**resident**" shall be any natural person 18 years of age or older whose principal residence is a Unit within Churchill. No more than one eligible person from any Unit may serve on the Board at any time. If a Member is not a natural person, any officer, director, or partner, or any other representative designated in writing by the Member, shall be eligible to serve as a director unless the Member otherwise specifies by written notice to the Association; provided, no Member may have more than one such representative serving on the Board at a time, except in the case of directors appointed by the Class "B" Member.

3.2. Number of Directors.

The Board shall consist of three to seven directors, as provided in Section 3.3.

3.3. Selection of Directors; Term of Office.

(a) Initial Board. The initial Board shall consist of the three directors identified in the Articles of Incorporation, who shall serve until their successors are appointed or elected as provided in this Section 3.3.

(b) Directors During Class "B" Control Period. Except as otherwise provided in this Section 3.3(b), the Class "B" Member shall be entitled to appoint, remove and replace the members of the Board in its sole discretion until termination of the Class "B" Control Period. During such period, the Class "A" Members shall be entitled to elect a minority of the total number of directors according to the following schedule:

(i) Not later than the next annual meeting after the time that Class "A" Members other than Builders own 25% of the Units permitted by the Master Plan for the property described in Exhibits "A" and "B" of the Declaration, or whenever the Class "B" Member earlier determines, the Board shall be increased to five directors and the President shall call for an election by which the Class "A" Members shall be entitled to elect one of the five directors, who shall be elected at large. The remaining four directors shall be appointees of the Class "B" Member. The director elected by the Class "A" Members shall not be subject to removal by the Class "B" Member and shall be elected for a term of two years or until the happening of the event described in subsection (b)(ii) below, whichever is shorter. If such

director's term expires prior to the happening of the event described in subsection (b)(ii), a successor shall be elected for a like term.

(ii) Not later than the next annual meeting after the time that Class "A" Members other than Builders own 50% of the Units permitted by the Master Plan for the property described in Exhibits "A" and "B" of the Declaration, or whenever the Class "B" Member earlier determines, the President shall call for an election by which the Class "A" Members shall be entitled to elect two of the five directors. The remaining three directors shall be appointees of the Class "B" Member. Directors elected by the Class "A" Members shall not be subject to removal by the Class "B" Member and shall be elected for a term of two years or until the happening of the event described in subsection (c)(i) below, whichever is shorter. If such directors' terms expire prior to the happening of the event described in subsection (c)(i) below, successors shall be elected for a like term.

(c) Directors After the Class "B" Control Period.

(i) Not later than 90 days after termination of the Class "B" Membership, the Board shall be increased to seven directors. The President shall call for an election by which the Class "A" Members shall be entitled to elect all seven directors. Four directors shall serve a term expiring at the second annual meeting following the six-month anniversary of their election and three directors shall serve a term expiring at the first annual meeting following the six-month anniversary of their election, as such directors determine among themselves.

(ii) Upon expiration of the term of office of each director elected by the Class "A" Members, Class "A" Members shall be entitled to elect a successor to serve a term of two years. Directors elected by the Class "A" Members shall hold office until their respective successors have been elected. Directors may be elected to serve any number of consecutive terms.

Diagram 3.1 illustrates the concept of transition of control of the Board of Directors during and after the Class "B" Control Period.

| TRANSITION OF CONTROL OF BOARD OF DIRECTORS | | | |
|---|---|---|---|
| Initial Board | 25% of Permitted Units Conveyed | 50% of Permitted Units Conveyed | 90 Days After Termination of Class "B" Membership |
| Class B | Class A | Class A | Class A |
| Class B | Class B | Class A | Class A |
| Class B | Class B | Class B | Class A |
| | Class B | Class B | Class A |
| | Class B | Class B | Class A |
| | | | Class A |
| | | | Class A |

Diagram 3.1 Transition of Control of Board

3.4. Nomination and Election Procedures.

(a) Nomination of Candidates. At least 30 days prior to any election of directors by the Class "A" Members, the Board shall appoint a Nominating Committee consisting of a

chairman, who shall be a member of the Board of Directors, and three or more Class "A" Members or representatives of Class "A" Members. The members of the Nominating Committee shall serve a term of one year or until their successors are appointed. The names of the members of the Nominating Committee shall be announced in the notice of each election.

In preparation for each election, the Nominating Committee shall meet and make as many nominations for election to the Board as it shall in its discretion determine, but in no event less than the number of positions to be filled by the Class "A" Members at such election. In making its nominations, the Nominating Committee shall use reasonable efforts to nominate candidates representing the diversity that exists within the pool of potential candidates. Nominations shall also be permitted from the floor at any meeting at which an election is held, or by write-in on any ballot. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

(b) Election Procedures. At each election, voting shall be by written ballot. Each Class "A" Member may cast all vote(s) assigned to its Unit(s) for each position to be filled by Class "A" votes. Cumulative voting shall be permitted. That number of candidates equal to the number of positions to be filled by Class "A" votes receiving the greatest number of votes shall be elected. The Association shall publish the names and addresses of all directors and officers within 30 days after any election of directors.

3.5. Removal of Directors and Vacancies.

Any director elected by Class "A" votes may be removed, with or without cause, by the vote of Members holding a majority of the Class "A" votes. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director by the Class "A" Members, a successor shall be elected by the Class "A" Members to fill the vacancy for the remainder of the term of such director.

Any director elected by Class "A" votes who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent (or is the representative of a Member who is so delinquent) in the payment of any assessment or other charge due the Association, may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and the Board may appoint a successor to fill the vacancy for the remainder of the term.

Except as provided below, in the event of the death, disability, or resignation of a director elected by Class "A" votes, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Class "A" Members may elect a successor for the remainder of the term.

This Section shall not apply to directors appointed by the Class "B" Member, nor to any director serving as Declarant's representative. The Class "B" Member or Declarant shall be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability or resignation of a director appointed by or elected as a representative of the Class "B" Member or Declarant.

**B. Meetings.**

3.6. Organizational Meetings.

The first meeting of the Board shall be held immediately following each annual meeting of the membership.

3.7. Regular Meetings.

Regular meetings of the Board may be held at such time and place as a majority of the directors shall determine, but at least four such meetings shall be held during each fiscal year with at least one per quarter.

3.8. Special Meetings.

Special meetings of the Board shall be held when called by written notice signed by the President or Vice President or by any two directors.

3.9. Notice; Waiver of Notice.

(a) Notices of Board meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The notice shall be given to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (iv) facsimile, computer, or other electronic mail, messaging or communication device, with printed confirmation of successful transmission. All such notices shall be given at or sent to the director's telephone number, fax number, electronic mail address, or mailing or physical address as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least five business days before the time set for the meeting. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting.

(b) Transactions of any Board meeting, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (i) a quorum is present, and (ii) either before or after the meeting each director not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.10. Telephonic Participation in Meetings.

Members of the Board or any committee that the Board appoints may participate in a meeting of the Board or committee by conference telephone, video conference, or similar communications equipment, provided all persons participating in the meeting can hear each

other simultaneously. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

3.11. Quorum of Board.

At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board, unless otherwise specifically provided in these By-Laws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the departure of some directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any Board meeting cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than 5 nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business that might have been transacted at the meeting originally called may be transacted without further notice.

3.12. Conduct of Meetings.

The President shall preside over all meetings of the Board and the Secretary shall keep a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.13. Open Meetings; Executive Session.

(a) Subject to the provisions of subsection (b) and Section 3.14, all Board meetings shall be open to all Members, but attendees other than directors may not participate in any discussion or deliberation unless a director requests that they be granted permission to speak. In such case, the President may limit the time any such individual may speak. Notwithstanding this, the Board shall set aside a reasonable period of time during at least one Board meeting per calendar quarter for Members to speak about their issues and concerns. The Board may place reasonable restrictions on the number of persons who may speak on each side of an issue and reasonable time restrictions on the persons who speak.

(b) Notwithstanding the above, the President may adjourn any meeting of the Board and reconvene in executive session, and may exclude persons other than directors, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

3.14. Action Without a Formal Meeting.

Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

**C. Powers and Duties.**

3.15. Powers.

The Board shall have all of the powers and duties necessary for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Governing Documents, and as provided by law. The Board may do or cause to be done on behalf of the Association all acts and things except those which the Governing Documents or North Carolina law require to be done and exercised exclusively by the membership. Board determinations as to the meaning, scope, and application of Governing Document provisions shall be upheld and enforced so long as such determinations are reasonable.

3.16. Duties.

Duties of the Board shall include, without limitation:

(a) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses and any Service Area Expenses; and

(b) levying and collecting such assessments from the Owners; and

(c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility consistent with the Community-Wide Standard; and

(d) designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and where appropriate, providing for compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties; and

(e) depositing all funds received on behalf of the Association in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve funds may be deposited, in the Board's best judgment, in depositories other than banks; and

(f) making and amending Restrictions and Rules in accordance with the Declaration; and

(g) opening bank accounts on behalf of the Association and designating the signatories required; and

(h) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Declaration and these By-Laws; and

(i) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association; provided, the Association's obligation in this regard shall be conditioned in the manner provided in the Declaration; and

(j) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate; and

(k) paying the cost of all services rendered to the Association; and

(l) keeping books with detailed accounts of the Association's receipts and expenditures; and

(m) making available to any prospective purchaser of a Unit, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Unit, current copies of the Governing Documents and all other books, records, and financial statements of the Association as provided in Section 9.4; and

(n) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Community; and

(o) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the extent such indemnity is required by North Carolina law, the Articles and these By-Laws; and

(p) assisting in the resolution of disputes between owners and others without litigation, as set forth in the Declaration.

**Article IV Officers**

4.1. Officers.

Officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the Board members; other officers may, but need not be Board members. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. One person may hold two or more offices, except that the offices of President and Secretary shall be held by different persons.

4.2. Election and Term of Office.

The Board shall elect the Association's officers at the first Board meeting following each annual meeting of the Members, to serve until their successors are elected. The Association shall publish the names and addresses of all officers within 30 days after any election of directors or any change in officers of the Association.

4.3. Resignation, Removal and Filling of Vacancies.

(a) Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such

notice or at any later time specified therein, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

(b) The Board may remove any officer whenever in its judgment the best interests of the Association will be served.

(c) The Board may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

4.4. Powers and Duties.

The Association's officers shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

**Article V Committees**

5.1. General.

The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution.

5.2. Covenants Committee.

In addition to any other committees that the Board may establish pursuant to Section 5.1, the Board may appoint a Covenants Committee consisting of at least three and no more than seven Members who are neither officers nor directors of the Association. Acting in accordance with the provisions of the Declaration, these By-Laws, and resolutions the Board may adopt, the Covenants Committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Article VIII of these By-Laws.

5.3. Service Area Committees.

In addition to any other committees appointed as provided above, each Service Area which has no formal organizational structure or association may elect a Service Area Committee to determine the nature and extent of services, if any, to be provided to the Service Area by the Association in addition to those dictated by any Supplemental Declaration and those provided to all Members of the Association in accordance with the Declaration. A Service Area Committee may advise the Board on any other issue but shall not have the authority to bind the Board. Any Service Area Committee shall consist of three Members; provided, if approved by the vote of at least 51% of the Owners of Units within the Service Area, the number may be increased to five.

The members of any Service Area Committee shall be elected for a term of one year or until their successors are elected. Any director elected to the Board from a Service Area shall be an *ex officio* member of the Service Area Committee. The members of the committee shall elect a chairperson from among themselves, who shall preside at its meetings and shall be responsible for transmitting any and all communications to the Board.

In the conduct of its duties and responsibilities, each Service Area Committee shall abide by the notice and quorum requirements applicable to the Board under Sections 3.9, 3.10, and 3.11. Meetings of a Service Area Committee shall be open to all Owners of Units in the Service Area and their representatives. Members of a Service Area Committee may act by unanimous written consent in lieu of a meeting.

**Article VI Standards of Conduct; Liability and Indemnification**

6.1. Standards for Directors and Officers.

The Board shall exercise its powers in a reasonable, fair, nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

In performing their duties, directors and officers shall act as fiduciaries and shall be insulated from liability as provided for directors of corporations under state law and as otherwise provided by the Governing Documents. Directors and officers shall discharge their duties as directors or officers, and as members of any committee to which they are appointed, in a manner that the director or officer believes in good faith to be in the best interest of the corporation and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. A director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by others to the extent authorized under the North Carolina Nonprofit Corporation Act.

6.2. Liability.

(a) A director shall not be personally liable to the Association, any Member, or any other Person for any action taken or not taken as a director if the director has acted in accordance with Section 6.1.

(b) Pursuant to the business judgment rule, a director also shall not be personally liable for any action taken or not taken as a director if the director:

(i) acts within the expressed or implied scope of the Governing Documents and his or her actions are not *ultra vires*;

(ii) affirmatively undertakes to make decisions which are necessary for the Association's continued and successful operation and, when decisions are made, makes them on an informed basis;

(iii) acts on a disinterested basis, promptly disclosing any real or potential conflict of interests (pecuniary or other), and avoiding participation in decisions and actions on

matters as to which he has a conflict of interest (beyond that which all directors have by virtue of their ownership or occupancy of a Unit); and

(iv) acts in a non-fraudulent manner and without reckless indifference to the Association's affairs.

(c) The officers, directors, and committee members of the Association shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association).

6.3. Indemnification.

Subject to the limitations of North Carolina law, the Association shall indemnify every officer, director, and committee member against all damages and expenses, including counsel fees and expenses, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that the Association shall have no obligation to indemnify any individual against liability or expenses incurred in connection with a proceeding:

(a) brought by or in the right of the Association, although it may reimburse the individual for reasonable expenses incurred in connection with the proceeding if it is determined, by the court or in the manner provided above, that the individual met the relevant standard of conduct under the North Carolina Nonprofit Corporation Act; or

(b) to the extent that the individual is adjudged liable for conduct that constitutes:

(i) appropriation, in violation of his or her duties, of any business opportunity of the Association; or

(ii) intentional misconduct or knowing violation of the law; or

(iii) an unlawful distribution to members, directors or officers; or

(iv) receipt of an improper personal benefit.

This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

6.4. Advancement of Expenses.

In accordance with the procedures and subject to the conditions and limitations set forth in the North Carolina Nonprofit Corporation Act, the Board may authorize the Association

to advance funds to pay for or reimburse the reasonable expenses incurred by a present or former officer, director or committee member in any proceeding to which he or she may be a party by reason of being or having been an officer, director, or committee member of the Association.

6.5. Board and Officer Training.

The Board may conduct or provide for seminars and continuing educational opportunities designed to educate and inform its officers and directors of their responsibilities as officers and directors. Such programs may include instruction on applicable North Carolina corporate and fiduciary law principles, other issues relating to administering community affairs, and upholding and enforcing the Governing Documents. The Board may retain industry professionals, which may include property managers, attorneys, and accountants, as appropriate or necessary for such purpose. Each newly elected officer and director shall be encouraged to complete a training seminar within the first six months of assuming such position.

**Article VII Management and Accounting**

7.1. Compensation of Directors and Officers.

Directors and officers shall not receive any compensation from the Association for acting as such unless approved by Members representing a majority of the total Class "A" votes in the Association at a regular or special meeting of the Association. Any director or officer may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director or officer, or any entity with which a director or officer is affiliated, for services or supplies furnished to the Association in a capacity other than as a director or officer pursuant to a contract or agreement with the Association, provided that such director's or officer's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding any interested director.

7.2. Right of Class "B" Member to Disapprove Actions.

So long as the Class "B" membership exists, the Class "B" Member shall have a right to disapprove any action, policy, or program of the Association, the Board and any committee which, in the sole judgment of the Class "B" Member, would tend to impair rights of Declarant or Builders under the Declaration or these By-Laws, or interfere with development or construction of any portion of Churchill, or diminish the level of services being provided by the Association.

(a) Notice. The Class "B" Member shall be given written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board or any committee. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, which notice complies as to Board meetings with Section 3.9, and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting.

(b) Opportunity to be Heard. The Class "B" Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein.

No action, policy, or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met.

The Class "B" Member, its representatives or agents shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Class "B" Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions but shall not include a right to require any action or counteraction on behalf of any committee, the Board, or the Association. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

7.3. Managing Agent.

The Board may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties, but shall not delegate policy-making authority or ultimate responsibility for those duties set forth in Section 3.16. Declarant or its affiliate may be employed as managing agent or manager.

The Board may delegate to one of its members the authority to act on the Board's behalf on all matters relating to the duties of the managing agent or manager, if any, which might arise between Board meetings.

The Association shall not be bound, either directly or indirectly, by any management contract executed during the Class "B" Control Period unless such contract contains a right of termination which may be exercised by the Association, with or without cause and without penalty, at any time after termination of the Class "B" Control Period upon not more than 90 days' written notice.

No remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association. Any financial or other interest that the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board.

7.4. Accounts and Reports.

(a) The following accounting standards shall be followed unless the Board by resolution specifically determines otherwise:

(i) cash or accrual accounting, as defined by generally accepted accounting principles, shall be employed; and

(ii) accounting and controls should conform to generally accepted accounting principles; and

(iii) cash accounts of the Association shall not be commingled with any other accounts.

(b) Commencing at the end of the quarter in which the first Unit is sold and closed, financial reports shall be prepared for the Association at least quarterly containing:

(i) an income statement reflecting all income and expense activity for the preceding period on an accrual basis; and

(ii) a statement reflecting all cash receipts and disbursements for the preceding period; and

(iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format; and

(iv) a balance sheet as of the last day of the preceding period; and

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board resolution).

(c) An annual report consisting of at least the following shall be made available to all Members within 75 days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant; provided, upon a vote of a majority of the Board, or upon the affirmative vote of a majority of the Owners present and voting in person or by proxy at any annual meeting or any special meeting duly called for that purpose, or upon written request of any holder, guarantor or insurer of any first Mortgage on a Unit, the Association shall provide audited financial statements.

7.5. Borrowing.

The Association shall have the power to borrow money for any legal purpose; provided, the Board shall obtain Member approval in the same manner provided in the Declaration for

Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 20% of the Association's budgeted gross expenses for that fiscal year. During the Class "B" Control Period, no Mortgage lien shall be placed on any portion of the Common Area without the affirmative vote or written consent, or any combination thereof, of Members representing at least 51% of the total Class "A" votes, in addition to such approval as may be required under Article XVII of the Declaration.

7.6. Right to Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or other owners or residents associations, within and outside Churchill. Any common management agreement shall require the consent of a majority of the total number of directors on the Board.

7.7. Agreements, Contracts, Deeds, Leases, Checks, Etc.

All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two officers or by such other person or persons as the Board may designate by resolution.

**Article VIII Enforcement Procedures**

The Association shall have the power, as provided in the Declaration, to impose sanctions for any violation of the Governing Documents. To the extent specifically required by the Declaration, the Board shall comply with the following procedures prior to imposition of sanctions:

8.1. Notice and Response.

The Board or its delegate shall serve the alleged violator with written notice describing (a) the nature of the alleged violation, (b) the proposed sanction to be imposed, (c) a period of not less than 10 days within which the alleged violator may present a written request for a hearing to the Board or the Covenants Committee, if one has been appointed pursuant to Article V; and (d) a statement that the proposed sanction maybe imposed as contained in the notice unless a hearing is requested within 10 days of the notice.

The alleged violator shall respond to the notice of the alleged violation in writing within such 10-day period, regardless of whether the alleged violator is challenging the imposition of the proposed sanction. If the alleged violator cures the alleged violation and notifies the Board in writing within such 10-day period the Board may, but shall not be obligated to, waive the sanction.

Prior to the effectiveness of sanctions imposed pursuant to this Article VIII, proof of proper notice shall be placed in the minutes of the Board or Covenants Committee, as applicable.

Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative requests and appears at the hearing.

8.2. Hearing.

If a hearing is requested within the allotted 10-day period, the hearing shall be held before the Covenants Committee, or if one has not been appointed, then before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. The minutes of the meetings of the Board or Covenants Committee, as applicable, shall contain a written statement of the results of the hearing (i.e., the decision of the Board or Committee) and the sanction, if any, to be imposed.

If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided the Board or Covenants Committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 10-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

8.3. Appeal.

Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the Board. To exercise this right, a written notice of appeal must be received by the Association's manager, President, or Secretary within 15 days after the Covenants Committee's decision.

**Article IX Miscellaneous**

9.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless the Board establishes a different fiscal year by resolution.

9.2. Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (current edition) shall govern the conduct of Association proceedings when not in conflict with North Carolina law or the Governing Documents.

9.3. Conflicts.

If there are conflicts among the provisions of North Carolina law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of North Carolina law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

9.4. Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Unit, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Governing Documents, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within Churchill as the Board shall designate.

(b) Rules for Inspection. The Board shall establish rules with respect to:

(i) notice to be given to the custodian of the records; and

(ii) hours and days of the week when such an inspection may be made; and

(iii) payment of the cost of reproducing documents requested.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the Association's expense.

9.5. Notices.

(a) Form of Notice and Method of Delivery. Except as otherwise provided in the Declaration or these By-Laws or by law, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and may be delivered in person, by United States mail, by private carrier, or if the intended recipient has given its prior written authorization to use such method of delivery, by telephone facsimile or electronic mail with written confirmation of transmission.

(b) Delivery Address. Notices shall be delivered or sent to the intended recipient as follows:

(i) if to a Member, at the address, telephone facsimile number, or e-mail address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Unit of such Member;

(ii) if to the Association, the Board, or a committee of either, at the address, telephone facsimile number, or e-mail address of the principal office of the Association or its managing agent, or at such other address as the Association shall designate by notice in writing to the Members pursuant to this Section; or

(iii) if to the Declarant, at the principal address of the Declarant as it appears on the Secretary of State's records, or at such other address as the Declarant shall designate by notice in writing to the Association pursuant to this Section.

(c) Effective Date. Notice sent in accordance with subsections (a) and (b) shall be deemed to have been duly given and effective:

(i) if sent by United States mail, when deposited with the U. S. Postal Service, correctly addressed, with first class or higher priority postage prepaid;

(ii) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by the signature of the person at such address who accepts such delivery;

(iii) if sent by telephone facsimile or electronic mail, upon transmission, as evidenced by a printed confirmation of transmission.

9.6. Amendment.

(a) By Class "B" Member. Prior to termination of the Class "B" Membership, the Class "B" Member may unilaterally amend these By-Laws, subject to the veto power set forth in subsection (c) below, if applicable.

(b) By Members Generally. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing 67% of the total Class "A" votes in the Association, and the consent of the Class "B" Member, if such exists. Any such amendment shall be subject to the veto right set forth in subsection (c), if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon Recordation unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its Recordation, or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant, the Class "B" Member, or the assignee of such right or privilege.

5650.02/ByL-Churchill/042205/jps

**CERTIFICATION**

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Churchill Community Association, Inc., a North Carolina corporation;

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted by resolution of the Board of Directors thereof on the 20th day of December, 2005.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 20th day of December, 2005.

[SEAL]

Secretary

BOOK:011744 PAGE:00829 - 00924

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**Please retain with original document and submit for rerecording.**

**Wake County Register of Deeds**
**Laura M. Riddick**
**Register of Deeds**

**North Carolina – Wake County**

The foregoing certificate___ of _____
_____
_____
_____
_____

_____ Notary(ies) Public is (are) 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.

Laura M. Riddick, Register of Deeds

By: _____
Assistant/Deputy Register of Deeds

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**This Document**
_____ New Time Stamp
96 # of Pages

22.004-7/11/02

BK011744PG00932

**Prepared by/ upon recording return to:**

James Anderson
Crosland Churchill, LLC
4000 Westchase Boulevard, Suite 390
Raleigh, NC 27607

WAKE COUNTY, NC 486
LAURA M RIDDICK
REGISTER OF DEEDS
PRESENTED & RECORDED ON
12/22/2005 AT 13:19:56

BOOK:011744 PAGE:00932 - 00939

STATE OF NORTH CAROLINA

COUNTY OF WAKE

**COVENANT RELATING TO CHURCHILL SUBDIVISION**

THIS COVENANT is made as of the 22nd day of December, 2005, by CROSLAND CHURCHILL, LLC, a North Carolina limited liability company, on behalf of itself, its successors, successors-in-title, and assigns ("Crosland").

**W I T N E S S E T H:**

WHEREAS, Crosland has entered into that certain Development Agreement dated January 25,, 2005 with the Town of Knightdale, a municipal corporation existing under the laws of the State of North Carolina ("Town") relating to the development of that property described on Exhibit "A" hereof ("the Property"); and

WHEREAS, on Dec 22, 2005, Crosland executed that certain Declaration of Covenants, Conditions and Restrictions for Churchill, which was recorded on December 22, 2005, at Deed Book 011744, Page 00829, *et seq.*, in the office of the Register of Deeds for Wake County, North Carolina ("Declaration"), which Declaration encumbers and runs with the title to a portion of the Property more particularly described in Exhibit A of the Declaration; and

WHEREAS, pursuant to the terms of Paragraph 1.D. of the Development Agreement, Crosland is obligated to incorporate a homeowners association which shall have primary responsibility for enforcement of various restrictive covenants and maintenance of certain onsite private infrastructure provided by Crosland; and

WHEREAS, Crosland has established Churchill Community Association, Inc., a North Carolina nonprofit corporation, to serve such role with respect to that portion of the Property described on Exhibit "A" of the Declaration; and

WHEREAS, Crosland desires to impose a covenant on the balance of the Property (the "Expansion Property") obligating Crosland, or any successor-in-title to any portion of the Expansion Property to submit the Expansion Property, or such portion thereof as is hereafter developed for residential purposes, to the terms of the Declaration at such time as it is developed for residential purposes;

NOW, THEREFORE, as the owner of the Property described on Exhibit A to this Covenant, Crosland hereby declares that the Property shall be owned, conveyed, developed, and used subject to this Covenant, which shall run with the title to the Property and shall be binding upon all persons and entities now or hereafter having any right, title, or interest in any portion of the Property, their heirs, successors, successors-in-title, and assigns.

**1. Submission to Churchill Declaration.**

As to any portion of the Property that is hereafter subdivided into single family residential lots by recording of a subdivision plat, no residential lot created by such plat shall be conveyed unless and until all of the property described on such plat has been made subject to the terms of the Declaration.

**2. Duration.**

This Covenant shall remain in effect for a period of 20 years, subject to amendment or termination as provided in Paragraph 3 below.

**3. Amendment; Termination.**

This Covenant may be amended or terminated by an instrument in writing executed by Crosland and by Churchill Community Association, Inc. upon approval of its board of directors and members of the Association entitled to cast a majority of the votes in the Association, which instrument shall reference this Covenant and shall be recorded in the office of the Register of Deeds of Wake County, North Carolina.

**4. Enforcement.**

This Covenant is for the benefit of and may be enforced by Churchill Community Association, Inc.

IN WITNESS WHEREOF, Crosland has executed this Covenant as of the date and year first written above.

**CROSLAND:** CROSLAND CHURCHILL, LLC, a North Carolina limited liability company

BY: CROSLAND, INC., a North Carolina corporation, its managing member

By: _____
Name: James F. Anderson
Its Vice President :

Attest: _____
Name: Melissa Rice Walker
Its: _____

STATE OF NORTH CAROLINA )
)
COUNTY OF Wake )

I, Katia Foell, a Notary Public in and for Wake County, North Carolina, certify that James F. Anderson personally came before me this day and acknowledged that s/he is Vice President of CROSLAND, INC., a North Carolina corporation, managing member of CROSLAND CHURCHILL, LLC, a North Carolina limited liability company, and that by authority duly given and as a fact of the corporation, the foregoing instrument was signed in its name by its Vice President, and sealed with its corporate seal, on behalf of said limited liability company.

Witness my hand and official stamp or seal, this 22d day of Dec, 2005.

Katia Foell
Notary Public

My Commission Expires:
2/19/06

[NOTARY SEAL]
KATIA FOELL NOTARY PUBLIC WAKE COUNTY, N.C.

## CONSENT AND SUBORDINATION OF LENDER

The undersigned, being the holder of that certain Note secured by a Deed of Trust and Security Agreement between Crosland Churchill, LLC, as Grantor, and TRSTE, Inc., as Trustee, for the benefit of Wachovia Bank, National Association, as Beneficiary, dated May 27, 2005 and recorded on May 27, 2005 in Deed Book 11382, at Page 1955, *et seq.*, in the office of the Register of Deeds of Wake County, North Carolina (the "**Deed of Trust**"), does hereby join in the execution of this Declaration, by and through its authorized representatives, to evidence its consent to this Declaration and to subordinate its interest under the Deed of Trust to this Declaration.

This 21 day of December, 2005.

WACHOVIA BANK, NATIONAL ASSOCIATION

By: Joy Pur
Name: Joy Pulliam
Its: V.P.

Attest: Jessica Johnson
Name: Jessica Johnson
Its: RETS Risk Analyst

STATE OF NORTH CAROLINA )
)
COUNTY OF Mecklenburg )

I, Phyllis Wood a Notary Public in and for Mecklenburg County, North Carolina, certify that Joy Pulliam personally came before me this day and acknowledged that s/he is Vice President of WACHOVIA BANK, NATIONAL ASSOCIATION, and that by authority duly given and as a fact of said association, the foregoing instrument was signed in its name by its Vice President and sealed with its seal, on behalf of said association.

Witness my hand and official stamp or seal, this 21st day of Dec, 2005.

Phyllis Wood
Notary Public

My Commission Expires:
9-29-07

[NOTARY SEAL]

5650.02/cadocs/121405/jp

**EXHIBIT "A"**

**Legal Description of Property**

ALL THAT TRACT OR PARCEL OF LAND lying and being in the Town of Knightdale, Wake County, North Carolina, and being more particularly described as follows:

EWI Tract:

BEGINNING at an existing concrete monument in the southern right-of-way of the Norfolk Southern Railroad, said monument being the northwest corner of the Sew, LLC property as shown in Book of Maps 2005, Page 175 in the Wake County Registry; thence continuing with the said Sew, LLC property line S 14° 24' 47" E 219.50 feet to an existing iron pipe; thence S 15° 09' 53" E 814.69 feet to an existing iron pipe; thence S 22° 37' 31" E 198.06 feet to an existing iron pipe; thence S 15° 05' 03" E 933.82 feet to an existing iron pipe; thence S 09° 47' 59" E 321.85 feet to an existing concrete monument said pipe being the northeast corner of the Herbert & Mary E. Plummer property as referenced in Deed Book 9028, Page 2103 in the Wake County Registry; thence S 69° 54' 10" W 235.12 feet to an existing iron pipe; thence S 69° 46' 10" W 334.40 feet to an existing iron pipe being the northeast corner of the Bobby L. Richardson property as referenced in Deed Book 9040, Page 1376 in the Wake County Registry; thence S 70° 08' 09" W 266.52 feet to an existing concrete monument; thence S 69° 58' 57" W 240.30 feet to an existing iron pipe, said pipe being the northeast corner of the Aaron R. Wall, Jr. et al property as shown in said Book of Maps 2005, Page 175; thence S 69° 47' 26" W 228.45 feet to an existing concrete monument; thence S 70° 04' 17" W 442.63 feet to a point in the eastern right-of-way of the East Wake Expressway; thence continuing with the East Wake Expressway right-of-way, N 28° 16' 25" W 289.95 feet to a nail; thence N 31° 06' 46" W 1314.07 feet to a nail; thence N 28° 15' 17" W 721.69 feet to a nail; thence N 61° 44' 11" E 32.82 feet to a nail; thence N 28° 15' 37" W 122.25 feet to a point in the said southern right-of-way of the Norfolk Southern Railroad; thence continuing with the said Norfolk Southern Railroad right-of-way, N 52° 53' 32" E 389.16 feet to an existing iron pipe; thence S 37° 08' 09" E 70.15 feet to an existing iron pipe; thence N 52° 51' 04" E 232.76 feet to an existing iron pipe on a curve; thence, with said curve having a radius of 1809.86 feet as it turns to the RIGHT an arc length of 219.05 feet, said curve having a chord bearing of N 56° 21' 45" E and a chord distance of 218.92 feet, to an existing iron pipe; thence N 59° 51' 39" E 207.17 feet to an existing iron pipe; thence N 30° 09' 41" W 70.00 feet to an existing iron pipe; thence N 59° 45' 32" E 207.03 feet to an existing iron pipe; thence S 30° 09' 26" E 170.28 feet to an existing iron pipe; thence N 59° 56' 43" E 140.98 feet to an existing iron pipe; thence N 29° 41' 18" W 150.47 feet to an existing iron pipe on a curve; thence, with said curve having a radius of 1095.92 feet as it turns to the RIGHT an arc length of 420.04 feet, said curve having a chord bearing of N 71° 18' 54" E and a chord distance of 417.48 feet, to a point; thence S 07° 45' 04" E 150.00 feet to an existing iron pipe; thence N 86° 11' 21" E 129.94 feet to an existing iron pipe; thence N 00° 08' 29" E 170.00 feet to an existing iron pipe on a curve; thence, with said curve having a radius of 1115.92 feet as it turns to the RIGHT an arc length of 199.08 feet, said curve having a chord bearing of S 84° 36' 43" E and a chord distance of 198.82 feet, to a point; thence S 79° 42' 05" E 271.01 feet to the Point and Place of BEGINNING and containing 125.0786 acres as shown in said Book of Maps 2005, Page 175.

**TOGETHER WITH:**

SEW, LLC Tract 1:
BEGINNING at an existing iron pipe in the northern right-of-way of Old Faison Road, SR 2515, a 60 foot public right-of-way, said pipe being the southeast corner of the property of Aaron R. Wall, Jr. et al as shown in Book of Maps 2005, Page 175 in the Wake County Registry; thence leaving the said right-of-way and along the common line with the said Aaron R. Wall, Jr. et al property, N 51° 03' 30" W 479.46 feet to a point being the southwest corner of the Bobby L. Richardson property as referenced in Deed Book 9040, Page 1376 in the Wake County Registry; thence continuing with the said Bobby L. Richardson property line, N 42° 13' 49" E 10.63 feet to an existing iron pipe; thence N 42° 13' 49" E 152.97 feet to a point; thence N 16° 17' 48" W 111.30 feet to an existing iron pipe; thence N 17° 47' 34" E 176.43 feet to an existing iron pipe; thence N 17° 49' 48" E 64.77 feet to an existing iron pipe in the common line with the EWI Associates property as shown in said Book of Maps 2005, Page 175; thence continuing with the said EWI Associates property line N 69° 46' 10" E 334.40 feet to an existing iron pipe being the northwest corner of the Herbert & Mary E. Plummer property as referenced in Deed Book 9028, Page 2103 in the Wake County Registry; thence with the said Herbert & Mary E. Plummer property line S 34° 18' 00" E 497.35 feet to an existing iron pipe in the said northern right-of-way of Old Faison Road; thence with the said right-of-way S 38° 17' 24" W 209.51 feet to an existing iron pipe; thence S 39° 09' 39" W 386.02 feet to the Point and Place of BEGINNING and containing 8.5875 acres as shown in said Book of Maps 2005, Page 175.

**TOGETHER WITH:**

SEW, LLC Tract 2:
BEGINNING at an existing iron pipe in the northern right-of-way of Old Faison Road, SR 2515, a 60 foot public right-of-way, said pipe being the southeast corner of the Herbert & Mary E. Plummer property as referenced in Deed Book 9028, Page 2103 in the Wake County Registry; thence leaving the said right-of-way and with the said Herbert & Mary E. Plummer property line N 34° 33' 58" W 381.09 feet to an existing concrete monument being the southeast corner of the property of EWI Associates as shown in Book of Maps 2005, Page 175 in the Wake County Registry; thence with the said EWI Associates property line, N 09° 47' 59" W 321.85 feet to an existing iron pipe; thence N 15° 05' 03" W 933.82 feet to an existing iron pipe; thence N 22° 37' 31" W 198.06 feet to an existing iron pipe; thence N 15° 09' 53" W 814.69 feet to an existing iron pipe; thence S 79° 40' 57" E 526.43 feet to an existing iron pipe, said pipe being a common corner with the O. William Faison, et al property; thence continuing with the said O. William Faison et al property line S 41° 09' 38" E 337.66 feet to a point; thence S 79° 59' 17" E 120.71 feet to a point; thence S 12° 21' 08" E 246.00 feet to an existing iron pipe; thence S 02° 53' 21" E 579.52 feet to an existing iron pipe; thence S 02° 26' 35" W 836.83 feet to a point; thence S 02° 26' 35" W 53.14 feet to an existing iron pipe in the common line of the Olen L. Jr. & Vada L. Watson property as shown in said Book of Maps 2005, Page 175; thence continuing with the said Olen L. Jr. & Vada L. Watson property line S 08° 36' 26" E 216.38 feet to an existing iron pipe; thence S 37° 33' 15" E 70.00 feet to a new iron pipe set in the said northern right-of-way of Old Faison Road; thence continuing with the said right-of-way S 52° 44' 00" W 31.79 feet to a point; thence S 50° 37' 34" W 54.31 feet to a point; thence S 48° 43' 10" W 52.84

feet to a point; thence S 45° 42' 15" W 94.53 feet to the Point and Place of BEGINNING and containing 28.9389 acres as shown in said Book of Maps 2005, Page 175.

**TOGETHER WITH:**

SEW, LLC Tract 3:
BEGINNING at an existing concrete monument in the southern right-of-way of the Norfolk Southern Railroad, said monument being the northeast corner of the EWI Associates property as shown in Book of Maps 2005, Page 175 in the Wake County Registry; thence with the said Norfolk Southern Railroad right-of-way S 79° 28' 38" E 519.66 feet to an existing iron pipe, said pipe being the northwest corner of the O. William Faison, et al property as shown in said Book of Maps 2005, Page 175; thence with the said O. William Faison, et al property line S 16° 12' 45" E 220.76 feet to an existing iron pipe; thence N 79° 40' 57" W 526.43 feet to an existing iron pipe, said pipe being a common corner with the said EWI Associates property; thence with the said EWI Associates property N 14° 24' 47" W 219.50 feet to the Point and Place of BEGINNING and containing 2.3807acres as shown in said Book of Maps 2005, Page 175.

BOOK:011744 PAGE:00932 - 00939

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**Please retain with original document and submit for rerecording.**

WAKE COUNTY
NORTH CAROLINA

**Wake County Register of Deeds**
**Laura M. Riddick**
**Register of Deeds**

**North Carolina – Wake County**

The foregoing certificate___ of _____

_____

_____

_____

_____

_____ Notary(ies) Public is (are) 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.

Laura M. Riddick, Register of Deeds

By: _____
Assistant/Deputy Register of Deeds

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_____8_____ # of Pages

22.004–7/11/03

BK012065PG01806

WAKE COUNTY, NC 779
LAURA M RIDDICK
REGISTER OF DEEDS
PRESENTED & RECORDED ON
07/17/2006 AT 16:24:19

BOOK:012065 PAGE:01806 - 01811

**Prepared by/upon recording return to:**
James Anderson
Crosland Churchill, LLC
4000 Westchase Boulevard, Suite 390
Raleigh, North Carolina 27607

Cross-Reference to Declaration: Book 11744
Page 829

STATE OF NORTH CAROLINA )
)
COUNTY OF WAKE )

ABOVE SPACE FOR RECORDER'S USE

# SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR CHURCHILL

**(Phase 1B)**

THIS SUPPLEMENTAL DECLARATION is made this 17th day of July, 2006, by CROSLAND CHURCHILL, LLC, a North Carolina limited liability company ("**Declarant**").

## BACKGROUND STATEMENT

WHEREAS, the Declarant executed and filed that Declaration of Covenants, Conditions and Restrictions for Churchill which was recorded on December 22, 2005 in Book 11744, Page 829, *et seq.*, in the office of the Register of Deeds for Wake County, North Carolina ("**Declaration**"); and

WHEREAS, pursuant to the terms of Article IX, Section 9.1 of the Declaration, Declarant may, with the consent of the owner thereof, submit all or any portion of the property described on Exhibit "B" of the Declaration ("**Expansion Property**") to the terms of the Declaration and impose additional covenants and easements on any portion of the property submitted to the Declaration; and

WHEREAS, the property described on Exhibit "A" of this Supplemental Declaration (the "**Additional Property**") is a portion of the Expansion Property; and

WHEREAS, the Declarant, as the owner of the Additional Property, desires to submit the Additional Property to the terms of the Declaration;

NOW, THEREFORE, pursuant to the powers retained by the Declarant under the Declaration, Declarant hereby subject the real property described on Exhibit "A" hereof to the provisions of the Declaration and to this Supplemental Declaration, which shall apply to such property in addition to the provisions of the Declaration. Such property shall be sold, transferred, used, conveyed, occupied, and mortgaged or otherwise encumbered pursuant to the provisions of this Supplemental Declaration and the Declaration, both of which shall run with the title to such property and shall be binding upon all persons having any right, title, or any interest in such property, their respective heirs, legal representatives, successors, successors-in-title, and assigns. The provisions of this Supplemental Declaration shall be binding upon Churchill Community Association, Inc. ("**Association**") in accordance with the terms of the Declaration.

## ARTICLE I
## Definitions

The definitions set forth in Article II of the Declaration are incorporated herein by reference.

## ARTICLE II
## Amendment

2.1. By Declarant.

Until conveyance of the first Unit within the Additional Property to a Person other than a Builder, Declarant may unilaterally amend this Supplemental Declaration for any purpose. Thereafter, Declarant may unilaterally amend this Supplemental Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Units; (c) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee mortgage loans on the Units; or (d) to satisfy the requirements of any local, state or federal governmental agency. However, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent in writing.

In addition, so long as Declarant or any Declarant Affiliate owns any portion of the property described on Exhibits "A" or "B" of the Declaration for development or sale, it may unilaterally amend this Supplemental Declaration to submit additional property to the terms hereof, to reflect any revisions or amendments to the plats referenced on Exhibit "A" hereof, and, provided the amendment has no material adverse effect upon any right of any Owner without such Owner's consent in writing, for any other purpose.

Notwithstanding this reserved right, a revision or amendment to a plat shall not require an amendment to this Supplemental Declaration so long as no property is added or excluded from

the plat by the revision or amendment thereto. Declarant reserves the right to record revised, amended, or additional plats that only affect internal boundaries between lots, combine lots, or subdivide lots shown on the original plat and, so long as they do not alter the overall property submitted to the Declaration by this Supplemental Declaration, such revised, amended or additional plats shall not necessitate an amendment to this Supplemental Declaration.

2.2. By Owners.

Except as otherwise specifically provided above, this Supplemental Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Owners of 67% of the Units within the Community (as defined in the Declaration) and, so long as Declarant owns any Unit in the Community, the consent of Declarant. In addition, the consent of the Board of Directors of the Association shall be required.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

2.3. Validity and Effective Date.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without Declarant's written consent or the Class "B" Member, respectively (or the assignee of such right or privilege).

If an Owner consents to any amendment to this Supplemental Declaration, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any amendment shall become effective upon recording in the Public Registry, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within one year of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Supplemental Declaration.

IN WITNESS WHEREOF, the Declarant has executed this Supplemental Declaration on the date and year first written above.

**DECLARANT:** CROSLAND CHURCHILL, LLC, a North Carolina limited liability company

BY: CROSLAND, INC., a North Carolina corporation, its managing member

By: _____
Name: James F. Anderson
Its: Vice President

Attest: _____
Name: _____
Its: _____

STATE OF NORTH CAROLINA )
)
COUNTY OF WAKE )

I, Roger C. White, a Notary Public of Wake County, State of North Carolina, certify that James F. Anderson personally came before me this day and acknowledged that s/he is Vice-President of Crosland, Inc., a North Carolina corporation, managing member of CROSLAND CHURCHILL, LLC, a North Carolina limited liability company, and that by authority duly given and as a fact of the corporation, the foregoing instrument was signed in its name by its Vice-President, and sealed with its corporate seal.

Witness my hand and official stamp or seal, this 17th day of July, 2006.

_____
Notary Public Roger C. White

ROGER C. WHITE NOTARY PUBLIC WAKE COUNTY, N.C. Comm. Exp. 2-11-2009.

My Commission Expires:
2-11-2009

[NOTARY SEAL]

5650.2/CADocs/SuppDecl-Churchill-Ph1B-071706-jlb

**EXHIBIT "A"**

**Additional Property**

ALL THAT TRACT OR PARCEL OF LAND lying and being in the Town of Knightdale, St. Matthews Township, Wake County, North Carolina, and more particularly described on that certain Final Plat of Churchill, Phase 1B, recorded on June 13, 2006, in Map Book BM2006, Pages 1139-1143, *et seq.*, in the office of the Register of Deeds of Wake County, North Carolina, as such plat may be revised or amended from time to time.

BOOK:012065 PAGE:01806 - 01811

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**Wake County Register of Deeds**
**Laura M. Riddick**
**Register of Deeds**

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6 # of Pages

22.004-1/20/06

BK013926PG01176

WAKE COUNTY, NC 212
LAURA M RIDDICK
REGISTER OF DEEDS
PRESENTED & RECORDED ON
04/30/2010 AT 11:42:00

BOOK:013926 PAGE:01176 - 01181

DRAWN BY AND MAIL TO:
Parker Poe Adams & Bernstein LLP (BMM)
Three Wachovia Center
401 Tryon Street, Suite 3000
Charlotte, NC 28202

**STATE OF NORTH CAROLINA**

**COUNTY OF WAKE**

**ASSIGNMENT AND ASSUMPTION OF DECLARANT RIGHTS**

**THIS ASSIGNMENT AND ASSUMPTION OF DECLARANT RIGHTS** ("**Assignment**") is entered into and effective as of the 30th day of April, 2010, by and between **CROSLAND CHURCHILL, LLC**, a North Carolina limited liability company ("**Declarant**") and **CHURCHILL LLC**, a North Carolina limited liability company ("**Churchill LLC**").

WHEREAS, Declarant entered into the Declaration of Covenants, Conditions and Restrictions recorded in Book 11744, Page 829 in the Wake County Public Registry (as amended and supplemented, "**Declaration**");

WHEREAS, the Declaration establishes certain easements, restrictions and conditions applicable to "Churchill" as defined in the Declaration ("**Property**");

WHEREAS, pursuant to a Special Warranty Deed to be recorded immediately after this Assignment, Churchill LLC shall acquire all of Declarant's remaining interest in the Property; and

WHEREAS, pursuant to Article X, Section 10.5 of the Declaration, Declarant desires to permanently assign all of its rights, obligations, privileges and powers as Declarant under the Declaration and the North Carolina Planned Community Act (collectively, the "**Declarant Rights**").

NOW, THEREFORE, in consideration of Ten Dollars in hand paid and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Declarant does hereby grant, sell, assign, transfer, convey and deliver the Declarant Rights to Churchill LLC and its successors and assigns and Churchill LLC does hereby assume the Declarant Rights from and after the date of this Assignment. Churchill LLC shall not be responsible for (and does

not assume) (i) any liability arising out of Declarant's acts or omissions prior to the date of this Assignment, or (ii) any of Declarant's obligations or liabilities under the Declaration or the North Carolina Planned Community Act arising or incurred prior to the date of this Assignment that Churchill LLC is not legally obligated to perform after it becomes the owner of the portion of the Property conveyed to it.

TO HAVE AND TO HOLD, the Declarant Rights and all privileges and appurtenances thereto belonging unto Churchill LLC and its successors and assigns.

Declarant makes no representations or warranties with respect to the Declarant Rights.

[Signature Pages Follow]

Declarant and Churchill have executed this Assignment under seal as of the date first above written.

**DECLARANT:**

**CROSLAND CHURCHILL, LLC,**
a North Carolina limited liability company

By: Crosland Manager, LLC,
a North Carolina limited liability company,
its Manager

By: _____
Name: Stephen H. Mauldin
Title: ~~Senior~~ Vice President/Chief Financial Officer

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

I, Cynthia C Peoples, a Notary Public of Mecklenburg County and State of North Carolina, do hereby certify that Stephen H. Mauldin ("**Signatory**"), personally came before me this day and acknowledged that he is SVP/CFO of Crosland Manager, LLC, a North Carolina limited liability company, Manager of **CROSLAND CHURCHILL, LLC**, a North Carolina limited liability company, and that he, as SVP/CFO of Crosland Manager, LLC, being authorized to do so, executed the foregoing instrument on behalf of Crosland Manager, LLC, as Manager of CROSLAND CHURCHILL, LLC, a North Carolina limited liability company.

I certify that the Signatory personally appeared before me this day, and
*(check one of the following)*
_✓_ (I have personal knowledge of the identity of the Signatory); **or**
_____ (I have seen satisfactory evidence of the Signatory's identity, by a current state or federal identification with the Signatory's photograph in the form of:
*(check one of the following)*
___ a driver's license *or*
___ in the form of _____); **or**
_____ (a credible witness has sworn to the identity of the Signatory).

The Signatory acknowledged to me that he voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated.

Witness my hand and official stamp or seal this 28th day of April, 2010.

CYNTHIA C. PEOPLES
Notary Public, North Carolina
Mecklenburg County
My Commission Expires
October 17, 2013

Cynthia C Peoples
Notary Public
Print Name: Cynthia C Peoples
*[**Note:** Notary Public must sign exactly as on notary seal]*
My Commission Expires: October 17, 2013
[NOTARY SEAL] **(MUST BE FULLY LEGIBLE)**

**CHURCHILL LLC:**

**CHURCHILL LLC,**
a North Carolina limited liability company

By: Carolina Land Investors LLC,
a North Carolina limited liability company,
its Manager

By: CLI Manager LLC, a North Carolina
limited liability company,
its Manager

By: Neil B. Kapadia
Name: Neil B. Kapadia
Title: member

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

I, ANN E. LONG-JONES, a Notary Public of MECKLENBORG County and State of North Carolina, do hereby certify that NEIL B. KAPADIA ("**Signatory**"), personally came before me this day and acknowledged that he is a MEMBER of CLI Manager LLC, a North Carolina limited liability company, Manager of Carolina Land Investors LLC, a North Carolina limited liability company, Manager of **CHURCHILL LLC**, a North Carolina limited liability company, and that he, as MEMBER of CLI Manager LLC, being authorized to do so, executed the foregoing instrument on behalf of CLI Manager LLC, as Manager of Carolina Land Investors LLC, as Manager of CHURCHILL LLC, a North Carolina limited liability company.

I certify that the Signatory personally appeared before me this day, and

*(check one of the following)*

✓ (I have personal knowledge of the identity of the Signatory); **or**

— (I have seen satisfactory evidence of the Signatory's identity, by a current state or federal identification with the Signatory's photograph in the form of:

*(check one of the following)*

— a driver's license *or*

— in the form of _____); **or**

_____ (a credible witness has sworn to the identity of the Signatory).

The Signatory acknowledged to me that he voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated.

Witness my hand and official stamp or seal this 2 day of April, 2010.

ANN E. LONG-JONES NOTARY PUBLIC MECKLENBURG COUNTY, N.C.

Ann E. Long-Jones
Notary Public

Print Name: ANN E. LONG-JONES

*[**Note:** Notary Public must sign exactly as on notary seal]*

My Commission Expires: 10-21-2014

[NOTARY SEAL] **(MUST BE FULLY LEGIBLE)**

BOOK:013926 PAGE:01176 - 01181

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**Wake County Register of Deeds**
**Laura M. Riddick**
**Register of Deeds**

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_____6_____ # of Pages

22.004-1/20/06

BK014370PG02285

WAKE COUNTY, NC 35
LAURA M RIDDICK
REGISTER OF DEEDS
PRESENTED & RECORDED ON
06/09/2011 AT 09:22:15

BOOK:014370 PAGE:02285 - 02291

**Prepared by/upon recording return to:**
Scott Lay
Churchill LLC
5020 Weston Parkway, Suite 300
Cary, North Carolina 27513

Cross-Reference to Declaration: Book 11744
Page 829

STATE OF NORTH CAROLINA )
)
COUNTY OF WAKE )

ABOVE SPACE FOR RECORDER'S USE

# SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR CHURCHILL

**(Phase 1B)**

THIS SUPPLEMENTAL DECLARATION is made this 9 day of June, 20 11, by CHURCHILL LLC, a North Carolina limited liability company ("**Declarant**").

## BACKGROUND STATEMENT

WHEREAS, Crosland Churchill, LLC, a North Carolina limited liability company, as "Declarant" executed and filed that Declaration of Covenants, Conditions and Restrictions for Churchill which was recorded on December 22, 2005 in Book 11744, Page 829, *et seq.*, in the office of the Register of Deeds for Wake County, North Carolina ("**Declaration**"); and

WHEREAS, Crosland Churchill, LLC, conveyed certain real property, including but not limited to the Expansion Property (defined below), to Churchill LLC pursuant to the deed recorded in Book 13926, Page 1648. *et. seq.*, in the office of the Register of Deeds for Wake County, North Carolina; and

WHEREAS, in connection with such conveyance, Crosland Churchill, LLC assigned to Churchill, LLC all rights as "Declarant" under the Declaration and the North Carolina Planned

Community Act, pursuant to the Assignment and Assumption of Declarant Rights recorded on April 30, 2010 in Book 13926, Page 1176, *et. seq.,* in the office of the Register of Deeds for Wake County, North Carolina; and

WHEREAS, pursuant to the terms of Article IX, Section 9.1 of the Declaration, Declarant may, with the consent of the owner thereof, submit all or any portion of the property described on Exhibit "B" of the Declaration ("**Expansion Property**") to the terms of the Declaration and impose additional covenants and easements on any portion of the property submitted to the Declaration; and

WHEREAS, the property described on Exhibit "A" of this Supplemental Declaration (the "**Additional Property**") is a portion of the Expansion Property; and

WHEREAS, the Declarant, as the owner of the Additional Property, desires to submit the Additional Property to the terms of the Declaration;

NOW, THEREFORE, pursuant to the powers retained by the Declarant under the Declaration, Declarant hereby subjects the real property described on Exhibit "A" hereof to the provisions of the Declaration and to this Supplemental Declaration, which shall apply to such property in addition to the provisions of the Declaration. Such property shall be sold, transferred, used, conveyed, occupied, and mortgaged or otherwise encumbered pursuant to the provisions of this Supplemental Declaration and the Declaration, both of which shall run with the title to such property and shall be binding upon all persons having any right, title, or any interest in such property, their respective heirs, legal representatives, successors, successors-in-title, and assigns. The provisions of this Supplemental Declaration shall be binding upon Churchill Community Association, Inc. ("**Association**") in accordance with the terms of the Declaration.

## ARTICLE I
## Definitions

The definitions set forth in Article II of the Declaration are incorporated herein by reference.

## ARTICLE II
## Amendment

2.1. By Declarant.

Until conveyance of the first Unit within the Additional Property to a Person other than a Builder, Declarant may unilaterally amend this Supplemental Declaration for any purpose. Thereafter, Declarant may unilaterally amend this Supplemental Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Units; (c) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee mortgage loans on the Units; or (d) to satisfy the requirements of any local, state or

federal governmental agency. However, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent in writing.

In addition, so long as Declarant or any Declarant Affiliate owns any portion of the property described on Exhibits "A" or "B" of the Declaration for development or sale, it may unilaterally amend this Supplemental Declaration to submit additional property to the terms hereof, to reflect any revisions or amendments to the plats referenced on Exhibit "A" hereof, and, provided the amendment has no material adverse effect upon any right of any Owner without such Owner's consent in writing, for any other purpose.

Notwithstanding this reserved right, a revision or amendment to a plat shall not require an amendment to this Supplemental Declaration so long as no property is added or excluded from the plat by the revision or amendment thereto. Declarant reserves the right to record revised, amended, or additional plats that only affect internal boundaries between lots, combine lots, or subdivide lots shown on the original plat and, so long as they do not alter the overall property submitted to the Declaration by this Supplemental Declaration, such revised, amended or additional plats shall not necessitate an amendment to this Supplemental Declaration.

2.2. By Owners.

Except as otherwise specifically provided above, this Supplemental Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Owners of 67% of the Units within the Community (as defined in the Declaration) and, so long as Declarant owns any Unit in the Community, the consent of Declarant. In addition, the consent of the Board of Directors of the Association shall be required.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

2.3. Validity and Effective Date.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without Declarant's written consent or the Class "B" Member, respectively (or the assignee of such right or privilege).

If an Owner consents to any amendment to this Supplemental Declaration, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any amendment shall become effective upon recording in the Public Registry, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within one year of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Supplemental Declaration.

IN WITNESS WHEREOF, the Declarant has executed this Supplemental Declaration on the date and year first written above.

**DECLARANT:**

**CHURCHILL LLC**, a North Carolina limited liability company

By: Carolina Land Investors LLC, a North Carolina limited liability company, its sole member

By: CLI Manager LLC, a North Carolina limited liability company, its Manager

By: _____
Name: Neil B. Kapadia
Title: Member

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

I, Susan L. Bracken, a Notary Public of Union County and State of North Carolina, do hereby certify that Neil B. Kapadia ("**Signatory**"), personally came before me this day and acknowledged that he is a member of CLI Manager LLC, a North Carolina limited liability company, Manager of Carolina Land Investors LLC, a North Carolina limited liability company, the sole member of **CHURCHILL LLC**, a North Carolina limited liability company, and that he, as a member of CLI Manager LLC, being authorized to do so, executed the foregoing instrument on behalf of CLI Manager LLC, as Manager of Carolina Land Investors LLC, as the sole member of CHURCHILL LLC.

I certify that the Signatory personally appeared before me this day, and
*(check one of the following)*
✓ (I have personal knowledge of the identity of the Signatory); **or**
_____ (I have seen satisfactory evidence of the Signatory's identity, by a current state or federal identification with the Signatory's photograph in the form of:
*(check one of the following)*
___ a driver's license *or*
___ in the form of _____); **or**
_____ (a credible witness has sworn to the identity of the Signatory).

The Signatory acknowledged to me that he voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated.

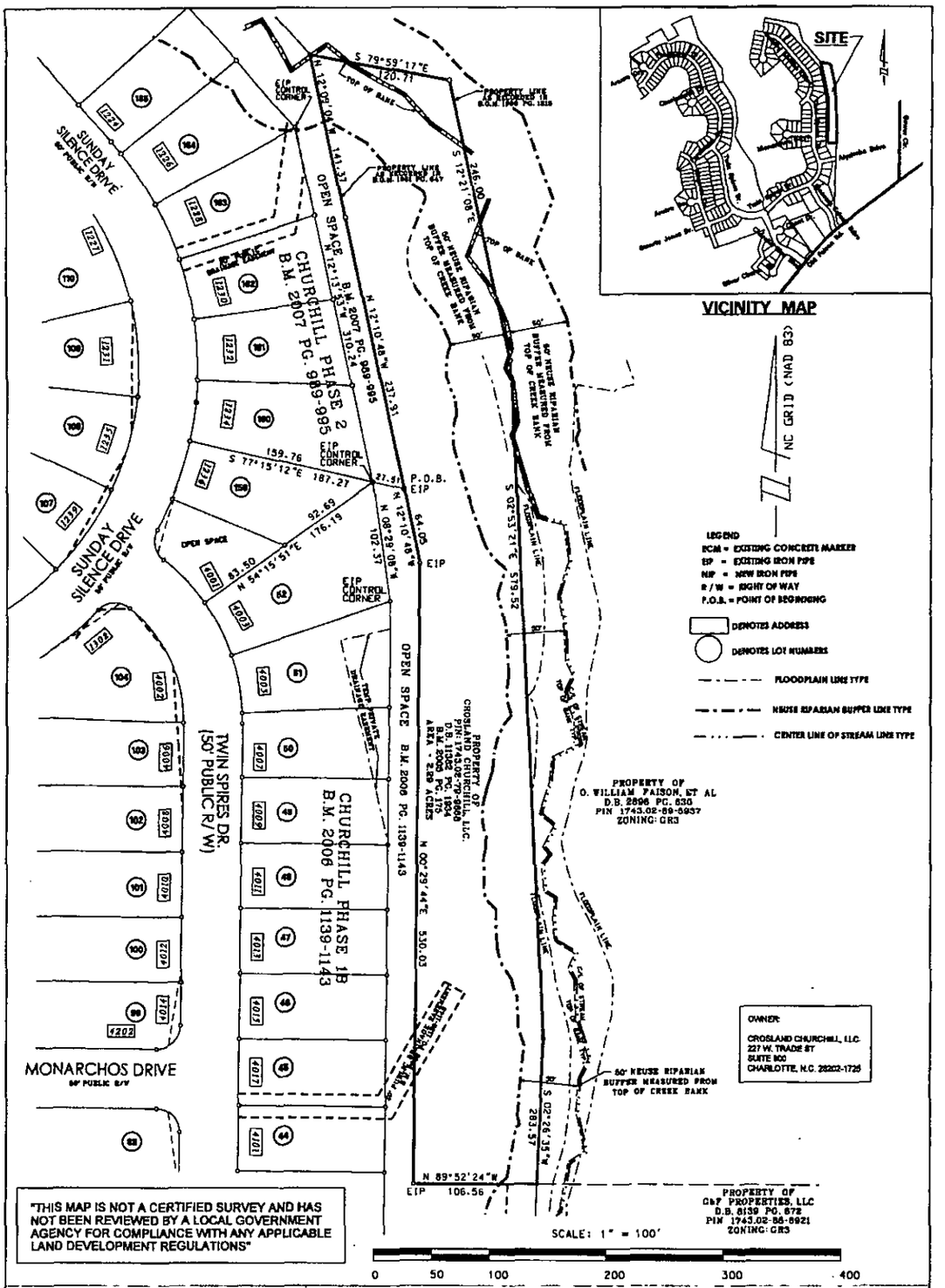
Witness my hand and official stamp or seal this 5th day of April, 2010.

Susan L. Bracken
Notary Public
Print Name: Susan L. Bracken
*[Note: Notary Public must sign exactly as on notary seal]*
My Commission Expires: 1/12/2013
[NOTARY SEAL] **(MUST BE FULLY LEGIBLE)**

SUSAN L. BRACKEN NOTARY PUBLIC UNION COUNTY, N.C.

BK014370PG02289

# EXHIBIT 'A'




Book of Maps 2005 Vol ___ Page 175 Deed Book 11382 Pg 1930 County of WAKE

CHURCHILL SUBDIVISION

| Survd. | Drawn PM | Chkd. SW | FIELD BOOK | Date 03-22-11 | Scale 1"=100' |
|---|---|---|---|---|---|


**BASS, NIXON & KENNEDY, INC.**
CONSULTING ENGINEERS
•6310 CHAPEL HILL ROAD, SUITE 250
RALEIGH, NORTH CAROLINA 27607
TELEPHONE: (919)851-4422 OR (800)354-1879
FAX: (919)851-8968 (Rol


EXHIBIT MAP FOR
CHURCHILL SUBDIVISION
TOWN OF KNIGHTDALE,
ST. MATTHEWS TOWNSHIP, WAKE COUNTY, NORTH CAROLINA

P:\2004\2088\04188000\SURVEYDEPT\pbsmith\Exhibit for disputed area.dgn

Exhibit for disputed area.dgn 3/22/2011 5:10:23 PM BY=psm

PROPERTY DESCRIPTION
FOR
REAL ESTATE ID # 0359363

Commencing at an existing iron pipe being the northeast corner of lot 52 as referenced in Book of Maps 2006, Pages 1139-1143 and said pipe being a common corner with lots 159 and 160 as referenced in Book of Maps 2007, Pages 989-995 and recorded in the Wake County Registry; thence leaving the said common corner S 77°15'12"E, 27.51 feet to an existing iron pipe in the line of the Open Space as recorded in said Book of Maps 2006, Pages 1139-1143 and said pipe being the Point and Place of BEGINNING; thence with the line of the said Open Space, N 12°10'48"W, 237.91 feet to a point; thence N 12° 09'04"W, 141.37 feet to a point; thence S 79°59'17"E, 120.71 feet to a point; thence S 12°21'08"E, 246.00 feet to a point; thence S 02°53'21"E, 579.52 feet to a point; thence S 02°26'35"W, 283.57 feet to a point; thence N 89°52'24"W, 106.56 feet to an existing iron pipe; thence N 00°29'44"E, 530.03 feet to an existing iron pipe; thence N 12°10'48" W, 64.05 feet to the Point and Place of BEGINNING and containing 2.29 acres.

BOOK:014370 PAGE:02285 - 02291

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**Wake County Register of Deeds**
**Laura M. Riddick**
**Register of Deeds**

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