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RECORDED AND VERIFIED
MARY JOE WOTE
REGISTER OF DEEDS
NEW HANOVER CO. NC.

STATE OF NORTH CAROLINA

CONSOLIDATED '94 MAY 18 PM 1 11
DECLARATION OF RESTRICTIONS
OF JASMINE COVE AND
SILVER CREEK VILLAGE AT
JASMINE COVE, PHASES I AND II

COUNTY OF NEW HANOVER

THIS DECLARATION, made this the 17th day of May, 1994, by
SANCO OF WILMINGTON SERVICE CORPORATION, herein referred to as
"Developer";

WITNESSETH:

That Whereas, Developer is the developer and owner of certain
property located in Masonboro Township, New Hanover County, North
Carolina as is hereinafter described; and

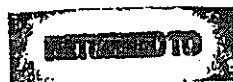
Whereas, on September 27, 1991, W.F. SLEDGE and wife,
KATHARINE C. SLEDGE, and NATHAN S. SANDERS caused to be recorded in
the Office of the Register of Deeds of New Hanover County, North
Carolina, in Book 1569 at Page 1315, a DECLARATION OF RESTRICTIONS
JASMINE COVE; and

Whereas, on August 13, 1992, W.F. SLEDGE and wife, KATHARINE
C. SLEDGE, and NATHAN S. SANDERS caused to be recorded in the
Office of the Register of Deeds of New Hanover County, North
Carolina, in Book 1615 at Page 297, an AMENDMENT TO DECLARATION OF
RESTRICTIONS JASMINE COVE; and

Whereas, on January 6, 1994, W.F. SLEDGE and wife, KATHARINE
C. SLEDGE, and NATHAN S. SANDERS caused to be recorded in the
Office of the Register of Deeds of New Hanover County, North
Carolina, in Book 1736 at Page 1258, an AMENDED DECLARATION OF
RESTRICTIONS OF JASMINE COVE AND DECLARATION OF RESTRICTIONS OF
SILVER CREEK VILLAGE AT JASMINE COVE; and

Whereas, on March 3, 1994, W.F. SLEDGE and wife, KATHARINE C.
SLEDGE, and NATHAN S. SANDERS caused to be recorded in the Office
of the Register of Deeds of New Hanover County, North Carolina, in
Book 1752 at Page 0589, a SECOND AMENDED DECLARATION OF
RESTRICTIONS OF JASMINE COVE AND DECLARATION OF RESTRICTIONS OF
PHASE I SILVER CREEK VILLAGE AT JASMINE COVE; and

Whereas, on March 22, 1994, W.F. SLEDGE and wife, KATHARINE
C. SLEDGE, and NATHAN S. SANDERS caused to be recorded in the
Office of the Register of Deeds of New Hanover County, North
Carolina, in Book 1757 at Page 0859, a DECLARATION OF RESTRICTIONS
OF PHASE 2 SILVER CREEK VILLAGE AT JASMINE COVE; and



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Whereas, the Developer has now become the sole developer of the lots to which said Declarations apply and as such is the successor in interest to the Declarants of the prior Declarations of Restrictions, and pursuant to Paragraph TWENTY-SIXTH of the original DECLARATION OF RESTRICTIONS JASMINE COVE has the right to amend the said Restrictions at any time prior to December 31, 1995, in whole or in part, without the consent or joinder of any owner of any lot in said subdivision; and

Whereas, it has become necessary to procure approval of the said subdivision by the Department of HUD and the Veterans' Administration, and, in order to comply with the legal requirements of the Department of HUD and the Veterans' Administration, certain amendments which have been determined necessary to protect lenders and owners in the subdivision are required to be added to the Declaration of Restrictions heretofore recorded; and

Whereas, the Developer has determined that it would be in the best interest of the present and future owners of lots and units within the subdivision to record in the Register of Deeds of New Hanover County, North Carolina, a Declaration of Restrictions of JASMINE COVE and SILVER CREEK VILLAGE AT JASMINE COVE PHASES I AND II, consolidating all of the prior declarations and amendments into a single document.

NOW THEREFORE, the Developer hereby amends the aforesaid Declarations of Restrictions and the amendments thereto, as follows, and hereby declares that all of the properties described herein shall be held, sold, and conveyed subject to the following easements, restrictions, covenants, and conditions which are for the purpose of protecting the value and desirability of, and which shall run with the real property, and be binding on all parties having any right, title, or interest in the said properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

1. **SCOPE OF DECLARATION** This Declaration of Restrictions shall apply to all lots in JASMINE COVE as shown upon a map recorded in Map Book 32 at Pages 42 and 43, and Map Book 32 at Page 271 of the New Hanover County Registry, and to all lots in SILVER CREEK VILLAGE AT JASMINE COVE, Phases I and II, as shown upon maps recorded in Map Book 33, at Page 272 and Map Book 33 at Page 317, of the New Hanover County Registry. As herein provided, the term "Subdivision" shall apply collectively to both JASMINE COVE and SILVER CREEK VILLAGE AT JASMINE COVE.

2. **LOT USE** No lot located within the subdivision shall ever be used for business, manufacturing, commercial, or professional purposes, it being intended that all lots shall be used for residential purposes only; provided, however, that the Developer may convert any lots or any other property subject to these restrictions to use as a roadway. Developer reserves the right to construct apartments, duplexes, triplexes, or any other type of multi-family residential development as allowed by law.

3. **SETBACK REQUIREMENTS** Since the establishment of standard inflexible building setback lines for the location of units on lots tends to force construction of units directly to the side of other units with detrimental effects on privacy, views, preservation of important trees and other vegetation, ecological, and related considerations, no specific setback lines are established by these restrictions. In order to assure, however, that the foregoing considerations are given maximum effect, the Developer reserves the right to control and approve absolutely the site and location of any structure upon any lot.

4. **TEMPORARY STRUCTURES AND OTHER STRUCTURES** No structure of a temporary character, trailer, basement, tent, shack, garage apartment, barn, or other outbuilding shall be erected on any lot or used as a residence thereon. This restriction shall not be applicable to a temporary construction trailer used by a builder while a residence is being built on the lot, so long as such trailer is not used as a residence or living quarters.

5. **BUILDING DESIGN** The design of all buildings erected or moved onto any lot shall be subject to the approval of the Developer, or of some person or persons designated by the Developer to pass upon said designs. Upon written request of a lot owner for approval of plans, the Developer or its duly authorized agent shall have ten days within which to approve or disapprove such plans. In the event of failure to approve or disapprove such plans within ten days, such approval will not be required; but the design of the proposed building must be in harmony with the existing structures in this subdivision.

6. **BUILDING CONSTRUCTION** All dwellings must be of brick veneer and/or of vinyl siding. Exterior storage buildings, detached garages, other detached structures, and structural additions to the main dwelling must be constructed out of the same materials as the main dwelling and must have the same color and general appearance as the main dwelling. No exterior colors may be changed without the written permission of the Developers, or of such person or entity

as shall be authorized by the Developers to approve a change of the exterior colors. It is the express intention of the Developers to maintain a uniform plan of development with respect to design, size, type, cost, and general appearance of all structures upon the lots in the subdivision.

7. **MAINTENANCE OF LOT, NUISANCES** It shall be the duty of each homeowner to keep his or her property in a neat and tidy condition, well maintained, with no unsightly debris or litter or the like in view. No homeowner shall place on his lot, or cause or allow to be placed on his lot, any kind of statue, sculpture, "object d'art", yard decoration, artificial wildlife, or any other similar type of object. No noxious or offensive trade or activity shall be carried on or maintained on any lot, nor shall any activity be conducted which constitutes an annoyance or nuisance to the neighborhood.

8. **ANIMALS** No animals, livestock, or poultry of any kind shall be raised, bred, or kept on any lot in the subdivision, except that dogs, cats, or other household pets may be kept for the purpose of providing companionship for the private family. Animals are not to be raised, bred, or kept for commercial purposes or for food. It is the purpose of these provisions to restrict the use of any lot so that no person shall quarter on said lots cows, horses, bees, hogs, sheep, goats, guinea fowls, chicks, geese, rabbits, chickens, turkeys, skunks, snakes, or any other animal that may interfere with the quietude, health, or safety of the community. No more than four (4) household pets will be permitted on any lot. Pets must be restrained or confined inside a fenced area or within the house. It is the pet owner's responsibility to keep their lot clean and free of pet debris. All animals must be properly tagged for identification, and further, must be kept on a leash unless such animal is confined within a fenced area. When such animals are not confined within a fenced area of the owner's yard, it is the pet owner's responsibility to remove any pet debris left by their pet upon any of the lots or common areas within the subdivision. Any costs incurred by the other lot owners or the Association as hereinafter set out, for the removal of pet debris left by the pet of a lot owner upon any lot or upon any part of the common areas shall be a charge against the pet owner's lot and shall be assessed against that individual lot owner as a special assessment and subject to the regulations regarding liens and assessments as hereinafter set forth.

9. **FENCED AREAS AND LIMITED COMMON AREAS** Developer may construct a fenced area adjacent to some of the houses or units for the use of the owner of that house or unit. Depending on the final architectural layout of the houses and/or units as constructed, some of these fenced areas may be located within the boundaries of the lot conveyed to the adjacent house or unit owner, while some of

* the fenced areas may be located on common areas owned by the Association as hereinafter described. In the event that such fenced areas shall be constructed on common areas, such areas shall become "Limited Common Areas" which shall mean such common areas, although owned by the Association, shall be reserved solely for the use of the owner of the adjacent unit or house, to the exclusion of the owners of the other units or houses within the subdivision. The fences surrounding these areas shall be maintained by the Association as hereinafter described, however, maintenance of the areas within the fences shall be the responsibility of the owner of the adjacent unit or house.

10. **OTHER FENCING** Developer may construct additional fencing on the lots subject hereto, and such fencing shall be maintained by the Owners' Association.

11. **UTILITY EASEMENTS** The Developer reserves for itself, its successors, and assigns, an easement in and right at any time in the future to grant a right of way under, over, and along the side, rear, and front property lines of each and every lot in the Subdivision, for the installation and maintenance of poles, lines, conduits, pipes, and other equipment necessary to or useful for furnishing electric, power, gas, telephone service, cable television, or other utilities including water and sewer service. Also, easements for drainage and utilities are reserved as shown on the recorded plat of the Subdivision. Developer reserves the right to make changes in and additions to the above easements for the purpose of most efficiently and economically installing improvements.

12. **LOT GRADING** The general grading, slope, and drainage plan of a lot may not be altered without the express written approval of the New Hanover County authorities and Developer, and other appropriate agencies having authority to grant such approval.

* 13. **EXTERIOR MAINTENANCE** Each lot owner shall maintain the exterior of all buildings, walls, and other improvements on his lot in good condition and repair, and shall replace worn and rotten parts and shall regularly repaint all painted surfaces and shall not permit the roofs, rain gutters, downspouts, exterior walls, windows, doors, or other exterior portions of the improvements to deteriorate in an unattractive manner. The maintenance referenced herein shall be supervised and regulated by the JASMINE COVE / SILVER CREEK VILLAGE OWNERS ASSOCIATION, INC. In the event that the lot owner shall fail to comply with these maintenance requirements, the Association is hereby expressly authorized, and the lot owner hereby expressly agrees, that said maintenance and/or repair may be effected by the said Association with the expenses incurred for the

same to be assessed against the individual lot owner as a special assessment and subject to the regulations regarding liens and assessments as herein set forth.

The owners of each house or unit shall be responsible for the repair and replacement of the roof on that owners' house or unit, and the Association shall not be required to provide such repair or replacement. In the event that there are two or more units served by a single roof structure, the owners of the units served by such single roof structure shall be jointly responsible for such roof repair or replacement. If the areas of the roof serving two or more units are not equal in size for each unit thereby served, then the costs of the roof repair or replacement shall be divided pro rata based on the actual roof area serving each unit in relation to the roof area of the entire structure.

14. LANDSCAPING MAINTENANCE All front, side, and backyard areas not otherwise fenced in shall be maintained by the JASMINE COVE / SILVER CREEK VILLAGE OWNERS ASSOCIATION, INC. No landscaping other than that provided by the Developer and/or the Association shall be allowed.

15. DIRECTIONAL SIGNS The Developer reserves for itself, its successors and assigns, a temporary easement to place directional signs upon any of the lots in said Subdivision, in order to assist prospective purchasers in locating other lots or houses which are for sale in the Subdivision, or in other future subdivisions coming out of adjoining lands. The right to place and maintain such signs shall terminate five (5) years from the date of this instrument.

16. STREET LIGHTING The Developer reserves the right to subject the real property in this Subdivision to a contract with Carolina Power & Light Company for the installation of underground electric cables and/or the installation of street lighting, either or both of which may require an initial payment and/or a continuing monthly payment to Carolina Power & Light Company by the owner of each lot.

17. MAILBOXES AND NEWSPAPER BOXES Each lot in the Subdivision shall have one (1) mailbox and one (1) newspaper box, and these boxes shall be maintained in a cluster box arrangement, which will be provided by the Developer. The maintenance of such boxes shall be the responsibility of the Owners' Association as hereinafter provided.

18. WINDOW COVERINGS To insure consistency and attractiveness within the Subdivision, white mini-blinds must be installed in all of the windows of all homes within ten (10) days of occupancy, such

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that the total view of all windows from the outside of the house is white mini-blinds. Window treatments inside of the house and not visible from the outside of the house or unit are in the discretion of the homeowner.

19. **EXTERIOR ANTENNAE** Exterior television or radio antennae, or television or radio satellite dishes are not permitted within the Subdivision.

20. **CLOTHESLINES** The outdoor drying or airing of clothes and the erection of outdoor clotheslines or similar devices on any lot in the Subdivision shall be subject to the approval of the Developer, and then only when thoroughly concealed or screened from public view within a fenced yard area.

21. **FUEL TANKS AND STORAGE RECEPTACLES** No fuel tanks or similar storage receptacles located on any lot may be exposed to public view. Any such receptacles must be installed only within a fenced area adjacent to the house or unit within the Subdivision.

22. **WATER AND SEWAGE**

(a) All water to be used in the Subdivision for domestic purposes shall be obtained from the community water system, unless other sources are approved by the City-County Board of Health and the owner of the community water system, or their successors. An eight (8) foot radius from each water meter shall be an easement for maintenance and repair of such meter. Additionally, the front ten (10) feet of each lot is hereby reserved for utility easements.

The Developer hereby grants an easement to the community water company along all streets and roads in the Subdivision for the purpose of installing, maintaining, repairing, and replacing water lines.

(b) Sewage disposal systems shall be only into the New Hanover Hanover County sewage collection system.

(c) The Developer shall install a master lawn irrigation system for the entire development, the maintenance of which shall be a responsibility of the Owners' Association as hereinafter provided.

23. **ACCESS, MAINTENANCE, AND CONSTRUCTION EASEMENTS**

(a) The Association, acting through its officers, agents, servants, and/or employees shall have the right of unobstructed access at all reasonable times to all properties as may be

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reasonably necessary to perform the exterior maintenance provided for by this Declaration.

(b) Easements are reserved over those portions of the Common Areas and Limited Common Areas and facilities that may be necessary or required to accommodate overhanging eaves or other cantilevered construction which may encroach upon the Common Areas or Limited Common Areas, or the air and light space above such Common Areas.

(c) Each lot or unit and all Common Areas and facilities and Limited Common Areas are hereby subjected to an easement for the repair, maintenance, expansion, reduction, inspection, removal, relocation, or other service of or to all gas, electricity, television, telephone, water, plumbing, sewer, utility, drainage, or other Common Areas and facilities, whether or not the cause of any or all of those activities originates on the lot or unit in which the work must be performed.

(d) Each lot or unit, and the property included in the Common Area shall be subject to an easement for encroachments created by construction, settling, and overhangs for all buildings constructed by Developer. A valid easement for such encroachments and for the maintenance of same, so long as such encroachments stand, shall and does exist. In the event that any structure containing two or more townhouses is partially or totally destroyed and then rebuilt, the owners of the townhouses so affected and other adjacent units agree that minor encroachments of or on parts of the adjacent townhouse units or Common Areas due to construction shall be permitted, and that a valid easement for said encroachment and the maintenance thereof shall exist.

(e) In the event that ingress or egress to any lot or unit is through or across any common areas, such common areas are hereby subjected to an access easement for such owners' ingress, egress, and regress to and from such lot or unit.

(f) All easements and rights described herein are easements appurtenant, running with the land, and shall be binding on the Developer, its successors and assigns, and any owner, purchaser, mortgagee, and other person having an interest in said land, or any part or portion thereof, regardless of whether or not reference to said easement is made in the respective deeds of conveyance, or in any mortgage or trust deed or other evidence of obligation, to the easements and rights described in this Declaration.

24. OWNERS ASSOCIATION

(a) To provide for the maintenance, repair, upkeep and replacement of the subdivision sign, irrigation system, mail and paper boxes, street signs, walkways, parking areas, stormwater facilities, other amenities, common areas, and, except as herein

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provided, the yard areas of the lots in the Subdivision, the Developer has formed the JASMINE COVE / SILVER CREEK VILLAGE OWNERS ASSOCIATION, INC., a non-profit corporation organized pursuant to Chapter 55A of the General Statutes of North Carolina. The Association shall also be responsible for providing any necessary liability insurance. The Articles of Incorporation for said corporation are recorded in Book 1579, at Page 0729 of the New Hanover County Registry. The By-Laws for said corporation are attached hereto as Exhibit "A", and are incorporated herein by reference.

(b) Every owner of a fee simple title to a lot within the Subdivision shall be deemed to own, possess and have accepted:

(1) A Class "A" membership(s) in the JASMINE COVE / SILVER CREEK VILLAGE OWNERS ASSOCIATION, INC., (Association), appurtenant to his lot(s);

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

(3) A right and easement of enjoyment, equal to that of all other owners, in and to the common areas and amenities, which is appurtenant to the title to each lot, subject to the right of the Association to dedicate or transfer all or any part of the common areas and amenities, for such purposes and subject to such conditions as the Association may determine, acting by and pursuant to the provisions of its duly enacted By-Laws.

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

(c) The Association shall have two classes of voting membership:

(1) Class "A". Class A members shall be all lot and unit owners with the exception of the Developer and shall be entitled to one vote for each lot or unit owned. When more than one person holds an interest in any lot or unit, all such persons shall be members. The vote for such lot or unit shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any lot or unit.

(2) Class "B". The Class B member shall be the Developer, and Developer shall be entitled to two (2) votes for each lot or unit owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

A. When 75% of the units are deeded to the homeowners, or

B. On December 31, 1996.

25. LIENS AND ASSESSMENTS The Association has heretofore been given the authority to administer the operation and management of the common areas and the amenities of the property, it being recognized that the delegation of such duties to one entity is in the best interests of the owners of all lots subject hereto to properly administer the operation and management of the common areas and amenities. The Association will incur, for the mutual benefit of all the owners of such lots, costs and expenses sometimes herein referred to as "common expenses". To provide the funds necessary for such proper operation, management and capital improvement, the Association has heretofore been granted the right to make, levy and collect assessments against the members of the Association and their lots. In furtherance of this grant of authority to the Association to make, levy and collect assessments to pay the costs and expenses for the operation of, the management of, and for capital improvements to the common areas, which for the purposes of these By-Laws shall be deemed to include, but not be limited to, the common areas and amenities, and all other improvements, the following shall be operative and binding upon the owners of all lots:

(a) The owner of any lot subject hereto, with the exception of the Developer, by acceptance of a Deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association:

(1) annual assessments or charges; and

(2) special assessments for capital improvements or special assessments as established by the Board of Directors of the Association, such assessments to be established and collected as hereinafter provided.

(b) The annual and special assessments, together with the interest, costs, and reasonable attorney's fees, if any, shall be a charge on the lots and shall be a continual lien upon each lot against which they are levied. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person or entity who is the owner of such lot at the time when the assessment falls due. The personal obligation for delinquent assessments shall not pass to any successor in title unless expressly assumed by him.

(c) The Developer shall not be required to pay regular annual assessments on any lot owned by it prior to its sale.

(d) The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents in the properties and for the improvement, maintenance, and repair of all easements, utilities, stormwater facilities, including ponds, irrigation system, subdivision signs, mail and paper boxes, yard areas, parking areas, walkways, and the other common areas, as herein provided. The funds arising from said assessments or charges, may be used for any or all of the following purposes: Maintenance, repair, and improvement of the common areas, irrigation system, drainage and utility easements, stormwater facilities (including ponds), and rights of ways; maintenance of the parking areas, walkways, and yard areas as herein provided, enforcing these restrictions, and, in addition, doing any other things necessary, proper, or desirable in the opinion of the Association to keep the property in neat and good order and to provide for the health, welfare and safety of the owners and residents of the subdivision.

(e) The annual assessments for each calendar year shall be established by the Board of Directors, and may be increased by the Board of Directors for any calendar year without approval by the membership by an amount not to exceed ten percent (10%) of the maximum annual assessment of the previous year. The maximum annual assessment for any calendar year may be increased without limit by a vote of two-thirds (2/3) of the members who are voting in person or by proxy at a meeting called for this purpose.

(f) In addition to the annual assessments authorized above, the Association may levy, in any calendar year, a special assessment for purpose of defraying in whole or in part, the costs of any construction, reconstruction, repair or replacement of a capital improvement located throughout the common areas, provided that any such assessment shall have the assent of two-thirds (2/3) of the vote of the members who are voting in person or by proxy at a meeting duly called for this purpose. All special assessments shall be fixed to the uniform rate for all lots and may be collected on a monthly basis.

(g) Written notice of any meeting called for the purpose of taking any action authorized under Paragraph 21(e) or Paragraph 21(f) set forth above shall be sent to all members not less than ten (10) days nor more than (60) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast sixty percent (60%) of all votes of the membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent

meeting shall be one-half (1/2) of the required quorum of the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

(h) The annual assessments provided for herein shall be collected on a quarterly basis and shall commence as to all lots in the subdivision on the first day of the month following recordation of the Declaration of Restrictions for the subdivision. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. Upon the closing of a lot subject hereto, there shall be an assessment due for the remainder of the quarter in which the closing occurs, plus the amount of the assessment due for the following quarter.

(i) Any assessment not paid within thirty (30) days after the due date shall bear interest at the rate of fourteen percent (14%) per annum from the date due until paid. The Association may bring an action at law against the other owner personally obligated to pay the same or foreclose the lien against the lot and interest, costs, and reasonable attorney's fee of such action or foreclosure shall be added to the amount of such assessment.

(j) The lien herein granted unto the Association shall be enforceable from and after the time of recording a claim of lien in the public records of New Hanover County, North Carolina, which claim shall state the description of the lot encumbered thereby, the name of the record owner, the amount due and the date when due. The claim of lien shall be recordable any time after default and the lien shall continue in effect until all sums secured by said lien as herein provided shall have been fully paid. Such claims of lien shall include only assessments which are due and payable when the claim of lien is recorded, plus interest, costs, and attorney's fees thereon, all as above provided. Such claims of lien shall be signed and verified by an officer or agent of the Association. Upon full payment of all sums secured by such claim of lien, the same shall be satisfied of record. The lien provided for herein shall be subordinated to the lien of any first mortgage or Deed of Trust and any person, firm, corporation or other entity acquiring title to any lot by virtue of any foreclosure, deed in lieu of foreclosure or judicial sale, shall be liable and obligated only for assessments as shall accrue and become due and payable subsequent to the date of acquisition of such title, and it shall not be liable for the payment of any assessments which were in default and delinquent at the time it acquired such title. In the event of the acquisition of title to a lot by foreclosure, deed in lieu of foreclosure or judicial sale, any assessment or assessments as to which the party so acquiring title shall not be liable shall be absorbed and paid by all owners of all lots as part of the common expenses, although nothing herein contained shall be construed as releasing the party liable for such delinquent assessment from the payment thereof or the enforcement of collection of such payment by means other than foreclosure.

(k) The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. The sale or transfer of any lot or unit shall not affect the assessment lien. However, the sale or transfer of any unit pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such lot or unit from liability for any assessments thereafter becoming due or from the lien thereof.

(l) Mortgagees are not required to collect assessments, and the failure of the owner to pay assessments shall not constitute a default under a mortgage.

(m) Upon the sale of seventy-five percent (75%) of all of lots in all sections of the Subdivision, the Developer will turn over control of the Owner's Association to the Board of Directors to be elected by the membership in accordance with the By-Laws of the Association. Until such time, however, the Developer shall elect the Board of Directors of the Association.

26. **CONVEYANCE OF COMMON AREAS TO ASSOCIATION** Prior to HUD insuring the first mortgage in each phase of the subdivision, the Developer shall convey to the Association, free and clear of all encumbrances, the common areas and limited common areas as shown on the plat of that phase as recorded in the New Hanover County Register of Deeds.

27. **CONVEYANCE, MORTGAGE, AND DEDICATION OF COMMON AREAS** The common areas and limited common areas may not be conveyed, mortgaged, or dedicated without the consent of at least two-thirds of the lot owners (excluding the Developer).

28. **RIGHTS OF ELIGIBLE MORTGAGE HOLDERS** To the extent permitted by law, an Eligible Mortgage Holder, that is, a holder of a first mortgage or lien on a lot or unit who has requested notice of certain matters from the Association, upon written request to the Association, identifying the name and address of the owner and holder, will be entitled to timely written notice of:

(a) Any condemnation, loss, or casualty loss which affects a material portion of the project or any units on which there is a mortgage held by such Eligible Mortgage Holder.

(b) Any delinquency in payment of assessments or charges owed by an owner of the unit subject to a first mortgage held by such Eligible Mortgage Holder which remains uncured for a period of sixty days.

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

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

(e) In addition to the foregoing rights, the Eligible Mortgage Holders shall be afforded the following rights subject to the extent permitted by law and as allowed by the North Carolina General Statutes as they now exist or as they may be amended from time to time.

(1) Any election to terminate the legal status of the project after substantial destruction or a substantial taking in condemnation of the project property must require the approval of at least 51% of the votes of the owners of the units or lots subject to Eligible Mortgage Holders.

(2) Unless otherwise provided in the Declaration or Bylaws, no reallocation of interest in the common areas resulting from a partial condemnation or partial destruction of the project may be affected without the prior approval of Eligible Mortgage Holders holding mortgages on all remaining units or lots whether existing whole or in part, and which have at least 51% of the votes of such remaining lots or units subject to Eligible Mortgage Holders.

* 29. **INSURANCE** It shall be the individual responsibility of each lot owner to maintain casualty and liability insurance on his lot or unit, including the exterior. It shall be the duty of the Association to maintain in effect casualty and liability insurance on all common areas as follows:

(a) **Amount and Scope of Insurance:** All insurance policies upon the common areas shall be secured by the Board of Directors or its designee on behalf of the Association with full authority, which shall obtain such insurance against (1) loss or damage by fire or other hazards normally insured against, and (2) such other risks, including public liability insurance, for projects similar in construction. However, such liability coverage shall be for at least \$1,000,000.00 for bodily injury, including deaths of persons and property damage arising out of a single occurrence. Coverage under this policy shall include, without limitation, legal liability of the insureds for property damage, bodily injuries, and deaths of persons in connection with the operation, maintenance, or use of the common areas and legal liability arising out of lawsuits relating to employment contracts of the Association. The foregoing shall not preclude the Board from obtaining insurance coverage on all or a portion of the limited common areas and facilities.

(b) Insurance Provisions. The Board of Directors shall make diligent effort to ensure that said insurance policies provide for the following:

(1) A waiver of subrogation by the insurer as to any claims against the Association, any officer, director, agent, or employee of the Association, the lot owners, and their employees, agents, tenants, and invitees.

(2) A waiver by the insurer of its right to repair and reconstruct instead of paying cash.

(3) Coverage may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least thirty days prior written notice to the named insured.

(4) Coverage will not be prejudiced by act or neglect of the lot owners when said act or neglect is not within the control of the Association.

(5) The policy on the common areas cannot be cancelled, invalidated, or suspended on account of the conduct of any one or more individual lot owners.

(6) The policy on the common areas cannot be cancelled, invalidated, or suspended on account of any officer or employee of the Board of Directors without prior demand in writing that the Board of Directors cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured by the Association.

(c) Premiums. All insurance premiums on the common areas for the benefit of the Association purchased by the Board of Directors or its designee and any deductibles payable by the Association upon loss shall be a common expense and the Association shall levy against the owners equally, as an additional annual assessment, herein called "Insurance Assessment" which shall be in addition to the amounts provided for herein, an amount sufficient to pay the annual cost of all such insurance premiums.

(d) Proceeds. All insurance policies purchased pursuant to these provisions shall provide that all proceeds shall be payable to the Board as insurance trustee or to such attorney at law or institution with trust powers as may be approved by the Board of Directors.

(e) Policies. All insurance policies purchased by the Board of Directors shall be with a company or companies permitted to do business in the State of North Carolina and holding a rating of "A" or better by the current issue of Best's Insurance Reports. All

insurance policies shall be written for the benefit of the Board of Directors and the lot owners and their mortgagees as their respective interests may appear, and shall provide that all proceeds thereof shall be payable to the Board of Directors and duplicates of said policies and endorsements and all renewals thereof, or certificates thereof, together with proof of payment of premiums, shall be delivered to the owners at least ten (10) days prior to the expiration date with respect to the then current policies.

(f) Distribution of Insurance Proceeds. Proceeds of insurance policies shall be distributed to or for the benefit of the beneficial owners in the following manner:

- (1) Expenses of Trust. All reasonable expenses of the insurance trustee shall be first paid or provisions made therefor.
- (2) Reconstruction or Repair. The remaining proceeds shall be used to defray the cost of repairs for the damage or reconstruction for which the proceeds are paid. Any proceeds remaining after defraying such cost shall be distributed to the beneficial owners, including lienholders of record, or retained by the Association for such common expenses or purposes as the Board shall determine.

30. FIDELITY BONDS

(a) The Association shall maintain blanket fidelity bonds for all officers, directors, employees, and all other persons handling or responsible for funds of the Association. If the Association shall delegate some or all of the responsibility for the handling of its funds to a management agent, such fidelity bonds shall be maintained by such management agent for its officers, employees, and agents handling or responsible for funds of or administered on behalf of the Association.

(b) Amount of Coverage. The total amount of fidelity bond coverage required shall be based upon best business judgment and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the management agent, as the case may be, at any given time during the term of each bond. However, in no event may the aggregate amount of such bonds be less than a sum equal to three months aggregate assessments on all units plus reserve funds.

(c) Other Requirements. Fidelity bonds required herein must meet the following requirements:

(1) Fidelity bonds shall name the Association as an obligee.

(2) The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definitions of "Employees", or similar terms or expressions.

(3) The premiums on all bonds required herein for the Association (except for premiums on fidelity bonds maintained by a management agent for its officers, employees, and agents) shall be paid by the Association as a common expense.

(4) The bonds shall provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least ten (10) days prior written notice to the Association, to any insurance trustee, and each Eligible Mortgage Holder.

31. DEVELOPER'S RIGHTS

(a) The Developer hereby reserves the right to annex additional land within the area described in Exhibit "A" attached hereto without the consent of the Class A members within ten (10) years of the date of this instrument provided that HUD, the FHA, or VA determines that the annexation is in accord with the general plan hereto approved by them. Any property annexed for such purpose will be subject to and under the jurisdiction of the Association and shall be designated as consecutively numbered phases or such other similar designations for any additional phase added.

(b) The rights reserved by the Developer also include the power to amend this Declaration of Restrictions to subject any property described above to the jurisdiction of the Association and to the rights and obligations of this Declaration of Restrictions without the consent of Class A members, subject, however, to approval by the Department of HUD or the Veterans Administration.

32. **VA/HUD APPROVAL** So long as there is a Class B Membership, annexation of additional properties, dedication of common areas, and the amendment of this Declaration of Covenants, Conditions, and Restrictions, shall require the approval of the Veterans Administration or the Department of Housing and Urban Development.

33. **STORMWATER MAINTENANCE PLAN** It shall be the responsibility of the Association to provide the following inspections and maintenance of the stormwater system:

(a) Periodic Inspections: Periodic Inspections shall be provided as follows:

(1) The Association shall provide the services of a person competent to inspect the stormwater system on a periodic basis for catch basin and pipe blockage and detention pond operation.

(2) The inspector shall remove any trash or debris which has collected in the catch basins, pipes, or detention ponds, and report any more serious defects to the Association.

(3) Periodically, the ponds shall be inspected to see that the pond level is at or below the permanent design pond level.

(b) Semiannual Inspections: Semiannual Inspections shall be provided as follows:

(1) At least once every six months, an inspection shall be made of the detention ponds to determine if excessive sedimentation or plant growth has occurred.

(2) If sedimentation has occurred to the point that the general elevation of the bottom of the pond is more than one foot above the original pond bottom elevation, the sedimentation shall be removed at least to the original pond bottom elevation.

(3) If plant growth has progressed to the point that it interferes with the effectiveness of the ponds, it shall be removed. This can be accomplished by hand or mechanical means.

(4) This inspection shall also include an inspection of the orifice which controls the pond level after a rain.

(5) When construction has been completed, certification by a Registered Professional Engineer will be required stating that construction was completed in accordance with the approved plans.

(c) The net effect of the above inspection and repairs where necessary, shall be to keep the stormwater system in good repair and to see that the pollutant control effectiveness is not diminished.

(d) Any sloughing, erosion, or vegetation washout of the stormwater system shall be immediately repaired to obtain the design depth, slopes, and specifications.

(e) The State of North Carolina is hereby made a beneficiary to the extent necessary to enforce its stormwater regulations as the same may be amended from time to time.

34. **AMENDMENT** Except as otherwise provided herein, these restrictions may be altered, modified, canceled, or changed at any time as to said subdivision as a whole or as to any subdivided lot or part thereof by a written document, recorded in the New Hanover County Registry, executed by the owners (not including mortgagees, trustees, or other lienholders) of not less than two-thirds (2/3) of the subdivided lots to which these restrictions apply. Developer's power to amend this Declaration as provided herein shall not require the consent of the Class A members and shall be valid when signed by the Developer and recorded in the New Hanover County Register of Deeds.

35. **VIOLATIONS** If the parties hereto, or any of them or their heirs or assigns, shall violate or attempt to violate any of the covenants herein, it shall be lawful for the Association or any other person or persons owning any real property situated in said subdivision to prosecute any proceeding at law or in equity against the person or persons violating or attempting to violate such covenants and either prevent him or them from so doing or recover damages or other dues for such violations.

36. **INVALIDATION** Invalidation of any one of these covenants by judgment or court order shall in no way effect any of the other covenants herein, which shall remain in full force and effect.

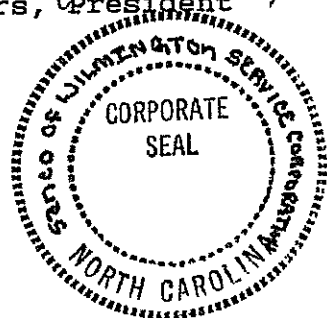
37. **TERM** All covenants, restrictions, and affirmative obligations set forth in these Restrictions shall run with the land and shall be binding on all parties claiming under them to specifically include, but not be limited to the successors and assigns, if any, of Developer, for a period of twenty (20) years from the date hereof after which time all said covenants shall be automatically extended for successive periods of ten (10) years unless an instrument signed by the owners of a majority of the lots (not including mortgagees or trustees under deeds of trust) substantially affected by such changes in covenants, has been recorded, agreeing to change said covenants in whole or in part.

38. **LOTS AND UNITS SUBJECT TO DECLARATION** All present and future owners, tenants, and occupants of lots and units and their guests and invitees shall be subject to and shall comply with the provisions of this Declaration, as the Declaration may be amended from time to time. The acceptance of a deed of conveyance or the entering of a lease or the entering into occupancy of any lot shall constitute an agreement that the provisions of the Declaration are accepted and ratified by such owner, tenant, or occupant. The covenants and restrictions of this Declaration shall inure to the

benefit of and be enforceable by the Association, or the owner of any lot or unit, their respective legal representative heirs, successors, and assigns, and shall run with and bind the land and shall bind any person having at any time any interest or estate in any lot as though such provisions were made a part of each and every deed of conveyance or lease.

IN TESTIMONY WHEREOF, the Developer has caused this instrument to be executed in its corporate name by its President, attested by its Secretary, and its corporate seal to be hereunto affixed, all by order of its Board of Directors first duly given, the day and year first above written.

ATTEST:
SANCO OF WILMINGTON SERVICE CORPORATION
By: Nathan S. Sanders, President
By: Judith B. Sanders Sec.



STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

I, a Notary Public of the County and State aforesaid, certify that Judith B. Sanders personally came before me this day and acknowledged that she is Secretary of SANCO OF WILMINGTON SERVICE CORPORATION, a North Carolina Corporation, and that by authority duly given and as the act of the Corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by her as its Secretary.

Witness my hand and notarial stamp or seal, this 17th day of May, 1994.

My Commission Expires: 11-24-95

Candice L. Olesen
Notary Public

STATE OF NORTH CAROLINA
New Hanover County
The Foregoing / Annexed Certificate(s) of
Candice L. Olesen

Notary (Notaries) Public is/ are certified to be correct.

This the 18 day of May, 1994
Mary Sue Oots, Register of Deeds
by Daphne G...
Deputy/Assistant

