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STATE OF NORTH CAROLINA

DECLARATION OF RESTRICTIONS  
BRITTANY WOODS, SECTION 1

COUNTY OF NEW HANOVER

RECORDED AND VERIFIED  
REBECCA S. TUCKER  
REGISTER OF DEEDS  
NEW HANOVER CO. N.C.  
OCT 10 5 10 50 AM 1971

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, COASTAL CAROLINA DEVELOPERS, (hereinafter CCD) a North Carolina corporation is the owner of all of the interest and equity in that certain tract of land known as BRITTANY WOODS, SECTION 1, and it is the desire of the undersigned, to ensure the use of said property for attractive residential purposes only, to prevent the impairment of the attractiveness of the property, to maintain the desired tone of the community, and thereby to secure to each lot owner the full benefit and enjoyment of his home with no greater restriction upon the free and undisturbed use of his lot than is necessary to ensure the same advantages to the other lot owners;

NOW, THEREFORE, the undersigned does hereby covenant, agree and declare to and with all persons, firms or corporations now owning or hereafter acquiring any property in BRITTANY WOODS, SECTION 1, that all of the lots in said subdivision as shown on a map recorded in Map Book 27 at Page 141 of the New Hanover County Registry, are hereby made subject to the following restrictions as to the use thereof, running with the land by whomsoever owned, to-wit:

1. All lots in said Subdivision shall be known as single-family residential lots, and shall be used for residential purposes only, except that Developer reserves the right to convert any of the lots shown on said map into a street right of way.

2. No improvement shall be erected, altered, placed upon, or permitted to remain on any lot other than one detached single-family dwelling with garage for not more than two cars. No such garage shall be more than one story in height and shall never be used for living quarters of any kind, either for guests, members of the family or servants, and the construction or maintenance of so called "garage apartments" on any lots is expressly prohibited. Detached garages and storage buildings may be permitted with the written consent of the Developer, so long as the design, materials and construction are in keeping with that of the main structure on said lot.

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

4. No dwelling shall be located on any lot (except lots fronting on a cul-de-sac) nearer than 50 feet from the front street line (35 feet from the front street line for lots fronting on a cul-de-sac). Further, no dwelling shall be permitted nearer than 10 feet to any side lot line, except as may be expressly permitted in writing by the Developer, and which are permitted by New Hanover County zoning, subdivision or other ordinances that may from time to time exist. No other structure shall be permitted on any lot nearer than 5 feet to any side lot line. If the owner of two or more adjoining lots shall elect to use them for one residence, the boundary line or lines between the lots so

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used shall not be regarded as side boundary lines of the lots. In computing the front set back and the distances between dwellings on adjoining lots, measurements shall be from the base or ground level of the building or structure, and neither overhang of eaves, not in excess of three feet, nor the establishment of uncovered stoops or steps within the setback area, shall be considered a violation of this covenant. In the event of unintentional violation of any of the building line restrictions herein set forth, the undersigned reserves the right to change such restrictions accordingly; provided, however, that such change shall not exceed ten percent (10%) of the marginal requirement of the building line restrictions existing as to such lot.

5. No dwelling erected on any of the lots shown on said map as aforesaid shall have less than 1700 square feet with attached two car garage, or a minimum of 1850 square feet without a garage, when measured by exterior foundation, which square footage shall be exclusive of porches, steps, walks, garages, carports, storage areas, etc.

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

7. No culvert or pipe shall be placed in any street or road, ditch or drain unless it in all respects meets the standards set by the governmental authority having jurisdiction over the same. No drainways along any lot within the subdivision may be filled or modified except with the written permission from the Developer.

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

9. No structure of a temporary character, trailer, mobile home, tent, shack, garage apartment, barn or other outbuilding shall be used on any lot, either temporarily or permanently, either by the owners of said lot or any other persons, as living quarters.

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

11. No animals, other than domesticated dogs, cats or other household pets, may be kept or housed on any lot. No dogs, cats or other household pets may be kept, bred or maintained for any commercial purposes; nor may they be kept in such numbers or of such nature as to be or become a nuisance to adjoining property owners or any residents of the subdivision.

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12. No lot area shall be used or maintained as a dumping ground for rubbish, trash, garbage, or other waste, and such materials may not be kept on any lots, except in sanitary containers. All incinerators or other equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition.
13. Sewerage disposal for any dwelling or other building erected on any lot shall be by septic tank if approved by the County Board of Health and all others shall be serviced by a community sewerage disposal system.
14. No lot as shown on the map of the subdivision above referred to shall be resubdivided unless each part of the subdivided lot becomes a part of another whole lot, except, that Developer may subdivide any lot, so long as each portion of any such resubdivided lot meets requirements for said lots established by the New Hanover County Board of Commissioners or other governmental authority having jurisdiction over the property in question.
15. No fence shall be erected on any lot nearer the front street line than the rear corners of the house erected on said lot, and all fences erected shall be of wood or chain link type composition. Provided, however, decorative fencing, not to exceed four (4) feet in height, may be allowed with the express written consent of the Developer, its successors or assigns, or a Committee appointed by the Developer, its successors or assigns, for such purpose.
16. No signs of any type or description shall be placed on or displayed on any residential lot except signs "For Rent" or "For Sale" which signs shall not exceed six square feet in size.
17. Water to be used for human consumption by the residents of any lot in the subdivision must be obtained from the community water system serving said subdivision unless other sources are approved and authorized by the City-County Board of Health and the utility company furnishing the subdivision.
18. To provide for the maintenance, repair and upkeep of entrance areas, conservation areas, drainage areas and ways, parks, recreation areas and amenities, if any, AND OTHER PROPERTIES, CCD has formed COASTAL CAROLINA OWNERS ASSOCIATION, a non-profit corporation organized pursuant to the Non-Profit Corporation Act of the State of North Carolina, the Articles of Incorporation for which are recorded in the New Hanover County Registry in Book 1391, at Page 1690.
- The By-Laws of said Association are attached hereto as Exhibit "A". Said By-Laws provide, among other things, the assessing and collecting of dues and assignments for maintenance of the area described herein. The owners of all lots in BRITTANY WOODS, SECTION 1, upon acceptance of a deed to their lot shall automatically become a member of said Association and shall be subject to all of the terms, conditions and provisions of said Articles of Incorporation and said By-Laws. Further, said By-Laws are incorporated herein by reference.
- CCD shall convey to the Association, and the Association shall own in fee the entrance areas and amenities, if any, referred to hereinabove, of the property, and all of the improvements thereon.
19. Every owner of a fee simple title to a lot within the development shall be deemed to own, possess and have accepted:
- (a) The membership(s) in the COASTAL CAROLINA OWNERS ASSOCIATION appurtenant to his lot(s), with voting rights

of one vote for each lot owned;

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

(c) An easement of enjoyment, equal to that of all other owners, in and to the common elements, subject to:

(i) The right of the Association to dedicate or transfer all or any part of the areas and amenities, if any, subject hereto, 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.

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

20. Invalidation of any one of these covenants by judgments or court order shall in no way affect any of the other covenants herein, which shall remain in full force and effect.

21. If the parties hereto, or any of them, or their heirs and assigns shall violate or attempt to violate any of the covenants herein, it shall be lawful for any person or persons, owning any real property situated in said BRITTANY WOODS, SECTION 1 to prosecute any proceedings at law or in equity against the person or persons violating or attempting to violate any such covenants, and either to prevent him or them from doing or to recover damages or other dues for such violation.

22. In the event that the Developer shall seek to obtain approval of these covenants and the plan of development of the Properties in order that the Dwelling Units and Sites and improvements constructed thereon will be eligible for loans approved or guaranteed by the Veterans Administration, hereinafter called "VA", or the Department of Housing and Urban Development, hereinafter called "HUD", or Federal National Mortgage Association, hereinafter called "Fannie Mae", or the Federal Home Loan Mortgage Corporation, hereinafter called "Freddie Mac", it is likely that HUD, VA, Fannie Mae or Freddie Mac will require changes in this Declaration in order to make the lots and improvements thereon eligible for VA, HUD, Fannie Mae or Freddie Mac loans. In such event, Developer, without the consent or approval of any Owner or Member shall have the right to amend this Declaration. When this Declaration, By-Laws and Articles of Incorporation have been approved by VA, HUD, Fannie Mae, and Freddie Mac, then this paragraph shall be considered null and void and the Developer shall not have any further rights hereunder to amend except upon approval of Membership.

23. These restrictions are subject to being altered, modified, cancelled or changed at any time as to said subdivision as a whole or as to any subdivided lot or part thereof by written document executed by the Developer, its successors and/or assigns and by the owners of not less than sixty percent (60%) of the lots of said subdivision to which these restrictions apply, and recorded in the office of the Register of Deeds of New Hanover County, North Carolina; provided, Developer shall have the right to amend said restrictions at any time prior to December 31, 1988, without consent of any such owner or owners.

24. Coastal Carolina Owners Association shall be responsible for maintaining all drainage areas and ways and easements over all lots in the subdivision. No structure, planting or other material shall be placed or permitted to remain in any such

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drainage area, way, easement or any other easement which would interfere with the installation or maintenance of utilities or which may change the direction or flow of drainage channels in the easements.

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

SCOPE OF RESTRICTIONS

THESE RESTRICTIONS APPLY ONLY TO SECTION 1, BRITTANY WOODS SUBDIVISION, AS THE SAME IS SHOWN ON THE MAP REFERENCED ABOVE, AND NOTHING HEREIN IS INTENDED, NOR SHALL BE DEEMED, TO BE A REPRESENTATION, WARRANTY, COVENANT OR PROMISE THAT THESE RESTRICTIONS APPLY OR SHALL APPLY TO ANY OTHER REAL PROPERTY OWNED BY DEVELOPER AND AS DESCRIBED IN THAT DEED RECORDED IN BOOK 1292, AT PAGE 1526 IN SAID REGISTRY. DEVELOPER FOR ITSELF, ITS SUCCESSORS AND/OR ASSIGNS, DECLARES THAT SECTION 1, BRITTANY WOODS, IS NOT PART OF ANY OVERALL PLAN FOR THE DEVELOPMENT OF THE REAL PROPERTY DESCRIBED IN THE DEED REFERENCED HEREIN, AND THAT THE REMAINDER OF SAID PROPERTY MAY AND CAN BE USED, DEVELOPED, CONVEYED AND/OR IMPROVED FOR PURPOSES AND SUBJECT TO RESTRICTIONS OTHER THAN AS SET OUT HEREIN.

IN TESTIMONY WHEREOF, CCD has caused this instrument to be signed in its corporate name by its President or Vice-President, sealed with its corporate seal, and attested by its Secretary, or Assistant Secretary, this 2nd day of October, 1987.

ATTEST:

COASTAL CAROLINA DEVELOPERS, INC.

B. Leon Skinner  
Asst. Secretary

[Signature]  
President

(AFFIX CORPORATE SEAL)



STATE OF NORTH CAROLINA

COUNTY OF ~~NEW HANOVER~~ PENDER

I, Dale B. Covil, a Notary Public of said County and State, do hereby certify that B. Leon Skinner, personally came before me this day and acknowledged that he/~~she~~ is Assistant Secretary of COASTAL CAROLINA DEVELOPERS, INC., 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 himself/~~herself~~ as its Assistant Secretary.

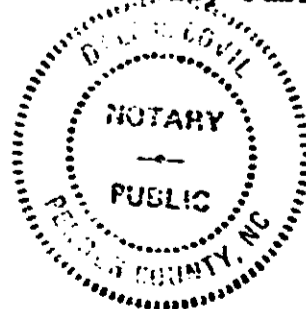
WITNESS my hand and notarial seal this 2nd day of October, 1987.

Dale B. Covil  
Notary Public

My Commission Expires:

March 16, 1991

(AFFIX NOTARIAL SEAL)



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BY-LAWS  
OF  
COASTAL CAROLINA OWNERS ASSOCIATION

ARTICLE I.

General Provisions

SECTION 1. - IDENTITY: These are the By-Laws of COASTAL CAROLINA OWNERS ASSOCIATION, a nonprofit corporation organized pursuant to the laws of the State of North Carolina; the Articles of Incorporation for which have been recorded in Book 1391, at Page 1690, of the Office of the Register of Deeds of New Hanover County, North Carolina.

SECTION 2. - INCORPORATION: The provisions of these By-Laws supplement and are enacted pursuant to the provisions of the above referenced Articles of Incorporation and are applicable to the record owners of certain lots located upon or within those certain developments of real property, taken or developed from the property described on Exhibit "A" hereto attached, made a part hereof, and incorporated herein by reference. Provided, no owner of any such lot or lots shall be affected by or subject to these By-Laws or the Articles of Incorporation hereinabove referred to unless and until the Developer of the property described on Exhibit "A" has placed upon the public records of New Hanover County, North Carolina, a set of Restrictive Covenants providing specifically that said lot or lots are subject hereto and that the owners of lots therein are specifically subject to these By-Laws and the Articles of Incorporation referred to herein. For the purposes hereof, the Developer of the property described on Exhibit "A" is COASTAL CAROLINA DEVELOPERS, INC., its successors and assigns.

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

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

ARTICLE II.

Membership

SECTION 1. - IDENTIFICATION: The Association shall have only one class of members. Each membership shall be appurtenant to and shall not be severed from the fee simple ownership of a lot subject hereto. The rights, duties, obligations, powers and privileges appurtenant to each membership shall be exercised by the fee simple owner of the lot to which such membership is appurtenant. Any devise, contract for the sale of, Deed, or other means of conveyance of any such lot shall be deemed to

include the appurtenant membership in the Association. No portion of the rights, privileges, powers, duties or obligations appurtenant to each membership in the Association may be sold, transferred or otherwise disposed of, except as part of a sale, transfer or other disposition of the lot to which such membership is appurtenant.

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

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

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

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

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

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SECTION 7. - NOTICE OF MEETINGS: The Secretary shall mail to each owner of a membership in the Association notice of each annual or special meeting of the membership at least ten (10) days but not more than sixty (60) days prior to such meeting, stating the purpose thereof as well as the time and place where it is to be held. Said notice shall be mailed to the address which the owner of each membership has designated to the Secretary and maintained by the Secretary on his current register of owners. The mailing of a notice of a meeting in the manner provided in this section shall be considered service of notice.

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

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

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

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

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

### ARTICLE III.

#### Board of Directors

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

SECTION 1. - NUMBER, TERM OF OFFICE AND QUALIFICATIONS: Until such time as control of the Association has been turned over to the membership as provided in Article VII hereof, the number constituting the Board of Directors shall be three (3). After such control has been turned over to the membership, the number constituting the Board of Directors shall be seven (7). Each Director shall continue in office until the annual meeting of the membership held next after his election and until his successor shall have been elected and qualified or until his

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death or until he shall resign or shall have become disqualified or removed from office. Directors need not be residents of the State of North Carolina, nor year-round residents of any development subject hereto; provided, however, that each Director shall be an owner or spouse of an owner in one of the developments subject hereto and in the case of partnership owners, shall be a member or employee of such partnership, and in the case of corporate owners, shall be an officer, shareholder, or employee of such corporation, and in the case of fiduciary owners, shall be the fiduciary, or an officer or employee of such fiduciary.

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

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

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

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

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

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

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

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

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

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

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

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

a. the operation, care, upkeep and maintenance of the entrance areas, conservation areas, drainage areas and ways, parks and other recreational areas, and amenities, if any, and the improvements thereon;

b. the determination of the amounts required for the operation, maintenance, care and upkeep of said areas and amenities, if any, and the improvements thereto, and the amounts required for the general operation of the Association;

c. the levying and collection of the assessments from the membership owners;

d. the employment and dismissal of personnel as necessary for the efficient maintenance of the development and operation of the Association;

e. the adoption and the amendment of rules and regulations governing the operation of the Association and the use and enjoyment of the amenities, if any;

f. the opening and maintaining of bank accounts on behalf of the Association and designating the signatories required therefor;

g. the purchasing, leasing or otherwise acquiring in

the name of the Association or its designee, corporate or otherwise, on behalf of all members of the Association, lots offered for sale or lease;

h. the purchasing of lots at foreclosure or other judicial sales in the name of the Association, or its designee, corporate or otherwise, on behalf of the membership;

i. the selling, conveying, leasing, mortgaging of, voting the votes appurtenant to (other than for the election of members of the Board of Directors), or otherwise dealing with the lots acquired by, and subleasing lots by the Board of Directors on behalf of the membership of the Association;

j. the organizing of the corporation to act as designee of the Board of Directors in acquiring title to or leasing lots by the Board of Directors on behalf of the membership of the Association;

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

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

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

n. the adoption of a seal for the Association;

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

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

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

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

**SECTION 14. - LIABILITY OF THE BOARD OF DIRECTORS:** The members of the Board of Directors shall not be liable to the Association or any of its members for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The members of the Association shall indemnify and hold harmless each member of the Board of Directors against all contractual liability to others arising out of con-

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tracts made by the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Articles of Incorporation, or these By-Laws. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association. It is also intended that the liability of any member of the Association arising out of any contract made by the Board of Directors or out of the indemnity in favor of the members of the Board of Directors shall be limited to such proportions of the total liability thereunder as his interest in the Association bears to the interest of all members of the Association in the Association. Every agreement made by the Board of Directors on behalf of the Association shall provide that the members of the Board of Directors are acting only as agents for the Association and shall have no personal liability thereunder (except as members of the Association), and that each member of the Association's liability thereunder shall be limited to such proportion of the total liability thereunder as his interest in the Association bears to the interest of all members in the Association.

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

#### ARTICLE IV.

##### Officers

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

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

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

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

SECTION 5. - VICE PRESIDENT: The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President or Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to

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act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President.

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

SECTION 7. - TREASURER: The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of accounts showing all receipts and disbursements, and for the preparation of all required financial statements. He shall be responsible for the deposit of all monies and other valuable effects in the name of the Board of Directors, in such depositories as may from time to time be designated by the Board of Directors, and he shall, in general, perform all of the duties incident to the office of Treasurer of a corporation organized under the Business Corporation laws of the State of North Carolina.

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

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

#### ARTICLE V.

##### Operation of the Association

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

Subsection 1.1. - PROCEDURES: The Board of Directors, or a rule making committee specifically appointed by the President, shall formulate reasonable rules and regulations, or amendments or modifications thereto, to be proposed to the membership of the Association. Such proposals may be considered by the membership of the Association for adoption either at the annual meeting of the membership or at a special meeting of the membership called by the President specifically for the consideration of the adoption of such proposals. All such proposals shall be stated in writing and sent to the owners of the memberships in the Association in any notice of the special meeting called for the consideration thereof, or at least fifteen (15) days prior to the annual meeting of the membership of the Association at which they will be considered. At such meeting such

proposed rules and regulations shall be considered new business of the Association. In order to be adopted as rules and regulations, amendments or modifications thereof, of the Association such proposed rules and regulations must receive assent from two-thirds (2/3) of the votes of the entire membership of the Association present in person or by proxy at such meeting.

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

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

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

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

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

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

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

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

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

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

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

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

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

- a. Fire insurance in an amount of not less than \$ 100,000.00 for the areas, and amenities, if any, subject hereto, and the improvements thereon;