

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

1.00
31.00

STATE OF NORTH CAROLINA,
COUNTY OF NEW HANOVER.

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS

THIS DECLARATION, made on the date hereinafter set forth by
ADGER WILSON REALTY, INC., a North Carolina corporation, hereinafter referred
to as "Declarant";

above 9-11-81

WITNESSETH :

WHEREAS, Declarant is the owner of certain property in New Hanover
County, North Carolina, which is more particularly described as follows:

Phase II of Crooked Creek Townhouses as
the same is shown on a map thereof recorded in
Map Book 20 at Page 79 of the New
Hanover County Registry.

RETURNED TO

W. Johnson-Jones

NOW, THEREFORE, Declarant hereby declares that all of the pro-
perties described above shall be held, sold and conveyed subject to the follow-
ing 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 described properties or any part thereof, their heirs, successors and
assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to THE CROOKED
CREEK HOMEOWNERS ASSOCIATION, its successors and assigns.

Section 2. "Owner" shall mean and refer to the record owner,
whether one or more persons or entities, of a fee simple title to any lot
which is a part of the Properties, including contract sellers, but ex-
cluding those having such interest merely as security for the performance
of an obligation.

Section 3. "Properties" shall mean and refer to that certain
real property hereinbefore described, and such additions thereto as may
hereafter be brought within the jurisdiction of the Association.

Section 4. "Common Area" shall mean all real property (including
the improvements thereto) owned by the Association for the common use and
enjoyment of the owners. The Common Area to be owned by the Association at
the time of the conveyance of the first lot is described as follows:

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The Common Area of Phase II of CROOKED CREEK
TOWNHOUSES which is all of that area shown on a
map of Phase II of CROOKED CREEK TOWNHOUSES that
is recorded in Map Book 20, at Page 79 in
the Office of the Register of Deeds of New Hanover
County, with the exception of Lots 201, 202, 203

and 204 as the same are shown on said map.

Section 5. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

Section 6. "Declarant" shall mean and refer to ADGER WILSON REALTY, INC., a North Carolina corporation, its successors and assigns.

ARTICLE II

PROPERTY RIGHTS

Section 1. OWNERS' EASEMENTS OF ENJOYMENT. Every owner shall have a right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every lot, subject to the following provisions:

(a) the right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;

(b) the right of the Association to suspend the voting rights and right to use of the recreational facilities by an owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed 60 days for any infraction of its published rules and regulations;

(c) the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless the officers of the Association are authorized to do so by vote of two-thirds of each class of members;

(d) Until the Developer has completed and sold all of the Townhouses, neither the Townhouse Owners nor the Association nor the use of the Townhouse Property shall interfere with the completion of the contemplated improvements and the sale of the Townhouses. The Developer may make such use of the unsold units and common areas as may facilitate such completion and sale, including but not limited to, the maintenance of a sales office, the showing of the property, and the display of signs.

Section 2. DELEGATION OF USE. Any owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Area and facilities to the members of his family, his tenants or contract purchasers who reside on the property.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Every owner of a lot shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment.

Section 2. The Association shall have two classes of voting membership:

Class A: Class A members shall be all owners with the exception of the Declarant, and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Lot.

Class B: The Class B member shall be the Declarant and it shall be entitled to two votes for each of the 28 proposed townhouse lots. These 56 votes shall be vested in the Declarant immediately upon the recordation of this instrument. Each Class B membership with two votes shall cease and automatically be converted to a Class A membership as each "Lot" is deeded out to a purchaser.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1: CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot 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, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

The Board of Directors of the Association shall prepare an assessment budget for the Association, determine the size of the assessment

required to fund the budget and allocate and assess the charges required against each lot and shall advise each owner-member in writing of the amount of the annual assessment payable by him and shall furnish copies of the annual budget on which such assessment is based to all members.

Section 2. PURPOSE OF ASSESSMENTS. 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 and maintenance of the Common Area, and of the homes situated on the properties.

In addition to maintenance upon the Common Area, the Association shall provide exterior maintenance upon which each lot is subject to assessment hereunder as follows: paint, repair, replacement, and care of roofs, gutters, downspouts, exterior building surfaces, and other exterior improvements. Such exterior maintenance shall not include glass or screened surfaces.

Each lot owner will be responsible for obtaining and maintaining property insurance insuring the permanent improvements located on the lot in approved form and with companies approved by the Board of Directors. The minimum amount of coverage of the policy will be established by the Board of Directors of the Association upon its annual review of property values and construction replacement cost. Proof of insurance must be established by providing the Association with a certificate of insurance on the property each year at least ten (10) days before the expiration of the current year's policy. If a lot owner fails to provide the Association with acceptable proof of coverage within the time specified the Association may acquire the insurance on behalf of the lot owner in the name of the lot owner and the Association. The total premium will be due in full with the next monthly assessment against the lot due the Homeowners Association.

Pursuant to the authority granted by this Paragraph and by the By-Laws of the Homeowners' Association, the Association shall obtain liability insurance for the Common Area and lots all as is more fully set out and described in the Association By-Laws, a copy of same being attached hereto and marked Exhibit "A".

In the event that the need for maintenance or repair of a lot or the improvements thereon is caused through the willful or negligent acts of its owner, of through the willful or negligent acts of the family, guests, invitees or tenants of the owner of the lot needing such maintenance or repair, the cost of such exterior maintenance shall be added to and become

a part of the assessment to which such lot is subject.

Section 3. MAXIMUM ANNUAL ASSESSMENT. Until January 1 of the year immediately following the conveyance of the first lot to an Owner, the maximum annual assessment shall be \$696.00 per lot for Type A Townhouses and \$640.32 per lot for Type B Townhouses.

(a) From and after January 1 of the year immediately following the conveyance of the first lot to an Owner, the maximum annual assessment may be increased each year not more than 8% above the maximum assessment for the previous year without a vote of the membership.

(b) From and after January 1 of the year immediately following the conveyance of the first lot to an Owner, the maximum annual assessment may be increased above 8% by a vote of two-thirds of the members who are voting in person or by proxy, at a meeting duly called for this purpose.

(c) The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

Section 4. SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS.

In addition to the annual assessments authorized above, the Association may levy in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds of the votes of each class of members who are voting, in person or by proxy at a meeting duly called for this purpose.

Section 5. NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTIONS 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 shall be sent to all members not less than thirty (30) days nor more than sixty (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 the votes of each class of 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 at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 6. UNIFORM RATE OF ASSESSMENT. Both annual and special assessments must be fixed at a uniform rate for all lots encompassing the same type of townhouse and may be collected on a monthly basis. All Type B Townhouses will be assessed at 8% less than the assessment for Type A Townhouses.

In the event the developer adopts a new type townhouse plan for future construction, the annual and special assessments for the new type plan shall be set at an amount that equitably reflects its relative size and value in relationship to existing types of townhouses. Minor design changes shall not require any adjustment in the ratio of assessments.

Section 7. DATE OF COMMENCEMENT OF ANNUAL ASSESSMENTS: DUE DATES. The annual assessments provided for herein shall commence as to all lots on the first day of the month following the conveyance of the Common Area for that particular phase, except that annual assessments shall not commence for any lot until a certificate of occupancy has been issued for such Lot. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each lot at least thirty days in advance of each annual period. Written notice of the annual assessment shall be sent to every owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified lot have been paid. A properly executed certificate of the Association as to the status of assessments on a lot is binding upon the Association as of the date of its issuance.

Section 8. EFFECT OF NONPAYMENT OF ASSESSMENTS: REMEDIES OF THE ASSOCIATION. Any assessment not paid within thirty days after the due date shall bear interest from date at the rate of eight (8) percent per annum. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the property. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

Section 9. SUBORDINATION OF THE LIEN TO THE MORTGAGES. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage held by an institutional lender. Sale or transfer of any lot shall not affect the assessment lien. However, the sale or transfer of any lot pursuant to mortgage foreclosure or any proceeding in lieu thereof on behalf of an institutional lender, 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 from liability for any assessment thereafter becoming due or from the lien thereof.

Section 10. LIABILITY OF THE BOARD OF DIRECTORS. The members of the Board of Directors shall not be liable to the Lot owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Lot Owners shall indemnify and hold harmless each member of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Owners Association unless any such contract shall have been made in bad faith or contrary to the provisions of the declaration or of the 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. Every agreement made by the Board of Directors on behalf of the Owners 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.

ARTICLE V

ARCHITECTURAL CONTROL

No building, fence, wall or other structure shall be commenced erected or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials, and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Declarant. In the event the Declarant, or its assignee, fails to approve or disapprove any design or location within 30 days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

On or after January 1, 1988 or before that date upon the express assignment of the Declarant, all rights to architectural control of the development shall devolve upon the Board of Directors of the Association or an architectural committee composed of 3 or more representatives appointed by the Board.

ARTICLE VI

PARTY WALLS

Section 1. GENERAL RULES OF LAW TO APPLY. Each wall which is built as a part of the original construction of the homes upon the Properties and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage

due to negligence or willful acts or omissions shall apply thereto.

Section 2. SHARING OF REPAIR AND MAINTENANCE. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such damage.

Section 3. DESTRUCTION BY FIRE OR OTHER CASUALTY. If a party wall is destroyed or damaged by fire or other casualty, the Owner must restore it and if the other Owners make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such damage without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 4. WEATHERPROOFING. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 5. RIGHT TO CONTRIBUTION RUNS WITH LAND. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 6. ARBITRATION. In the event of any dispute arising concerning a party wall or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators.

ARTICLE VII

GENERAL PROVISIONS

Section 1. ENFORCEMENT. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. SEVERABILITY. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions which shall remain in full force and effect.

Section 3. AMENDMENT. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be

automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than ninety percent (90%) of the total number of votes held by Class A and Class B members and thereafter by an instrument signed by not less than seventy-five percent (75%) of the Lot Owners. Any amendment must be recorded.

Section 4. Additional land within the area described in Deed Book 1152 at Page 445 of the New Hanover County Registry, and an adjoining tract of less than 5 acres may be annexed by the Declarant without the consent of the members within 10 years of the date of this instrument. All lot owners who purchase lots that are annexed hereto within 10 years of the date of the recording of this Declaration shall have full rights of membership in the Association. The Declarant shall be entitled to additional Class B memberships for each proposed townhouse lot in the annexed tract. This number of additional Class B memberships shall be limited to the number of Townhouse Lots authorized by the Special Use Permit and memberships shall begin at the time the Special Use Permit is granted by the appropriate governmental agency.

Section 5. PARKING RIGHTS. Ownership of each lot shall entitle the owner or owners thereof to the non-exclusive use of not more than 2 automobile parking spaces, which shall be as near and convenient to said lot as reasonably possible, together with the right of ingress and egress in and upon said parking area.

ARTICLE VIII

USE RESTRICTIONS

Section 1. LAND USE AND BUILDING TYPE. No lot shall be used except for residential purposes. No building shall be erected, altered, placed, or permitted to remain on any lot other than one single family townhouse dwelling not to exceed two and one-half stories in height. Any building erected, altered, placed, or permitted to remain on any Lot shall be subject to the provisions of Article V of this Declaration of Covenants, Conditions and Restrictions relating to architectural control.

Section 2. Nuisances. No noxious or offensive activity shall be carried on upon any Lot, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood.

Section 3. TEMPORARY STRUCTURES. No structure of a temporary

character, trailer, basement, tent, shack, garage, barn or other outbuilding shall be used on any lot at any time as a residence either temporarily or permanently.

Section 4. No water wells may be drilled or otherwise constructed upon any lot for use and consumption for household purposes. Water wells may be drilled and constructed with the consent of Cape Fear Utilities, Inc. for watering lawns or other purposes other than for household use and consumption, said consent shall be in writing. No septic tanks shall be installed or maintained on any lot.

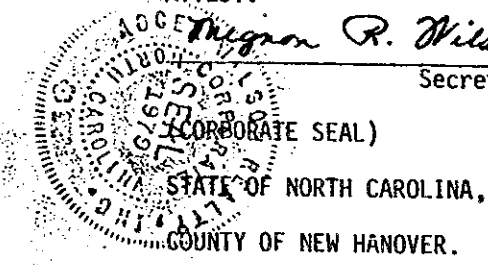
ARTICLE IX

Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plat. Within these easements, no structure, planting or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the easements, or which may obstruct or retard the flow of water through drainage channels in the easements.

IN WITNESS WHEREOF, the undersigned, being the Declarant, has caused this instrument to be signed in its name by its proper corporate officers and its corporate seal to be hereto affixed, all on the day and year first hereinabove written.

ATTEST:
Mignon R. Wilson
Secretary

ADGER WILSON REALTY, INC.
BY: Adger Wilson
President



I, Angela D. Herren, a Notary Public of the State and County aforesaid, do hereby certify that Mignon R. Wilson personally came before me this day and acknowledged that she is Secretary of ADGER WILSON REALTY, INC., a 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 Mignon R. Wilson its Secretary.

WITNESS my hand and notarial seal, this the 14th day of September, 1981.

My commission expires: 2/17/85
(SEAL)



Angela D. Herren
NOTARY PUBLIC
STATE OF NORTH CAROLINA
New Hanover County
The Foregoing Certificate of
Angela D Herren
a notary public
is certified to be correct.
This the 11 day of Sept. 19 81

Rebecca P. Tucker, Register of Deeds
By Peggy R. Thomas
Asst.

BY-LAWS
OF
CROOKED CREEK HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION. The name of the corporation is CROOKED CREEK HOMEOWNERS ASSOCIATION, INC., hereinafter referred to as the "Association". The principal office of the corporation shall be located at 1994 Eastwood Road, Wilmington, North Carolina 28403, but meetings of members and directors may be held at such places within the State of North Carolina, County of New Hanover as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to CROOKED CREEK HOMEOWNERS ASSOCIATION, INC., its successors and assigns.

Section 2. "Properties" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

Section 4. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

Section 5. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Declarant" shall mean and refer to ADGER WILSON REALTY, INC., a North Carolina corporation, its successors and assigns if such successors or assigns should acquire more than one undeveloped lot from the Declarant for the purpose of development.

Section 7. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Properties recorded in the Office of the Register of Deeds of New Hanover County, North Carolina.

Section 8. "Member" shall mean and refer to those persons entitled to membership as provided in the Declaration.

ARTICLE III

MEETING OF MEMBERS

Section 1. ANNUAL MEETINGS. The first annual meeting of the members shall be held on the last Monday in November of each year at seven o'clock p.m. If the day for the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. SPECIAL MEETINGS. Special meetings of the members may be called at any time by the president or the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes of the Class A membership.

Section 3. NOTICE OF MEETINGS. Written notice of each meeting

of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least 15 days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 4. QUORUM. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. PROXIES. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his lot.

ARTICLE IV

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 1. NUMBER. The affairs of the Association shall be managed by a Board of three (3) directors who need not be members of the Association.

Section 2. TERM OF OFFICE. At the first annual meeting the members shall elect one director for a term of one year, one director for a term of two years and one director for a term of three (3) years; and at each annual meeting thereafter the members shall elect one director for a term of three years.

Section 3. REMOVAL. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association present at the meeting. In the event of death, resignation or removal of a director his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. COMPENSATION. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. ACTION TAKEN WITHOUT A MEETING. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. NOMINATION. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.

Section 2. ELECTION. Election to the Board of Directors shall be by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held quarterly without notice at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. SPECIAL MEETINGS. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors, after not less than three (3) days' notice to each director.

Section 3. QUORUM. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. POWERS. The Board of Directors shall have power to:

- (a) adopt and publish rules and regulations governing use of the Common Area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) suspend the voting rights and right to use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed 60 days for infraction of published rules and regulations;
- (c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration;
- (d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and
- (e) employ a manager, an independent contractor, or such other employees as they deem necessary and to prescribe their duties.

Section 2. DUTIES. It shall be the duty of the Board of Directors to:

- (a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A members who are entitled to vote;
- (b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;
- (c) as more fully provided in the Declaration, to:
 1. fix the amount of the annual assessment against each lot at least thirty (30) days in advance of each annual assessment period;
 2. send written notice of each assessment to every owner subject thereto at least thirty (30) days in ad-

vance of each annual assessment period; and

3. foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same.

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) cause the Common Area to be maintained;

(h) cause the exterior of dwellings to be maintained;

(i) obtain and maintain to the extent obtainable but only when the member fails to procure his own policy within the deadline set herein the following insurance:

A. Fire insurance with extended coverage, vandalism and malicious mischief endorsements, insuring the homes upon the property; such insurance shall cover the Association, the Board of Directors, members and their mortgagees, as their interests may appear, in an amount equal to the full replacement value of the structure, without deduction for depreciation. Each policy shall contain a North Carolina standard mortgagee clause in favor of each mortgagee of a Townhouse lot which shall provide that proceeds shall be payable to such mortgagee as its interest may appear, subject, however, to payment provisions in favor of the Board of Directors.

B. Wind damage insurance.

C. Water damage insurance; and

D. Such other insurance as the Board of Directors may determine.

Each lot owner will be responsible for obtaining and maintaining property insurance insuring the permanent improvements located on the lot in approved form and with companies approved by the Board of Directors. The minimum amount of coverage of the policy will be established by the Board of Directors of the Association upon its annual review of property values and construction replacement cost. Proof of insurance must be established by providing the Association with a certificate of insurance on the property each year at least ten (10) days before the expiration of the current year's policy. If a lot owner fails to provide the Association with acceptable proof of coverage within the time specified the Association may acquire the insurance on behalf of the lot owner in the name of the lot owner and the Association. The total premium will be due in full with the next monthly assessment against the lot due the Homeowners Association.

All policies of physical damage insurance shall contain waivers of subrogation and waivers of any defense based on co-insurance or invalidity arising from any acts of the insured, and shall provide that such policies may not be cancelled or substantially modified without at least ten days' prior written notice to all of the insureds, including all mortgagees of Townhouse lots. Duplicate originals of all policies of physical damage insurance and of all renewals thereof, together with proof of payment of premiums, shall be delivered to all mortgagees of Townhouse lots at least ten days prior 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 structure, without deduction for depreciation, for the purpose of determining the amount of fire insurance to be effected pursuant to this section.

The Board of Directors shall also be required to obtain and maintain to the extent obtainable, 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, and each member of the Association. Such public liability coverage shall also cover cross liability claims of one insured against another. The Board of Directors shall review such limits once each year.

The members shall not be prohibited from carrying other insurance for their own benefit provided that all policies shall contain waivers of subrogation and further provided, that the liability of the carriers issuing insurance obtained by other members or the Board of Directors shall not be affected or diminished by reason of any such additional insurance carried by a member.

Section 3. REPAIR OR RECONSTRUCTION AFTER DAMAGE. In the event of damage to or destruction of a building as a result of fire or other casualty, the insured, whether it be a member or the Board of Directors, shall arrange for the prompt repair and restoration of the Building and the member or Board of Directors or mortgagee lender as the case may be, shall disburse the proceeds of all insurance policies to the contractor or contractors engaged in such repair and restoration in appropriate progress payments. Any cost of such repair restoration in excess of the insurance proceeds shall be the responsibility of the member or members but in those cases where the member is unwilling or unable to meet such costs sums may be advanced by the Association to complete a structure, and any sums so advanced, shall be assessed against the lot in question and collected as part of the common charges.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. ENUMERATION OF OFFICERS. The officers of this Association shall be a president, and vice-president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board of Directors may from time to time by resolution create.

Section 2. ELECTION OF OFFICERS. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3. TERM. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. SPECIAL APPOINTMENTS. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. RESIGNATION AND REMOVAL. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the president, or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. VACANCIES. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. MULTIPLE OFFICES. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. DUTIES. The duties of the officers are as follows: