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RECORDED AND RETURNED
REBECCA TUCKER
REGISTER
NEW

BOOK 1512 PAGE 0762

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STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

DECLARATION OF COVENANTS
CONDITIONS AND RESTRICTIONS
OF
FOREST COVE TOWNHOUSES

THIS DECLARATION, made this the 27 day of September, 1990, by SANCO OF WILMINGTON CORPORATION, a North Carolina corporation, hereinafter referred to as "Declarant";

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WITNESSETH:

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

Being all of Forest Cove Townhouses as the same is shown on a map thereof recorded in Map Book 31 at Page 164 in the Office of the Register of Deeds of New Hanover County, North Carolina, to which map reference is hereby made for a more particular description.

NOW, THEREFORE, Declarant hereby declares that all of the properties described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with the real property and be binding on all parties having any right, title, or interest in the 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 and HOA shall be used interchangeably to mean and refer to Forest Cove HOA, Inc., a private non-profit corporation formed or to be formed by the developer primarily as a Homeowners Association for the lot owners in Forest Cove Townhouses, all of whom shall be members of the Association.

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 excluding 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 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:

BEING all of that area shown and designated as Common Area on the map of Forest Cove Townhouses recorded in Map Book 31 at Page 164 of the New Hanover County Registry; the said common areas being further described as being all of the areas shown on the aforesaid map with the exception of lots numbered 1 thru 109, inclusive.

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Section 5. Lot shall mean and refer to any of the lots numbered 1 thru 109, inclusive, as shown on the plat of Forest Cove Townhouses recorded as aforesaid in the New Hanover County Registry together with the structure or dwelling thereon which structure may be separately referred to as a "Townhouse", "Townhouse Unit", or "Unit".

Section 6. Declarant shall mean and refer to SANCO OF WILMINGTON CORPORATION, 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. The address of the corporation is 110 Binton Avenue, Wilmington, NC 28403.

Section 7. Declaration shall mean this instrument as it may be from time to time amended or supplemented.

Section 8. Eligible Mortgage Holder or Eligible Holders is defined as a holder of a first mortgage or lien on a unit who has requested notice of certain matters from the Association.

Section 9. Limited Common Areas and facilities shall mean and include those common areas and facilities which are reserved for the use of a certain unit or units to the exclusion of other units, as more specifically defined herein.

Section 10. Mortgagee shall mean a beneficiary under a mortgage or Deed of Trust.

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 limit the number of guests of members;
- 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 sixty (60) days for any infraction of its published rules and regulations;
- c. The right of the Association to dedicate or transfer all or 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 an instrument signed by two-thirds (2/3) of each class of members agreeing to such dedication or transfer has been recorded;
- d. The right of the Association to impose regulations for the use and enjoyment of the Common Area and improvements thereon, which regulations may further restrict the use of the Common Area.

Section 2. DELEGATION OF USE. 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.

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ARTICLE III.**DEVELOPER'S RIGHTS**

Section 1. The Declarant hereby reserves the right to subject to these restrictions other real property contiguous to or within a radius of one mile from Forest Cove Townhouses, in order to extend the scheme of this Declaration to other property to be developed and thereby bring such additional properties within the jurisdiction of the Association. Each additional parcel or tract of land, with the improvements thereon, or to be placed thereon, which is subjected to this Declaration shall be designated consecutively as "Phase 2", "Phase 3", and such other similar designations for any additional phases added.

Section 2. The rights reserved by Declarant include the right to change, alter or redesignate roads, utility and drainage facilities and easements, and to change, alter or redesignate such other present and proposed amenities or facilities as may, in the sole judgment of the Declarant, be necessary or desirable, except that the Declarant shall have no right to change, alter or redesignate the character of the use of the lots within the development.

ARTICLE IV.**EASEMENTS**

Section 1. Easements are reserved as necessary in the Common Areas for installation and maintenance of underground utilities and drainage facilities.

Section 2. The Association, acting through its officers, agents, servants, and/or employees shall have the right of unobstructed access at all reasonable times to all properties as may be reasonably necessary to perform the exterior maintenance called for in Article X of this Declaration.

Section 3. Easements are reserved over those portions of the Common Areas, Limited Common Areas and facilities that may be necessary or required to accommodate overhanging eaves or other cantilevered construction which may encroach upon the Common Areas or Limited Common Areas or the air and light space above such Common Areas.

Section 4. Each lot and all common areas and facilities and limited common areas and facilities are hereby subjected to an easement for the repair, maintenance, expansion, reduction, inspection, removal, relocation or other service of or to all gas, electricity, television, telephone, water, plumbing, sewer, utility, drainage, or other common areas and facilities, whether or not the cause of any or all of those activities originates on the unit in which the work must be performed.

Section 5. Each lot, and the property included in the Common Area, shall be subject to an easement for encroachments created by construction, settling and overhangs for all buildings constructed by Declarant. A valid easement for said encroachments and for the maintenance of same, so long as such encroachments stand, shall and does exist. In the event that any structure containing two or more townhouses is partially or totally destroyed and then rebuilt, the owners of the townhouses so affected agree that minor encroachments of parts of the adjacent townhouse units or Common Areas due to construction shall be permitted, and that a valid easement for said encroachment and the maintenance thereof shall exist.

Section 6. Ingress and egress is reserved for pedestrian traffic over, through, and across sidewalks, paths, walks, and lanes as the same from time to time may exist upon the common areas and facilities; and, for vehicular traffic over, through and across all streets as from time to time may be paved and intended for such purposes, for all lot owners in Forest Cove Townhouses, their guests, families, invitees, and lessees, the Association, the Declarant, its successors and assigns. Declarant hereby reserves alienable easements over all streets and common areas as necessary to provide access for future development by Declarant or its successors and assigns of any properties adjoining the Project.

Section 7. An easement is hereby granted to all police, fire protection, ambulance and all similar persons, companies or agencies performing emergency services to enter upon the lots and common area in the performance of their duties.

Section 8. In case of any emergency originating in or threatening any unit or lot or the common areas and facilities, regardless of whether the unit or lot owner is present at the time of such emergency, the Board of Directors or any other person authorized by it, shall have the right to enter any unit for the purpose of remedying or abating the causes of such emergency and making any other necessary repairs not performed by the unit owners, and such right of entry shall be immediate.

Section 9. All easements and rights described herein are easements appurtenant, running with the land, and shall inure to the benefit of and be binding on the undersigned, its successors and assigns, and any owner, purchaser, mortgagee and other person having an interest in said land, or any part or portion thereof, regardless of whether or not reference to said easement is made in the respective deeds of conveyance, or in any mortgage or trust deed or other evidence of obligation, to the easements and rights described in this Declaration.

ARTICLE V.

MEMBERSHIP AND VOTING RIGHTS

Section 1. Every Owner of a Lot which is subject to assessment 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:

- a. 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 among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.
- b. CLASS "B". Class B member(s) shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:
 - (1) when the total votes outstanding in Class A membership equals the total votes outstanding in the Class B membership, or

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(2) on September 1, 1995.

ARTICLE VI.

COVENANTS FOR ASSESSMENTS

Section 1. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENT. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association:

- a. Annual assessments or charges, and
- b. Special assessments for capital improvements, such assessments to be established and collected as hereinafter provided; and

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 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.

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 improvements and maintenance of the Common Area, and of the townhouses situated upon the Properties, including the prompt and full payment of all ad valorem property taxes for said common area(s).

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 One Thousand Dollars (\$1,000.00) per Lot.

- 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 five per cent (5%) 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 five per cent (5%) by a vote of two-thirds (2/3) of each class of 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; provided that the Board of Directors may increase the amount of the annual assessment to a maximum of One Thousand One Hundred Dollars (\$1,100.00) per Lot notwithstanding the provisions of subparagraphs a and b above, and thereafter the limitations set forth in said subparagraph shall apply to any annual increase.

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 the 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 (2/3) 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. INSURANCE. It shall be the duty of the Association to maintain in effect casualty and liability insurance as follows:

a. **Amount and Scope of Insurance.** All insurance policies upon the Properties (except personal property within a unit) shall be secured by the Board Of Directors, or its designee on behalf of the Association with full authority, which shall obtain such insurance against (1) loss or damage by fire or other hazards normally insured against and (2) such other risks, including public liability insurance, as from time to time shall be customarily required by private institutional Mortgage Investors for projects similar in construction, location and use as the Properties and the improvements thereon all under such terms and conditions as the responsible authority shall determine. However, such liability coverage shall be for at least \$1,000,000.00 for bodily injury, including deaths of persons and property damage arising out of a single occurrence. Coverage under this policy shall include, without limitation, legal liability of the insureds for property damage, bodily injuries, and deaths of persons in connection with the operation, or maintenance or use of the common areas and legal liability arising out of lawsuits relating to employment contracts of the Association. The foregoing shall not preclude the Board from obtaining insurance coverage on all or a portion of the limited common areas and facilities. In obtaining such coverage the responsible authority shall consider the reasonable requirements of holders of first liens on individual Lots:

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

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

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

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

(4) Coverage will not be prejudiced by act or neglect of the Lot owners when said act or neglect is not within the control of the Association or by any failure of the Association to comply with any warranty or condition regarding any portion of the property over which the Association has no control.

(5) The master policy on the property cannot be cancelled, invalidated or suspended on account of the

conduct of any one or more individual Lot owners.

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

- c. **Premiums.** All insurance policy premiums on the property for the benefit of the Association purchased by the Board of Directors or its designee and any deductibles payable by the Association upon loss shall be a common expense and the Association shall levy against the Owners equally as an additional annual assessment, (herein called "Insurance Assessment") which shall be in addition to the amounts provided for under Section 3 above, an amount sufficient to pay the annual cost of all such insurance premiums.
- d. **Proceeds.** All insurance policies purchased pursuant to these provisions shall provide that all proceeds shall be payable to the Board as insurance trustee or to such attorney-at-law or institution with trust powers as may be approved by the Board of Directors.
- e. **Policies.** All insurance policies purchased by the Board of Directors shall be with a company or companies permitted to do business in the State of North Carolina and holding a rating of "A" or better by the current issue of Best's Insurance Reports. All insurance policies shall be written for the benefit of the Board of Directors and the Lot owners and their mortgagees as their respective interests may appear, and shall provide that all proceeds thereof shall be payable to the Board of Directors and duplicates of said policies and endorsements and all renewals thereof, or certificates thereof, together with proof of payment of premiums, shall be delivered to the Owners at least ten (10) days prior to the expiration date with respect to the then current policies. Duplicates shall also be obtained and issued by the Association to each mortgagee, if any, upon request of such mortgagee at any time.
- f. **Individual Policies.** If the Association shall determine that it would be more economically feasible in lieu of the Association maintaining a master policy for the entire project, for the unit owners to purchase insurance policies covering each unit and unit owner individually, then upon the assent of two-thirds (2/3) of the vote of each class of members (which votes may be cast in person or by proxy) who are eligible to vote at a meeting duly called for such purpose, the insurance coverage for the entire project may be turned over to the members to purchase individual policies under such terms and conditions as the Association may prescribe. If the responsibility for maintaining the insurance coverage on the project is turned over to the individual lot owners under the provisions of this paragraph, then the Association shall be named as additional insured on each policy, each unit shall be insured for its full replacement value and the provisions of this Section 5 and the following Section 6 shall be modified accordingly.

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Section 6. DISTRIBUTION OF INSURANCE PROCEEDS. Proceeds of insurance policies shall be distributed to or for the benefit of the beneficial owners in the following manner:

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

Section 7. 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 and 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 per cent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present at the first meeting, the required quorum at any 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 8. UNIFORM RATE OF ASSESSMENT. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis.

Section 9. DATE OF COMMENCEMENT OF ANNUAL ASSESSMENTS AND 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, 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 (30) days in advance of each annual assessment 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 and the Board of Directors shall have the authority to require the assessments to be paid in pro rata monthly installments. 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.

Section 10. EFFECT OF NONPAYMENT OF ASSESSMENTS AND REMEDIES OF THE ASSOCIATION. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of twelve per cent (12%) 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 11. SUBORDINATION OF THE LIEN TO MORTGAGES. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. 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, 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 assessments thereafter becoming due or from the lien thereof.

Section 12. WORKING CAPITAL ASSESSMENT. At the time title is conveyed to an owner, each owner shall contribute to the Association as a working capital reserve an amount equal to a two months estimated common area assessment. Such funds shall be used solely for initial operating and capital expenses of the Association, such as pre-paid insurance, supplies and the common areas and facilities, furnishings and equipment, etc. Amounts paid into the working capital fund are not to be considered as advance payment of regular assessments. Any working capital funds remaining at the end of the first full operating year shall be transferred to and become part of the general funds of the Association, in the discretion of the Board of Directors.

Section 13. RIGHTS OF ELIGIBLE MORTGAGE HOLDERS. To the extent permitted by law, an eligible mortgage holder upon written request to the Association, identifying the name and address of the holder, will be entitled to timely written notice of:

- a. Any condemnation, loss or casualty loss which affects a material portion of the project or any lots on which there is a mortgage held by such eligible mortgage holder.
- b. Any delinquency in payment of assessments or charges owed by an owner of the lot subject to a first mortgage held, by such Eligible Holder, which remains uncured for a period of sixty days.
- c. Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association.
- d. Any proposed action which would require the consent of a specified percentage of Eligible Mortgage Holders.
- e. In addition to the foregoing rights, the Eligible Mortgage Holders shall be afforded the following rights subject to the extent permitted by law and as allowed by the North Carolina General Statutes as they now exist or as may be amended from time to time.

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

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

ARTICLE VII.

FIDELITY BONDS

Section 1. GENERAL. The Association shall maintain blanket

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

Section 2. AMOUNT OF COVERAGE. The total amount of fidelity bond coverage required shall be based upon best business judgment and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the management agent, as the case may be, at any given time during the term of each bond. However, in no event may the aggregate amount of such bonds be less than a sum equal to three months aggregate assessments on all units plus reserve funds.

Section 3. OTHER REQUIREMENTS. Fidelity bonds required herein must meet the following requirements:

- a. Fidelity bonds shall name the Association as an obligee.
- b. The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions.
- c. The premiums on all bonds required herein for the Association (except for premiums on fidelity bonds maintained by a management agent for its officers, employees and agents) shall be paid by the Association as a common expense.
- d. The bonds shall provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least ten (10) days prior written notice to the Association if a condominium project, to any insurance trustee and each Eligible Mortgage Holder.

Section 4. RECOMMENDATION OF RENTAL AGENTS. At the annual meeting of the Association, or such other meeting of the Association as is designated by the Board, the Board may, upon notice to the owners, recommend for the approval of the Association one or more agents for the rental of units during the forthcoming year. Prior to recommending agents for the approval of the Association, the Board shall have authority to require any agent desiring to qualify as an approved agent to submit a copy of the proposed rental agreement to be used by such agent, together with such other information as the Board may reasonably require. The Board may require, as a condition of approval, that all rental agreements incorporate such standard procedures as may be required to minimize problems of security, maintenance, quality, and operation of the common areas and facilities of the property. Neither the Association nor the Board shall have, or attempt to impose as a condition of approval, any control over the commission schedule or fees charged by any approved rental agent, or the permissible period of rental, all of which shall be for the sole determination of the approved rental agent and any owner selecting such agent. Each owner shall have the absolute right to enter into any direct rental, lease or sales arrangement with renters, lessees and purchasers which shall be consistent with the Declaration, By-Laws of the Association, and such other regulations as may from time to time be promulgated by the Association and/or Board. Nothing herein shall be construed as creating or authorizing any rental pooling or as requiring the rental of a unit by an owner or as restricting the owner's use of his unit. If any court of law, governmental regulatory body having appropriate

jurisdiction or approved legal counsel to the Association determines that any portion of this provision is unlawful or would require registration of the offering of any lot as a security, then such portion of this provision shall be invalid until such requirement is eliminated.

ARTICLE VII.

ARCHITECTURAL CONTROL

Section 1. 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, heights, 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 Board of Directors of the Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board. In the event said Board, or its designated committee, fails to approve or disapprove such design and location within thirty (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.

Section 2. All duties and responsibilities conferred upon the Board or the Architectural Control Committee by this Declaration or the Bylaws of the Association shall be exercised and performed by the Declarant or its Designee, so long as Declarant shall own any lot in the Properties or any additions annexed thereto by Supplemental Declaration or Amendment to this Declaration.

ARTICLE IX.

PARTY WALLS

Section 1. GENERAL RULES OF LAW TO APPLY. Each wall which is built as a part of the original construction of the townhouses 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 of 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 use.

Section 3. DESTRUCTION BY FIRE OR OTHER CASUALTY. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use 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 omission.

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 element.

Section 5. RIGHT TO CONTRIBUTION RUNS WITH LAND. The right of any Owner to contribution from any other Owner under this Article shall be

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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 decisions shall be by a majority of all the arbitrators.

ARTICLE X.

EXTERIOR MAINTENANCE

In addition to maintenance upon the Common Area, the Association shall provide exterior maintenance upon each Lot which is subject to assessment hereunder as follows: paint, repair, replace and care of roofs, gutters, downspouts, exterior building surfaces, decks, trees, shrubs, grass, walks, and other exterior improvements. Such exterior maintenance shall not include glass surfaces.

In the event that the need for maintenance, repair or replacement is caused through the willful or negligent act of the Owner, his family, guests or invitees, or is caused by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, or smoke, as the foregoing are defined and explained in North Carolina Standard Fire and Extended Coverage Insurance Policies, the cost of such maintenance, replacement, or repairs, shall be added to and become a part of the assessment to which such Lot is subject.

ARTICLE XI.

USE RESTRICTIONS

Section 1. **LAND USE AND BUILDING TYPE.** All lots shall be used for residential purposes except that so long as the Declarant shall retain ownership of any lots, it may utilize any such lot or lots for sales or rentals, offices, models or other usage for the purpose of selling or renting lots within said project including the right to place "For Sale" or "For Rent" signs on such lots. The Declarant may assign this limited commercial usage right to any other person or entities as it may choose; provided, however, that when all lots have been sold, this right of commercial usage by the Declarant, its successors and assigns shall immediately cease. Co-ownership of lots shall not be prohibited. No building shall be erected, altered, placed or permitted to remain on any lot other than one single family townhouse dwelling not to exceed three stories in height. Any building erected, altered, placed, or permitted to remain on any lot shall be subject to the provisions of Article VIII 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. **JUNK VEHICLES.** No inoperable vehicle or vehicle without current registration and insurance will be permitted on the premises. The Association shall have the right to have all such vehicles towed away at the owner's expense.

Section 4. **OUTSIDE FURNITURE.** No furniture shall be permitted on the front porch of each unit except porch furniture and plants. Porch furniture shall be permitted on the rear deck of each unit. All grills and accessories must be kept in the storage areas provided at each

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unit when these items are not in use.

Section 5. FOR SALE SIGNS PROHIBITED. Except as provided in Section 1 above, no "For Sale" signs or any other signs shall be permitted on any lot or in the common areas and facilities.

Section 6. TEMPORARY STRUCTURES. No structure of a temporary character, trailer basement, tent, shack, garage, barn or other outbuilding shall be used on any lot any time as a residence either temporarily or permanently.

Section 7. RECREATIONAL VEHICLES. No boat, motor boat, camper, trailer, motor or mobile homes, or similar type vehicle, shall be permitted to remain on any lot, or in parking spaces, at any time, unless by consent of the Association. All boats, trailers, and utility trailers shall be kept in the boat and trailer corral only.

Section 8. ANIMALS. No animals, livestock or poultry of any kind shall be kept or maintained on any lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and provided further that they are not allowed to run free and are at all times properly leashed and personally escorted.

Section 9. OUTSIDE ANTENNAS. No outside radio or television antennas shall be erected on any lot or dwelling unit within the Properties unless and until permission for the same has been granted by the Board of Directors of the Association or its architectural control committee.

Section 10. WINDOW COVERINGS. Each unit shall be equipped with mini-blinds in the windows which shall be permanent fixtures and shall remain with each unit when sold and may not be removed. Any additional window treatments must be located inside the mini-blinds.

Section 11. EXTERIOR LIGHTS. All light bulbs or other lights installed in any fixture located on the exterior of any building or any lot shall be clear, white, or non-frost lights or bulbs.

ARTICLE XII.

STORMWATER SYSTEM

Section 1. RESPONSIBILITY. It shall be the responsibility of the Declarant to provide the following inspections and maintenance of the stormwater system:

a. **PERIODIC INSPECTIONS:** Periodic inspections shall be provided as follows:

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

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

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

b. **SEMIANNUAL INSPECTIONS:** Semiannual inspections shall be provided as follows:

(1) At least once every six months, an inspection shall be made

of the detention ponds to determine if excessive sedimentation or plant growth has occurred.

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

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

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

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

Section 2. The net effect of the above inspections, and repairs where necessary, shall be to keep the stormwater system in good repair and to see that the pollutant control effectiveness is not diminished.

Section 3. Any sloughing, erosion, or vegetation washout of the stormwater system shall be immediately repaired to obtain the design depth, slopes, and specifications.

ARTICLE XIII

ANNEXATION OF ADDITIONAL PROPERTIES

Section 1. Except as provided in Sections 2 and 3, below, annexation of additional property shall require the assent of two-thirds (2/3) of the Class A members and two-thirds (2/3) of the Class B members, if any, at a meeting duly called for this purpose, written notice of which shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting.

Section 2. If the Declarant, its successors or assigns, shall develop all or any portion of any land contiguous to or within one mile from the property which is subject to this Declaration, such additional tract or tracts may be annexed to said Properties without the assent of the Class A members, provided however, the development of the additional tract described in this section shall be in accordance with the same general scheme of development as Forest Cove Townhouses.

Section 3. The rights of Declarant reserved in Section 2 above shall expire automatically on September 1, 1995, if not exercised prior thereto.

ARTICLE XIV

GENERAL PROVISIONS

Section 1. MUNICIPAL WATER, SEWER SERVICE, AND UTILITIES. Municipal sewer service shall be provided by New Hanover County. Water service for the development shall be provided by Cape Fear Utilities, and no private well shall be permitted on any lot except for irrigation purposes, and then only with the consent of the utility company, its successors or assigns.

Section 2. ENFORCEMENT. The Association, or any Owner, shall have

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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 an 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 3. 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 4. LOTS SUBJECT TO DECLARATION. All present and future owners, tenants and occupants of Lots and their guests or invitees, shall be subject to, and shall comply with the provisions of the Declaration, and as the Declaration may be amended from time to time. The acceptance of a deed of conveyance or the entering into of a lease or the entering into occupancy of any lot shall constitute an agreement that the provisions of the Declaration are accepted and ratified by such owner, tenant or occupant. The covenants and restrictions of this Declaration shall inure to the benefit of and be enforceable by the Association, or the Owner of any lot, their respective legal representatives, heirs, successors and assigns, and shall run with and bind the land and shall bind any person having at any time any interest or estate in any lot as though such provisions were made a part of each and every deed of conveyance or lease.

Section 5. AMENDMENT OF DECLARATION. The covenants and restrictions of this Declaration may be amended by an instrument duly recorded in the Office of the Register of Deeds of New Hanover County signed by not less than sixty (60%) per cent of the Lot Owners; provided that no amendment shall alter any obligation to pay ad valorem taxes or assessments for public improvements, as herein provided, or affect any lien for the payment thereof established herein. In no event may the Declaration be amended so as to deprive the Declarant of any rights herein granted or reserved unto Declarant.

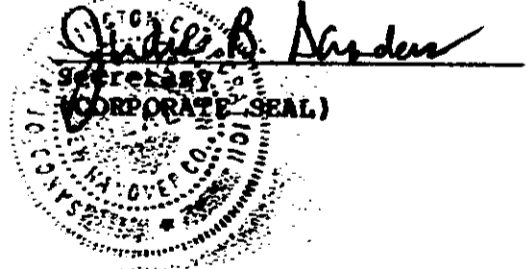
IN WITNESS WHEREOF, SANCO OF WILMINGTON CORPORATION, the Declarant, has caused this instrument to be executed by its proper corporate officers, all the day and year first above written.

DECLARANT:

SANCO OF WILMINGTON CORPORATION

BY: Nathan S. Sanders, Pres.
NATHAN S. SANDERS, President

ATTEST:



STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

I, Alvin Parker Dwyer, a Notary Public of the County and State aforesaid, certify that Audia B. Sanders personally came before me this day and acknowledged that she is Secretary of SANCO OF WILMINGTON CORPORATION, a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its