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STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

DECLARATION CREATING UNIT OWNERSHIP OF
PROPERTY UNDER THE PROVISIONS OF
CHAPTER 47A OF THE GENERAL STATUTES OF
THE STATE OF NORTH CAROLINA
HARBOUR PLACE, PHASE I

THIS DECLARATION, made this the 19th day of MARCH,
1984, by SHUGART DEVELOPMENT CO., INC., a North Carolina Corporation, with
its principal place of business located in the County of Forsyth, State of
North Carolina, hereinafter referred to as "DECLARANT";

KNOW ALL MEN BY THESE PRESENTS:

THAT, WHEREAS, the Declarant is the owner of record of the fee simple
title of certain real property in the City of Wilmington, County of New
Hanover, State of North Carolina, which is more particularly described in
Exhibit "A" attached hereto and made a part hereof by reference; and

WHEREAS, the Declarant has constructed six (6) multi-unit buildings and
certain other improvements upon the aforesaid property; and

WHEREAS, it is the desire and the intention of the Declarant to market,
sell and convey interests in the property and the improvements thereon as a
condominium project pursuant to the provisions of Chapter 47A of the North
Carolina General Statutes, entitled "Unit Ownership Act"; and

WHEREAS, it is the desire and intention of the Declarant in the
recording of this DECLARATION in the Office of the Register of Deeds of
New Hanover County, North Carolina, to submit said condominium project to
the provisions of the said Chapter 47A;

NOW, THEREFORE, THE DECLARANT DOES HEREBY DECLARE THAT ALL OF THE REAL
PROPERTY DESCRIBED IN EXHIBIT "A", ATTACHED HERETO AND MADE A PART HEREOF BY
REFERENCE, AS WELL AS ALL OF THE IMPROVEMENTS CONSTRUCTED THEREON, IS HELD
AND SHALL BE HELD, CONVEYED, HYPOTHECATED, ENCUMBERED, USED, OCCUPIED, AND
IMPROVED SUBJECT TO THE FOLLOWING ARTICLES OF COVENANTS, CONDITIONS, RE-
STRICTIONS, USES, LIMITATIONS AND OBLIGATIONS, ALL OF WHICH ARE DECLARED TO
BE IN FURTHERANCE OF A PLAN FOR THE IMPROVEMENT OF SAID PROPERTY AND THE
DIVISION THEREOF INTO CONDOMINIUM UNITS AND SHALL BE DEEMED TO RUN WITH THE
LAND AND SHALL BE A BURDEN AND A BENEFIT TO THE DECLARANT, ITS SUCCESSORS
AND ASSIGNS, AND ANY PERSON OR ENTITY ACQUIRING OR OWNING AN INTEREST IN THE
REAL PROPERTY AND IMPROVEMENTS, OR ANY SUBDIVISION THEREOF, THEIR GRANTEEES,
SUCCESSORS, HEIRS, EXECUTORS, ADMINISTRATORS, DEVISEES AND ASSIGNS.

ARTICLE I.

Submission of Property

Pursuant to the provisions of Chapter 47A of the North Carolina General
Statutes, Section 47A-2, the Declarant does hereby submit all of the real
property described in Exhibit "A", attached hereto and made a part hereof by
reference, together with all improvements thereon and described herein, to
the provisions of the "Unit Ownership Act" of the State of North Carolina,
which is codified as Chapter 47A of the General Statutes of the State of
North Carolina.

ARTICLE II.

Definitions

For the purposes of this Declaration and the By-Laws of the Associa-
tion, hereinafter defined, the following definitions for the term used
herein and therein shall apply unless otherwise defined by the context
thereof:

A. ACT shall mean and refer to the Unit Ownership Act, Chapter 47A of
the General Statutes of the State of North Carolina, as such may be supple-
mented or amended from time to time.

RETURNED TO *J. Jackson*

ROUNTREE, RYALS, JACKSON, SEAGLE & CARTER
WILMINGTON, NORTH CAROLINA 28402-1000

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

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B. ASSOCIATION shall mean and refer to HARBOUR PLACE HOMEOWNERS ASSOCIATION, the mandatory association of all unit owners, as is more particularly described in Article VII hereinbelow.

C. ASSESSMENT shall mean and refer to a share of the funds required for the payment of the common expenses, hereinafter defined, of the Association which from time to time shall be levied or assessed against a unit owner by the Association, all as provided for hereinbelow.

D. BUILDING shall mean and refer to any one of the multi-unit buildings which the Declarant has constructed or will construct upon the real property described in Exhibit "A", to be used for residential purposes, as hereinafter provided. Attached hereto and made a part hereof by reference is Exhibit "C" which consists of a full and exact copy of the plans of the buildings as well as a survey of the real property, drawn by Robert H. Goslee, R.L.S., showing the locations of the buildings thereon. Said buildings are more particularly described in the plans of said buildings, showing all particulars as required by law. In general, each building has two (2) stories constructed on a concrete slab at ground level. There are no basements or garages. Building F contains sixteen (16) two (2) bedroom units and a gross square footage of approximately 13,600 square feet. Buildings A, B, C, D and E have either twelve (12) one (1) bedroom units or eight (8) one (1) bedroom units. The buildings have been constructed principally of wood, concrete and/or a stucco-appearing material. The roofing is constructed of asphalt shingles.

E. BOARD shall mean and refer to the Board of Directors of the Association and DIRECTOR shall mean and refer to a member of said Board.

F. BY-LAWS shall mean and refer to those By-Laws of the Association providing for the government of the Association as they are duly adopted and amended from time to time by the Association. A copy of the initial By-Laws are attached hereto as Exhibit "D" and made a part hereof by reference.

G. COMMON AREAS AND FACILITIES generally shall mean and refer to all of the real property, described on Exhibit "A", and all of the improvements and facilities thereon which are not units, as defined hereinafter, and which are not items of personal property owned, held, and maintained by unit owners. Without in any way limiting the generality of the foregoing, the common areas shall include, but not be limited to, the following:

1. All of the real property more particularly described in Exhibit "A" attached hereto, reference to which is hereby made for a more particular description thereof;
2. All foundations, columns, girders, beams, supports, roofs, ventilation fans and vents, load bearing walls, including all exterior walls and all interior walls (except nonload bearing partition walls wholly within a unit) of the building.
3. All stairways, stairwells and stairs, and their components which give access to the units; and all halls or passageways, and their entrances.
4. All yard and garden areas, parking and drive areas, sidewalks, and swimming pool, including pool deck.
5. All installations of and facilities, apparatus, conduits, and equipment for the provision of all utility services, including, but not limited to, all water and sewer service, electricity, heating, air conditioning, telephone irrigation, trash disposal, if any, and cable TV, if any, supplied for the common use and convenience of the unit owners, and which are not defined as part of the units, hereinbelow;
6. All other portions of the real property and the improvements thereon which are not specifically part of the units themselves, as hereinafter defined, or owned by unit owners as personal property, shall be common areas and facilities

intended for the common and necessary or convenient use and enjoyment, existence, maintenance or safety of the condominium project.

H. LIMITED COMMON AREAS AND FACILITIES means and includes all decks and patios, which are agreed upon to be reserved for the use of the units to which said decks are adjacent, to the exclusion of all other unit owners.

I. COMMON EXPENSES shall mean and refer to the total cost and expense incurred by the Association (as hereinafter provided) for the administration, maintenance, operation, enjoyment, safety, repair, and replacement (including a capital reserve for repair, maintenance, and replacement) of the common areas and facilities and limited common areas, as well as any other expense incurred by the Association pursuant to the fulfillment of its obligations and purposes as stated herein and labeled as common expenses. Common expenses is additionally intended to mean and refer to any expense incurred by the Association as shall be hereinafter agreed upon by the Association of unit owners as common expenses of the Association.

J. COMMON SURPLUS shall mean and refer to the balance of all revenues of the Association remaining after the deduction of the common expenses. Any such common surplus shall be used to reduce the assessments for members for the following fiscal year of the Association, based upon the proposed budget for the Association for the following fiscal year, subject, however, to the terms of Article VIII, Paragraph C hereinafter set forth.

K. CONDOMINIUM shall mean and refer to the entire proposed development consisting of all the real property and the buildings, all improvements and structures thereon and all easements, rights and appurtenances belonging thereto, and all articles of personal property intended for common use in connection therewith, which are intended to be submitted to the provisions of the act by this Declaration, and the supplements and amendments hereto, as are provided for hereinbelow.

L. DECLARANT shall mean and refer to SHUGART DEVELOPMENT CO., INC., a North Carolina Corporation, its successors and assigns.

M. DECLARATION shall mean and refer to this instrument as it may from time to time be lawfully amended or supplemented.

N. MAJORITY or MAJORITY OF UNIT OWNERS shall mean and refer to the owners of fifty-one percent (51%) of the aggregate interest in the common areas and facilities, as established by this Declaration hereinbelow, assembled at a duly called meeting of the unit owners.

O. PERSON shall mean and refer to an individual, corporation, partnership, association, trustee, or other legal entity.

P. REAL PROPERTY shall mean and refer to all of the real property described in Exhibit "A" attached hereto and made a part hereof.

Q. SINGULAR, PLURAL GENDER whenever the context so permits the use of the plural shall include the singular, the singular shall include the plural, and the use of any gender shall be deemed to include all genders.

R. UNIT or CONDOMINIUM UNIT shall mean and refer to any one of those sixty-four (64) subdivisions of enclosed space within the buildings, together with any additional areas or spaces accompanying the same as defined hereinbelow, and which are intended to or will be sold as dwelling units pursuant to the Act and this Declaration. The deed for any particular unit should convey such unit by its unit and building designation and the same shall be deemed to include all that is defined as a part of that unit as stated specifically in this definition, as well as the privileges and appurtenances accompanying any such unit and subject to the covenants, conditions, restrictions and obligations applicable to unit owners as all are more generally stated and described throughout this Declaration.

The six (6) buildings shall and will be identified by their building designation which are Buildings A, B, C, D, E and F. The units in each building will be identified by the building designation and an arabic number, beginning with the number 1 and continuing consecutively until all units have been numbered. For example, the first unit in Building C will be identified as Unit 1, Building C, Phase I, Harbour Place", etc. No unit bears the same designation as any other. The plans of the buildings are attached hereto as Exhibit "C" and show graphically all particulars of the buildings and their sixty-four (64) units, including but not limited to, the layout, location, ceiling and floor elevations, dimensions of the units, and the area and location of common areas and facilities. Reference is hereby made to said plans for the purpose of identifying and locating each building and each unit within the buildings, as well as identifying each units' dimensions, approximate areas, and number of rooms. Any conflict between said plans and this definition shall be resolved by reference to said plans, which shall control.

All units, as well as the additional areas defined as part of each unit hereinbelow, are bounded both as to horizontal and vertical boundaries by the interior finished surface of the units' perimeter walls, ceilings and floors, of the interior surface of the perimeter walls, ceilings, and floors of the additional areas conveyed as part of each unit as defined hereinbelow, all of which are shown on said plans, subject to the easement reserved hereinbelow for such encroachments as are contained in the building, whether the same now exist or may be caused or created by existing construction, settlement, or movement of the building, or by permissible repairs, construction, or alteration.

All units shall be substantially the same in design, construction and material. Each of the sixty-four (64) units is wholly contained within one (1) of the two (2) stories or levels of one of the six (6) buildings. Each two (2) bedroom unit shall have two (2) bedrooms, two (2) bathrooms, a living/dining/kitchen area, a utility room housing the furnace and a small closet off the living area.

Each unit also has a screened porch with a small storage area adjacent thereto, which is adjacent to the master bedroom. The screened porch is bounded horizontally by the interior finished surface of the floor and ceiling and is bounded vertically by the interior finished surface of the exterior walls. That wall of the screened porch separating the porch from the bedroom area shall be considered an exterior wall of the unit.

Each two (2) bedroom unit is identical in size and contains approximately 850 square feet of heated space.

Each one (1) bedroom unit shall have one (1) bedroom with walk-in closet, one (1) bathroom, a living/dining/kitchen area with bar, a utility room housing the hot water heater and connections for washer and dryer, and a small closet for housing the air handling equipment.

Each unit has a patio area with a small storage area adjacent thereto which is adjacent to the bedroom. The patio is bounded horizontally by the interior finished surface of the floor and ceiling and is bounded vertically by the interior finished surface of the exterior walls. That wall of the patio separating the patio from the bedroom area shall be considered an exterior wall of the unit.

Each one (1) bedroom unit is identical in size and contains approximately 616 square feet of heated space.

The specifics, such as style, construction, materials, and finishes of the buildings and their units are best described in the plans of the buildings which are shown in Exhibit "C", attached hereto and made a part hereof by reference, and which shall control in case of conflict with the provisions hereof.

S. UNIT DESIGNATION shall mean and refer to the letter and number which designates a unit within the condominium as the same is shown upon the plans of the buildings in Exhibit "C" attached hereto.

T. UNIT OWNER shall mean and refer to a person, corporation, partnership, association, trust, other legal entity, or any combination thereof, in whose name or names the title to or an interest in the title to any unit is vested, excluding those who own or hold such title or interest under the terms of any mortgage or deed of trust or other similar instrument for the purposes of securing the payment of an indebtedness or the performance of an obligation.

ARTICLE III.

Plan of Development and Scope of Declaration

The name by which this condominium project shall henceforth be known is HARBOUR PLACE. The Declarant has caused to be constructed upon the real property described in Exhibit "A" six (6) multi-unit buildings, containing the sixty-four (64) units of the buildings as well as the common areas and facilities and limited common areas and facilities of both the buildings and the real property, all as defined hereinabove and as shown upon the plans contained in Exhibit "C" attached hereto and made a part hereof by reference. The units of the buildings, together with their privileges and appurtenances, shall be offered for sale to the public by the Declarant as condominium units pursuant to the provisions of Chapter 47A of the General Statutes of the State of North Carolina, subject to the covenants, conditions, restrictions, and obligations stated in the Articles of this Declaration, the Articles of Incorporation of the Association, its duly adopted By-Laws and its Rules and Regulations.

The Declarant, by this Declaration, submits only the real property described in Exhibit "A", attached hereto, together with the improvements thereon, to the Act and hereinafter this submission shall be referred to as HARBOUR PLACE, PHASE I. Nevertheless, the Declarant hereby reserves to itself the exclusive right and option, but not the obligation, to add to or expand the property subject to this Declaration by the addition of all or any portion or portions of the real property described on Exhibit "B", attached hereto and made a part hereof by reference, in one or more additional phases of HARBOUR PLACE upon the following terms and in the following manner:

A. Any addition of real property subject to this Declaration, if any, shall occur only by the registration in the Office of the Register of Deeds of New Hanover County, North Carolina, of one or more supplements to this Declaration, which shall be executed only by the Declarant. The addition to or expansion of the real property subject to this Declaration shall be at the sole discretion of the Declarant without consultation with or consent of any unit owner. Every unit owner in HARBOUR PLACE, all phases, by accepting a deed for a unit therein, shall be deemed to have agreed for himself, his heirs, devisees, successors and assigns to such addition to or expansion of the property subject to this Declaration in accordance with the provisions of this Article; and

B. The right and option as described hereinabove shall terminate on the 31st day of December, 1988; and

C. In the event the Declarant adds to the real property subject to this Declaration all of the real property described in Exhibit "B" attached hereto, the Declarant covenants and agrees that no more than a total of ninety-four (94) units will be added to the sixty-four (64) units in HARBOUR PLACE, PHASE I; and

D. The Declarant covenants and agrees that all buildings containing units built upon the real property which may be subjected to this Declaration under this Article shall be not more than two (2) stories in height above ground level and shall be constructed with materials like or substantially similar to those used in HARBOUR PLACE, PHASE I; and

E. It is understood and declared that the undivided fractional or percentage interest owned by each unit owner of units in HARBOUR PLACE, PHASE I, in the common areas and facilities of HARBOUR PLACE, PHASE I, is as

stated in Article IV hereunder. However, it is further declared that in the event the Declarant, pursuant to the provisions of this Article, adds to or expands the property, and therefore the number of units, unit owners, and common areas and facilities subject to this Declaration and the jurisdiction of the Association, then consequently the fractional or percentage interest owned by each unit owner of units in HARBOUR PLACE, all phases, in the expanded common areas and facilities of HARBOUR PLACE, all phases, shall necessarily have to change from that as established in Article IV hereunder. It is further understood that the Act provides that the fractional or percentage undivided interest of each unit owner in the common areas and facilities as expressed in any Declaration shall have a permanent character and shall not be altered except with the unanimous consent of all unit owners expressed in an amended Declaration duly recorded. Therefore, in the event the Declarant adds to or expands the property subject to this Declaration, pursuant to this Article, then every unit owner of units in HARBOUR PLACE, any phase, by the acceptance of the deed for his unit shall be deemed to have specifically agreed for himself, his heirs, devisees, successors and/or assigns that the Declarant shall have the exclusive right and power, as attorney-in-fact for every unit owner, to establish the undivided fractional or percentage interest of each such unit owner in the expanded common areas and facilities of HARBOUR PLACE, all phases, as well as the right and power to establish the undivided fractional or percentage interest in the expanded common areas and facilities of HARBOUR PLACE, all phases, to be appurtenant to additional units of HARBOUR PLACE, and, therefore, (a) the liability of each unit owner for common expenses, not specifically assessed, (b) the interest of each unit owner in any common surplus, and (c) the voting rights in the Association of each unit owner; which such undivided fractional or percentage interests shall be stated in any supplement to this Declaration required to be executed and recorded in the Office of the Register of Deeds of New Hanover County, North Carolina, in order to expand or add to the property subject to this Declaration as is provided for hereinabove. It is hereby declared and agreed that the Declarant shall establish said undivided interests without prior consultation with or consent of any unit owner of any unit in HARBOUR PLACE, any phase; and, that, the Declarant covenants and agrees to establish such undivided fractional or percentage interests for all units at such times as may be necessary pursuant to this Article in the proportions that the then fair market value of each unit, new and existing, as shall be determined solely by the Declarant, bears to the then aggregate fair market value of all units on the date of the supplemental declaration, or declarations. In determining such fair market value for any additional unit added to or made subject to this Declaration, Declarant may use the offering or purchase price of such unit or the fair market value as established by any independent appraiser. In determining the fair market value of units previously subjected to the Declaration, the Declarant may use the value as then established for tax purposes by the appropriate authorities or the value established by any independent appraiser.

F. Nothing herein shall be deemed to limit or alter the Declarant's right, hereby reserved, to vary the internal layout, size, or configurations of any units hereafter constructed so long as the Declarant substantially conforms with the provisions of this Article.

ARTICLE IV.

The Nature and Incidents of Unit Ownership

A. Each unit shall be conveyed and treated as an individual real property capable of independent use and fee simple ownership, and the owner of each unit shall also own, as an appurtenance to the ownership of each said unit, an undivided interest in the common areas and facilities of HARBOUR PLACE, PHASE I, and future phases, if any. The undivided interest in the common areas and facilities of HARBOUR PLACE, PHASE I, appurtenant to each of the sixty-four (64) units of HARBOUR PLACE, PHASE I, is established as follows:

All two (2) bedroom units 1.9231 %;
All one (1) bedroom units 1.4423 %.

The proportional interest in the common areas and facilities that is appurtenant to each unit has been determined in a manner consistent with the Act.

B. No unit may be divided or subdivided into a smaller unit or units than as shown on Exhibit "C" hereto, nor shall any unit or portion thereof be added to or incorporated into any other unit, unless written approval is first obtained from the Board of Directors of the Association as provided in Article V, Section D. hereof. The undivided interest in the common areas and facilities declared to be an appurtenance to each unit shall not be conveyed, devised, encumbered, or otherwise dealt with separately from said unit, and the undivided interest in common areas and facilities appurtenant to each unit shall be deemed conveyed, devised, encumbered, or otherwise included with the unit even though such undivided interest is not expressly mentioned or described in the instrument conveying, devising, encumbering, or otherwise dealing with such unit. Any conveyance, mortgage, or other instrument which purports to grant any right, interest, or lien in, to or upon a unit, shall be null, void and of no effect insofar as the same purports to affect any interest in a unit and its appurtenant undivided interest in common areas and facilities, unless the same purports to convey, devise, encumber, or otherwise trade or deal with the entire unit. Any instrument conveying, devising, encumbering, or otherwise dealing with any unit, which described said unit by the letter/numerical designation assigned thereto in Exhibit "C" without limitation or exception, shall be deemed and construed to affect the entire unit and its appurtenant undivided interest in the common areas and facilities. Nothing herein contained shall be construed as limiting or preventing ownership of any unit and its appurtenant undivided interest in the common areas and facilities by more than one person or entity as tenants in common, joint tenants, or as tenants by the entirety.

C. The common areas and facilities shall be, and the same are hereby declared to be subject to a perpetual nonexclusive easement in favor of all of the owners of units in HARBOUR PLACE, PHASE I, for their use and the use of their immediate families, guests or invitees, for all proper and normal purposes, and for the furnishing of services and facilities for which the same are reasonably intended, for the enjoyment of said owners of units. Notwithstanding anything above provided in this Article, the Association shall have the exclusive right to establish the rules and regulations pursuant to which the owner of any unit, his family, guests and invitees, may be entitled to use the common areas and facilities, including the right to make permanent and temporary assignments of parking spaces, and to establish regulations concerning the use thereof and to establish rules and regulations concerning the use of the swimming pool and any other recreation area.

D. Recognizing that the proper use of a unit by an owner of owners if dependent upon the use and enjoyment of the common areas and facilities in common with the owners of all other units, and that it is in the interest of all owners that the ownership of the common areas and facilities be retained in common by the owners, it is hereby declared that the proportional undivided interest in the common areas and facilities appurtenant to each unit shall remain undivided and no unit owner shall bring or have any right to bring any action for partition or division.

E. The concept of time-sharing or interval ownership is hereby prohibited.

ARTICLE V.

Use Restrictions

A. Each unit is hereby restricted to single-family residential use by the owner thereof, his immediate family, guests, invitees and lessees. No owner of any unit shall permit the use of his unit for transient hotel or commercial purposes.

B. No immoral, improper, offensive or unlawful use shall be made of any unit or of the common areas and facilities, nor any part thereof, and all laws, zoning ordinances and regulations of all governmental authorities having jurisdiction of the unit shall be observed. No owner of any unit shall permit or suffer anything to be done or kept in his unit, or on the common areas and facilities, which will increase the rate of insurance on the unit, or which will obstruct or interfere with the rights of other occupants of the other units or annoy them by unreasonable noises, nor shall any owner undertake any use or practice which shall create and constitute a nuisance to any other owner of a unit, or which interferes with the peaceful possession and proper use of any other unit or the common areas and facilities.

C. The use of common areas and facilities, by the owner or owners of all units, and all other parties authorized to use the same, shall be at all times subject to such reasonable rules and regulations as may be prescribed and established governing such use, or which may be hereafter prescribed and established by the Association.

D. No owner of a unit shall permit any structural modification or alteration to be made to such unit without first obtaining the written consent of the Association, which consent may be withheld in the event that a majority of the Board of Directors of the Association shall determine, in their sole discretion, that such structural modifications or alterations would adversely affect or in any manner endanger the condominium in part or in its entirety. No owner shall cause any improvements or changes to be made on the exterior of the condominium (including painting or other decoration, or the installation of electrical wiring, television or radio antenna or any other objects, machines or air conditioning units which may protrude through the walls or roof of the condominium) or in any manner alter the appearance of the exterior portion of any building without the written consent of the Association being first had and obtained. No unit owner shall cause any object to be fixed to the common areas and facilities (including the location or construction of fences and the planting or growing of flowers, trees, shrubs, or any other vegetation) or in any manner change the appearance of the common areas and facilities or limited common areas and facilities without the written consent of the Association being first had and obtained.

E. No signs of whatever nature and no window displays of whatever kind, except those specifically reserved by Declarant herein, shall be permitted on any unit. So long as the Declarant shall retain ownership of any units, it may utilize any such unit or units for sales offices, models or other usage for the purpose of selling units within said project. The Declarant may assign this limited commercial usage right to any other person or entities as it may choose; provided, however, that when all units have been sold, this right of commercial usage by the Declarant, its successors and assigns shall immediately cease.

F. No animals, domesticated or otherwise, shall be kept or housed in any unit or the common areas or the improvements thereon, without the prior written approval of and only upon the conditions allowed by the Declarant or the Board of Directors of the homeowners association. In the event such permission is granted, the owner of any such animal shall be solely responsible for all actions of said animal.

G. No article shall be hung or shaken from the doors or windows of any unit, nor shall any item be placed or hung from any window sill or from any of the common areas or limited common areas.

H. All exterior windows shall be covered with some covering so that only a white color will be shown on the exteriors of all windows of all units.

I. No boats, boat trailers, campers, trailers, mobile homes, other recreational vehicles, or commercial vehicles of any nature shall be parked or stored on any of the parking areas or other common areas of the project, nor shall any such vehicle, boat or trailer ever be parked or stored within the right of way of any public street adjacent to or leading to the project.

J. The use of the condominium may be further restricted under the By-Laws of the Association, or its Rules and Regulations.

ARTICLE VI.

Easements

In addition to easements and rights established and/or reserved elsewhere in this Declaration, the following easements and rights are hereby established as covenants and burdens running with the real property and the improvements thereon:

A. In case of any emergency originating in or threatening any unit, regardless of whether the owner is present at the time of such emergency, the Board of Directors of the Association, or any other person authorized by it, or the managing agent, shall have the right to enter such unit for the purpose of remedying or abating the cause of such emergency, and such right of entry shall be immediate.

B. Each unit owner shall have an easement in common with the other owners of all units to use all pipes, wires, ducts, cables, conduits, public utility lines and other common facilities located in any of the other units and serving his unit. Each unit shall be subject to an easement in favor of the owners of all other units to use the pipes, ducts, cables, wires, conduits, public utility lines and other common facilities serving such other units and located in such unit. The Board of Directors of the Association or their designee shall have the right of access to each unit to inspect the same, to remove violations therefrom and to maintain, repair, or replace the common facilities contained therein or elsewhere in the building.

C. The initial and subsequent Boards may grant or assume easements, leases, or licenses for utility purposes for the benefit of the condominium, including the right to install, lay, maintain, repair, and replace water lines, pipes, sewer lines, gas mains, telephone and television wires and equipment and electrical conduits and wires over, under, along and on any portion of the units and/or common areas and facilities and limited common areas and facilities; and, each unit owner hereby grants to the Board, or its designee, the irrevocable power of attorney to execute, acknowledge, and record for or in the name of the Association or each unit owner such instruments as may be necessary to effectuate the foregoing.

D. 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 such portions of the common areas and facilities as from time to time may be paved and intended for such purposes, for all unit owners of units in all phases of HARBOUR PLACE, their guests, families, invitees, lessees, the Association, the Declarant, its successors and assigns.

E. The Declarant hereby reserves unto itself the right to grant easements over any of the common areas and facilities of this phase of HARBOUR PLACE to be used for, by, or in connection with any other phases of HARBOUR PLACE, which may hereafter be erected on the property described in Exhibit "B", pursuant to this Declaration, as may become necessary for the purpose of the Declarant, its grantee, lessee, successor, or assigns, servicing such adjacent phases with utility services, drainage and easements for ingress and egress and regress.

F. In the event that any unit shall encroach upon any of the common areas and facilities, or any other unit or units, for any reason not caused by the purposeful or negligent act of the unit owner, or agents of such owner, then an easement appurtenant to such unit shall exist for the continuance of such encroachment upon the common areas and facilities or upon a unit for so long as such encroachment shall naturally exist; and, in the event that any portion of the common areas and facilities shall encroach upon any unit, then an easement shall exist for the continuance of such

encroachment of the common areas and facilities upon any unit for so long as such encroachment shall naturally exist. If any unit or common areas and facilities shall be partially or totally destroyed as a result of fire or other casualty, or as a result of condemnation or eminent domain proceedings, and if upon reconstruction of such unit and/or common areas and facilities in accordance with this Declaration, there exist encroachments of portions of the common areas and facilities upon any unit, or of any unit upon any other unit or upon any portion of the common areas and facilities, then such encroachments shall be permitted and a valid easement for the maintenance thereof shall exist so long as such encroachments shall naturally remain.

ARTICLE VII.

The Association

To efficiently and effectively provide for the administration and maintenance of HARBOUR PLACE, PHASE I, and future phases, if any, by the unit owners, a nonprofit North Carolina corporation known and designated as HARBOUR PLACE HOMEOWNERS ASSOCIATION, (hereinafter the "Association"), has been organized, a true copy of its Articles of Incorporation having been recorded in Book 1248 at Page 753 in the Office of the Register of Deeds of New Hanover County, North Carolina, and the provisions thereof are incorporated herein by reference. The Association shall administer the operation and management of the condominium, HARBOUR PLACE, PHASE I, as well as future phases, if any, and shall undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation and its duly adopted By-Laws. A true copy of the original By-Laws are attached hereto in Exhibit "D" and expressly made a part hereof by reference.

A. Declarant Control: Until December 31, 1984, or until such time as the first unit is deeded to a homeowner, whichever occurs first, the Board of Directors of the Association shall consist of those three (3) individuals appointed by the Declarant to the initial Board of Directors of the Association as stated in its Articles of Incorporation, or their successors or replacements, as provided for in the duly adopted By-Laws of the Association. Until said date, said Board shall exclusively be responsible for the total operation and management of the Association, exercising all powers, duties, and obligations thereof, free from interference or control by any and all unit owners; provided, however, that said Board shall manage and operate the Association in a manner consonant with the terms and conditions of this Declaration, any and all supplements or amendments hereto, the Association's Articles of Incorporation and its duly adopted By-Laws; provided, further, however, that the Declarant may by written notice to each unit owner at any time prior to the above-referenced date manifest its intention to cause the resignation of said Board of Directors at which time the initial meeting of the membership of the Association shall be called for the purpose of the election of a new Board of Directors of the Association from the membership thereof, who shall then become responsible for the operation and management of the Association.

B. Membership and Voting Rights: Membership and voting rights in the Association shall be as provided in Article VI of its Articles of Incorporation referred to and incorporated herein as stated hereinabove; membership being mandatory for all unit owners of all units in all phases of HARBOUR PLACE.

C. Powers: The Association shall have all powers granted to it as stated in Article V of said Articles of Incorporation.

D. Common Expenses: The common expenses of the Association shall be shared by the unit owners in the same proportions that the undivided interest in the common areas and facilities appurtenant to each owner's unit bears to the total of all undivided interests in the common areas and facilities appurtenant to all units, and as assessment against the unit owners and their units as provided for hereinbelow.

E. Management and Maintenance:

1. The Association, as a common expense, shall be responsible for the maintenance, repair and replacement of all of the common areas and facilities, and limited common areas and facilities including those portions thereof which contribute to the support of the building or buildings, and all conduits, ducts, plumbing, wiring, and other facilities located in the common areas and facilities for the furnishing of utility and other services to the units and said common areas and facilities, and should any incidental damage be caused to any unit by virtue of any work which may be done or caused to be done by the Association in the maintenance, repair, or replacement of any common areas and facilities, the Association shall, at its expense, repair such incidental damage. Whenever the maintenance, repair, and replacement of any item for which the Association is obligated to maintain, replace or repair at its expense is occasioned by any act of a unit owner, his immediate family, guests, or invitees, and such loss or damage may be covered by any insurance maintained in force by the Association, the proceeds of the insurance received by the Association shall be used for the purpose of making such maintenance, repair, or replacement, except that the unit owner who is responsible for the act causing the damage (whether done by himself or by his family, guests, or invitees) shall be required to pay such portion of the cost of such maintenance, repair, and replacement as shall, by reason of the applicability of any deductibility provision of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair, or replacement.
2. The Association shall have the right to make or cause to be made such alterations or improvements to the common areas and facilities which do not prejudice the rights of the owner of any unit in the use and enjoyment of his unit, provided the making of such alterations and improvements are approved by the Board of Directors of the Association, and the cost of such alterations or improvements shall be common expenses to be assessed and collected from all of the owners of units. However, where any alterations and improvements are exclusively or substantially for the benefit of the owner or owners of a certain unit or units requesting the same, then the cost of such alterations or improvements shall be assessed against and collected solely from the owner or owners of the unit or units exclusively or substantially benefited, the assessment to be levied in such proportion as may be determined by the Board of Directors of the Association.
3. The Association may enter into a contract with a management company or manager for the purposes of providing all elements of the operation, care, supervision, maintenance, and management of the property. All the powers and duties of the Association necessary or convenient for such maintenance and management may be delegated to and vested in the manager by the Board of Directors, except such as are specifically required by this Declaration, the By-Laws, or the Unit Ownership Act, to have the approval of the Board of Directors or the Association. The manager is hereby further authorized to recommend the annual budget, and, upon approval thereof by the Board of Directors, make assessments for common expenses, and collect such assessments as provided in this Declaration and the By-Laws, subject always to the supervision and right of approval of the Board of Directors.
4. Unit Owners Maintenance:

Every owner shall perform promptly all maintenance and repair work within his unit which, if omitted, would affect the condominium, either in its entirety or in a part belonging to

other owners; every owner being expressly responsible for the damages and liability which his failure to do so may engender. The owner of each unit shall be liable and responsible for the maintenance, repair, and replacement, as the case may be, of all air conditioning and heating equipment, stoves, refrigerators, fans, or other appliances or equipment, including any fixtures and/or their connections required to provide water, light, power, telephone, sewage and sanitary service to his unit. Such owner shall further be responsible and liable for the maintenance, repair, and replacement of the surfaces of any and all walls, ceilings, and floors which are a part of his unit, including painting, decorating, and furnishings, and all other accessories which such owner may desire to place or maintain in his unit. Whenever the maintenance, repair, and replacement of any item for which the owner of a unit is obligated to maintain, replace, or repair at his own expense is occasioned by any loss or damage which may be covered by any insurance maintained in force by the Association, the proceeds of the insurance received by the Association shall be used for the purpose of making such maintenance, repair, or replacement except that the owner of such unit shall be, in said instance, required to pay such portion of the costs of such maintenance, repair, and replacement as shall, by reason of the applicability of any deductibility provision of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair, or replacement. All glass doors, window frames, panes and screens are a part of the respective units and shall be maintained by the respective unit owners.

All parts of a unit shall be kept in good condition and repair by and at the expense of the owner. The unit shall be maintained by the owner in a clean and safe condition, free of nuisance. Each unit owner will promptly comply with any requirements of the insurance underwriters of the insurance for the common areas and facilities when so requested in writing by the Board or its designated agent. Any failure of an owner to repair, maintain, or replace as may be required pursuant to this Declaration, or a determination by the Board or its designated agent that such failure will endanger or impair the value of the common areas and facilities or any unit may be, upon written notice to the owner of the nature of the required repair, maintenance, or replacement, repaired or replaced by the Association at the expense of the unit owner, to be collected by special assessment as provided herein and in the By-Laws. Such assessment may include the cost to the Association incurred in the abatement of any nuisance maintained by the unit owner therein.

5. Limitation of Liability: Notwithstanding the duty of the Association to maintain and repair parts of the condominium property, the Association shall not be liable to unit owners for injury or damage caused by any latent condition of the property to be maintained and repaired by the Association, or caused by the elements or other owners or persons.

F. Insurance:

1. Acquisition: Insurance policies upon the condominium (other than title insurance) shall be purchased by the Association in the name of the Board of Directors of the Association, as Trustee for the unit owners and their respective mortgagees as their interests may appear, and shall provide for the issuance of certificates or mortgage endorsements to the holders of first mortgages on the units or any of them, and if the companies writing such policies will agree, the policies shall provide that the insurer waives its rights of

subrogation as to any claims against unit owners, the Association and their respective servants, agents, and guests. Each unit owner may obtain insurance at his own expense, affording coverage upon his unit, his personal property and for his personal liability and as may be permitted or required by law, but all such insurance shall contain the same waiver of subrogation as that referred to above if the same is available.

2. Coverage: All buildings and improvements upon the land and all personal property included in the common areas and facilities shall be insured in an amount equal to the maximum insurable replacement value, excluding foundation and excavation costs, or by ninety percent co-insurance coverage or by such other form of policy as the Board of Directors annually determines will most reasonably provide the funds necessary to repair or reconstruct the insured improvements. Such coverage shall afford protection against (a) loss or damage by fire and other hazards covered by a standard extended coverage endorsement, and (b) such other risks as from time to time shall be customarily covered with respect to buildings similar in construction, location and use as the buildings on the real property, including, but not limited to, vandalism and malicious mischief.
3. Public Liability Insurance: Public liability insurance shall be secured by the Association in such amount and with such coverage as shall be deemed necessary by the Board of Directors, including, but not limited to, an endorsement to cover liability of the unit owners as a group or to a single unit owner. There shall also be obtained such other insurance coverage as the Board of Directors or manager shall determine from time to time to be desirable or necessary.
4. Premiums: Premiums upon insurance policies purchased by the Association shall be paid by the Association and chargeable to the Association as a common expense.
5. Proceeds: All insurance policies purchased by the Association shall be for the benefit of the Association and the unit owners and their mortgagees as their interests may appear, and shall provide that all proceeds thereof shall be payable to the Association as insurance trustee under this Declaration. The Board of Directors of the Association is hereby irrevocably appointed agent for each unit owner and his mortgagee as their interests may appear for the purpose of compromising and settling claims arising under insurance policies purchased by the Board of Directors for the benefit of the Association and the unit owners; said Board of Directors or its designee is hereby further empowered to execute and deliver releases to the insurance carrier upon the payment of claims. The Board of Directors' duty or its designee's duty upon receipt of such proceeds shall be to hold the same in trust for the purposes elsewhere stated herein or in the By-Laws for the benefit of the Association and the unit owners and their mortgagees, as their interests may appear.
6. Distribution of Insurance Proceeds: Proceeds of insurance policies shall be payable to the Board of Directors of HARBOUR PLACE HOMEOWNERS ASSOCIATION, as insurance trustee and shall be distributed to or for the benefit of the beneficial owners in the following manner:
 - (a) Expense of the Trust: All expenses of the insurance trustee shall be first paid or provision made therefor, if any;

- (b) Reconstruction or Repair: If the damage for which the proceeds are paid is to be repaired or reconstructed, the remaining proceeds shall be paid to defray the cost thereof as determined in this Paragraph F, of this ARTICLE VII. Any proceeds remaining after defraying such cost shall be distributed as surpluses to the beneficial owners of the damaged units pursuant to Paragraph H hereof;
- (c) Failure to Reconstruct or Repair: If it is determined, as provided herein below that the damage for which the proceeds are paid shall not be reconstructed or repaired, the remaining proceeds shall be distributed as surpluses to the beneficial owners of the damaged units thereof pursuant to Paragraph H hereof;
- (d) Mortgagees: In the event a mortgagee endorsement has been issued as to a unit, the share of the unit owner shall be held in trust for the mortgagee and the unit owner as their interests may appear; provided, however, that no mortgagee shall have any right to determine or participate in the determination as to whether any damaged property shall be reconstructed or repaired.

7. Damage and Destruction:

Determination to Reconstruct or Repair: If any part of the condominium property shall be damaged by casualty, whether it shall be reconstructed or repaired shall be determined in the following manner:

- (a) Common Areas and Facilities and Limited Common Areas and Facilities: If the damaged improvement is a common area or facility or facilities, the damaged property shall be reconstructed or repaired, unless it is determined in the manner elsewhere provided that the condominium shall be terminated;
- (b) Units:
- (i) Partial Destruction: If the damaged improvement is a unit, and if termination as provided in subparagraph (ii) below does not take place, the damaged property shall be reconstructed or repaired unless within sixty (60) days after the casualty it is determined by agreement in the manner elsewhere provided that the condominium shall be terminated;
- (ii) Total Destruction: If more than two-thirds (2/3) of the units are destroyed and the owners of three-fourths (3/4) of the units in the entire condominium should determine not to proceed with repair or restoration, then the procedure set forth in Section 47A-25 of the North Carolina Statutes, and any amendments thereto, shall take place.

Plans and Specifications: Any reconstruction or repair must be substantially in accordance with the plans and specifications for the original building, portions of which are attached hereto as exhibits; or if not, then according to plans and specifications approved by the Board of Directors of the Association, and if the damaged property is a unit, by the owners of all damaged units therein which approvals shall not be unreasonably withheld.

Responsibility: If the damage is only to those parts of one unit for which the responsibility of maintenance and repair is that of the unit owner, then the unit owner shall be responsible for reconstruction and repair after casualty. In

all other instances the responsibility of reconstruction and repair after casualty shall be that of the Association.

Estimate of Costs: Immediately after a determination to rebuild or repair damage to property for which the Association has the responsibility of reconstruction and repair, the Association shall obtain reliable and detailed estimates of the costs to rebuild or repair.

Assessments: If the proceeds of insurance are not sufficient to defray the estimated costs of reconstruction and repair by the Association, or if at any time during reconstruction and repair, or upon completion of reconstruction and repair, the funds for the payment of the costs thereof are insufficient, assessments shall be made against the unit owners who own the damaged units, and against all unit owners in the case of damage to common areas and facilities, in sufficient amounts to provide funds for the payment of such costs. Such assessments against unit owners for damage to units shall be in proportion to the cost of reconstruction and repair of their respective units. Such assessments on account of damage to common areas and facilities shall be in proportion to the unit owner's share in the common areas and facilities.

G. Association to Maintain Register of Owners and Mortgagees: The Association shall at all times maintain a Register setting forth the names of the owners of all of the units. In the event of the sale or transfer of any unit to a third party, the purchaser or transferee shall notify the Association in writing of his interest in such unit together with such recording information as shall be pertinent to identify the instrument by which such purchaser or transferee has acquired his interest in any unit. Further, the owner of each unit shall notify the Association of the names of the parties holding any mortgage or mortgages on any unit, the amount of such mortgage or mortgages and the recording information which shall be pertinent to identify the mortgage or mortgages. The holder of any mortgage or mortgages upon any unit may, if he so desires, notify the Association of the existence of any mortgage or mortgages held by such party on any unit and, upon receipt of such notice, the Association shall register in its records all pertinent information relating thereto.

H. Assessments: Liability, Lien and Enforcement: The Association has been given the authority to administer the operation and management of the condominium, it being recognized that the delegation of such duties to one entity is in the best interest of the owners of all units. To properly administer the operation and management of the condominium, the Association will incur for the mutual benefit of all of the owners of units, costs and expenses which are sometimes herein referred to as "common expense". To provide the funds necessary for such proper operation, management, and capital improvement, the Association has heretofore been granted the right to make, levy and collect assessments against the unit owners and their units. In furtherance of this grant of authority to the Association to make, levy and collect assessments to pay the costs and expenses for the operation, management of and capital improvements to the condominium, the following provisions shall be operative and binding upon all the owners of all units:

1. All assessments levied against the unit owners and their units shall be uniform and, unless specifically otherwise provided for in this Declaration, all assessments made by the Association shall be in such an amount that any assessment levied against a unit owner and his unit shall bear the same ratio to the total assessment made against all unit owners and their units as the undivided interest in common areas and facilities appurtenant to each condominium unit bears to the total undivided interest in common areas and facilities appurtenant to all units. Should the Association be the owner of a unit or units, the assessment which would otherwise be due and payable to the Association by the owner of such unit or units, reduced by the amount of income which may be