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ADMITTED TO RECORD  
30 DAY OF MAR 1999  
AT 10:40 A.M.

STATE OF NORTH CAROLINA  
COUNTY OF NEW HANOVER

MARY SUE OOTS  
REGISTER OF DEEDS  
NEW HANOVER COUNTY  
CONDITIONS, AND RESTRICTIONS  
OF PIN OAKS ONE TOWNHOUSES

THIS DECLARATION, made this the 29th day of March, 1999, by  
JOYCE E. EASTER herein referred to as "Owner".

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WITNESSETH:

That Whereas, "Owner" is the owner of certain property located  
in the City of Wilmington, New Hanover County, North Carolina as is  
hereinafter described; and

Whereas, the Owner desires to insure the use of the herein-  
after described property for attractive residential purposes only,  
to prevent the impairment of the attractiveness of the property, to  
maintain the desired tone of the community, and thereby to secure  
to each lot owner the full benefit and enjoyment of his or her home  
with no greater restriction upon the free and undisturbed use of  
his or her lot than is necessary to ensure the same advantages to  
the other lot owners;

NOW THEREFORE, the undersigned Owner does hereby covenant,  
agree, and declare to and with all persons, firms, or corporations  
owning or hereafter acquiring any property made subject to this  
Declaration that all of the properties described herein shall be  
held, sold, and conveyed subject to the following easements,  
restrictions, covenants, and conditions which are for the purpose  
of protecting the value and desirability of, and which shall run  
with the real property, and be binding on all parties having any  
right, title, or interest in the said properties or any part  
thereof, their heirs, successors and assigns, and shall inure to  
the benefit of each owner thereof, to-wit:

1. **SCOPE OF DECLARATION** This Declaration of Restrictions shall  
apply to all lots in PIN OAKS ONE TOWNHOUSES, as shown upon a map  
recorded in Map Book 38 at Page 317 of the New Hanover County  
Registry.

2. **LOT USE** No lot located within the subdivision shall ever be  
used for business, manufacturing, commercial, or professional  
purposes, it being intended that all lots shall be used for  
residential purposes only.

3. **SETBACK REQUIREMENTS** Since the establishment of standard  
inflexible building setback lines for the location of units on lots  
tends to force construction of units directly to the side of other  
units with detrimental effects on privacy, views, preservation of

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BY DANIEL D. MAHN

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important trees and other vegetation, ecological, and related considerations, no specific setback lines are established by these restrictions. In order to assure, however, that the foregoing considerations are given maximum effect, the Association, as hereinafter defined and established, shall have the right to control and approve absolutely the site and location of any structure upon any lot.

4. **TEMPORARY STRUCTURES AND OTHER STRUCTURES** Unless specifically approved in writing by the Association as hereinafter provided, no structure of a temporary character, trailer, basement, tent, shack, garage apartment, barn, or other outbuilding shall be erected on any lot or used as a residence thereon.

In the event that the Association shall approve such placement of a structure as herein provided, the structure shall be constructed of the same materials and be of the same design as the residence located on that lot. Should such structure encroach upon any of the common areas or limited common areas, there shall be an easement reserved upon such common areas or limited common areas for the location of such structure as hereinafter provided.

5. **BUILDING DESIGN** The design of all buildings erected or moved onto any lot shall be subject to the approval of the Association. Upon written request of a lot owner for approval of plans, the Association shall have ten days within which to approve or disapprove such plans. In the event of failure to approve or disapprove such plans within ten days, such approval will not be required; but the design of the proposed building must be in harmony with the existing structures in this subdivision.

6. **BUILDING CONSTRUCTION** The construction materials used for any residence or other structure upon any of the lots must be approved in writing by the Association. No exterior colors may be changed without the written permission of the Association. It is the express intention of the Owner to maintain a uniform plan of development with respect to design, size, type, cost, and general appearance of all structures upon the lots in the subdivision.

7. **A. MAINTENANCE OF LOT, NUISANCES** It shall be the duty of each homeowner or occupant to keep his or her property (or that of the occupant's landlord) in a neat and tidy condition, well maintained, with no unsightly debris or litter or the like in view. No homeowner or occupant shall place on his lot, or cause or allow to be placed on his lot, any kind of statue, sculpture, "objet d'art", yard decoration, artificial wildlife, or any other similar type of object. No noxious or offensive trade or activity shall be carried on or maintained on any lot, nor shall any activity be conducted which constitutes an annoyance or nuisance to the neighborhood. Any oil stains or similar spills on driveways or other roadways shall be immediately cleaned up or removed by the lot owner responsible for such stain or spill. If such stain or spill is not immediately

cleaned up or removed, the Association shall clean up or remove the stain or spill and the cost of such cleanup shall be assessed against and collected from such responsible lot owner in the same manner as assessments are assessed and collected as herein provided.

**B. PARKING** All vehicles must be parked in driveways and no vehicles may be parked at any time on lawns, roadways, or common areas. No vehicle shall be allowed to block any street, roadway, or other access area. There may not be more than two (2) vehicles parked at any residence except with specific written approval of the Association.

**C. JUNK VEHICLES AND TRACTOR TRAILERS** No inoperable vehicle or vehicle without current registration, current state inspection sticker, current license plate, and current insurance will be permitted on the premises, and no tractor-trailers will be permitted on the premises. The Association shall have the right to have all such vehicles towed away at the owner's expense.

**D. TRASH RECEPTACLES, LAWN FURNITURE, TOYS, PERSONAL PROPERTY** All trash receptacles, lawn furniture, toys, lawnmowers, bicycles, grills, stored materials, and other such similar personal property must be kept and stored within the fenced area of each lot.

**E. 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. No colored bulbs or lights will be allowed except during holiday seasons.

**F. VEHICLE REPAIRS** No repairs to any vehicle may be made in driveways unless such repairs may be completed in one day. During the course of repair work, no vehicle shall be permitted to remain in any driveway on any type of jacks or stands more than one day.

**G. RECREATIONAL VEHICLES/BOATS** Boats, motor boats, personal watercraft, campers, recreational vehicles, trailers, recreational trailers, motor homes, or similar type vehicles shall only be permitted to remain on a lot if such vehicles/boats are parked in the backyard out of sight from any street.

**8. ANIMALS** No animals, livestock, or poultry of any kind shall be raised, bred, or kept on any lot in the subdivision, except that dogs, cats, or other household pets may be kept for the purpose of providing companionship for the private family. Animals are not to be raised, bred, or kept for commercial purposes or for food. It is the purpose of these provisions to restrict the use of any lot so that no person shall quarter on said lots cows, horses, bees, hogs, sheep, goats, guinea fowls, chicks, geese, rabbits, chickens, turkeys, skunks, snakes, or any other animal that may interfere with the quietude, health, or safety of the community. No more than three (3) household pets will be permitted on any lot. Pets must be

restrained or confined inside a fenced area or within the house. It is the pet owner's responsibility to keep their lot clean and free of pet debris. All animals must be properly tagged for identification, and further, must be kept on a leash unless such animal is confined within a fenced area. When such animals are not confined within a fenced area of the owner's yard, it is the pet owner's responsibility to remove any pet debris left by their pet upon any of the lots or common areas within the subdivision. Any costs incurred by the other lot owners or the Association as hereinafter set out, for the removal of pet debris left by the pet of a lot owner or occupant upon any lot or upon any part of the common areas shall be a charge against the owner's lot and shall be assessed against that individual lot owner as a special assessment and subject to the regulations regarding liens and assessments as hereinafter set forth.

9. **FENCED AREAS** The fences surrounding part of the lots shall be maintained and replaced by the Association as hereinafter described, however, maintenance of the areas within the fences shall be the responsibility of the owner of the adjacent unit or house.

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

11. **EXTERIOR MAINTENANCE** Each lot owner shall maintain the exterior of all buildings, walls, and other improvements on his lot in good condition and repair, and shall replace worn and rotten parts and shall not permit the roofs, rain gutters, downspouts, exterior walls, windows, doors, or other exterior portions of the improvements to deteriorate in an unattractive manner. The maintenance referenced herein shall be supervised and regulated by the Association, as herein provided and herein referenced as "the Association". In the event that the lot owner shall fail to comply with these maintenance requirements, the Association is hereby expressly authorized, and the lot owner hereby expressly agrees, that said maintenance and/or repair may be effected by the said Association with the expenses incurred for the same to be assessed against the individual lot owner as a special assessment and subject to the regulations regarding liens and assessments as herein set forth.

The Association shall cause the exterior of each unit to be painted as necessary, the costs of such painting to be paid by the Association from the Association dues paid to the Association.

The owners of each house or unit shall be responsible for the repair and replacement of the roof on that owners' house or unit, and the Association shall not be required to provide such repair or replacement. In the event that there are two or more units served

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

12. **LANDSCAPING MAINTENANCE** All front and side areas not otherwise fenced in shall be maintained by the PIN OAKS ONE TOWNHOUSES OWNERS ASSOCIATION, INC. Except for that landscaping provided by the individual owners inside fenced areas, no landscaping other than that provided or approved by the Association shall be allowed.

13. **EXTERIOR ANTENNAE** Exterior television or radio antennae, or television or radio satellite dishes are not permitted within the Subdivision, except with written permission of the Association.

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

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

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

(a) The Association, acting through its officers, agents, servants, and/or employees shall have the right of unobstructed access at all reasonable times to all properties as may be reasonably necessary to perform the exterior maintenance provided for by this Declaration.

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

(c) Each lot or unit and all Common Areas and 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, whether or not the cause of any or all of those activities originates on the lot or unit in which the work must be performed.

(d) Each lot or unit, and the property included in the Common Area shall be subject to an easement for encroachments created by construction, settling, and overhangs for all buildings, structures, and improvements existing at the time of the recordation of this instrument, including, but not limited to, sidewalks, walks, paths, patios, decks, fences, parking areas and parking pads, driveways, stoops, porches, roofs, outbuildings, and other similar appurtenances. A valid easement for such encroachments and for the maintenance of same, so long as such encroachments stand, shall and does exist. In the event that any structure containing two or more townhouses is partially or totally destroyed and then rebuilt, the owners of the townhouses so affected and other adjacent units agree that minor encroachments of or on parts of the adjacent townhouse units or Common Areas due to construction shall be permitted, and that a valid easement for said encroachment and the maintenance thereof shall exist.

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

(f) All easements and rights described herein are easements appurtenant, running with the land, and shall be binding on the Owner, her heirs, 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.

#### 17. OWNERS ASSOCIATION

(a) To provide for the painting of the units, and the maintenance, repair, and upkeep of the walkways, parking areas, common areas, and, except as herein provided, the yard areas of the lots in the Subdivision, the Owners have formed the PIN OAKS ONE TOWNHOUSES OWNERS ASSOCIATION, INC., a non-profit corporation organized pursuant to Chapter 55A of the General Statutes of North Carolina. The Association shall also be responsible for providing any necessary liability insurance. The Articles of Incorporation for said corporation are recorded in Book \_\_\_\_\_, at Page \_\_\_\_\_ of the New Hanover County Registry. The By-Laws for said corporation are attached hereto as Exhibit "A", and are incorporated herein by reference.

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

(1) A Class "A" membership(s) in the PIN OAKS ONE TOWNHOUSES OWNERS ASSOCIATION, INC., (Association), appurtenant to his lot;

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

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

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

(c) The Association shall have one class of voting membership:

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

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

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

(1) annual assessments or charges; and

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

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

(c) The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents in the properties and for the improvement, maintenance, and repair of all parking areas, walkways, and the common areas, and painting of the units, as herein provided. The funds arising from said assessments or charges, may be used for any or all of the following purposes: Maintenance, repair, and improvement of the common areas and rights of ways; painting of the exterior of the units; maintenance of the parking areas, walkways, and yard areas as herein provided; enforcing these restrictions; and, in addition, doing any other things necessary, proper, or desirable in the opinion of the Association to keep the property in neat and good order and to provide for the health, welfare and safety of the owners and residents of the subdivision.

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

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

(f) Written notice of any meeting called for the purpose of taking any action authorized under Paragraph 25(e) or Paragraph 25(f) set forth above shall be sent to all members not less than ten (10) days nor more than (60) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast fifty-one percent (51%) of all votes of the membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum of the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

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

(h) At the time title is conveyed to an Owner, each Owner shall contribute to the Association a working capital reserve in an amount at least equal to a two months' estimated regular 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.

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

(j) The lien herein granted unto the Association shall be enforceable from and after the time of recording a claim of lien in the public records of New Hanover County, North Carolina, which claim shall state the description of the lot encumbered thereby, the name of the record owner, the amount due and the date when due. The claim of lien shall be recordable any time after default and the lien shall continue in effect until all sums secured by said lien as herein provided shall have been fully paid. Such claims of

lien shall include only assessments which are due and payable when the claim of lien is recorded, plus interest, costs, and attorney's fees thereon, all as above provided. Such claims of lien shall be signed and verified by an officer or agent of the Association. Upon full payment of all sums secured by such claim of lien, the same shall be satisfied of record. The lien provided for herein shall be subordinated to the lien of any first mortgage or Deed of Trust and any person, firm, corporation or other entity acquiring title to any lot by virtue of any foreclosure, deed in lieu of foreclosure or judicial sale, shall be liable and obligated only for assessments as shall accrue and become due and payable subsequent to the date of acquisition of such title, and it shall not be liable for the payment of any assessments which were in default and delinquent at the time it acquired such title. In the event of the acquisition of title to a lot by foreclosure, deed in lieu of foreclosure or judicial sale, any assessment or assessments as to which the party so acquiring title shall not be liable shall be absorbed and paid by all owners of all lots as part of the common expenses, although nothing herein contained shall be construed as releasing the party liable for such delinquent assessment from the payment thereof or the enforcement of collection of such payment by means other than foreclosure.

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

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

(m) Penalty assessments shall be assessed against lot owners for violations of the provisions of this Declaration by the lot owners or by such lot owners' tenants pursuant to such policy or policies and such schedule or schedules as may be established by the Board of Directors of the Association. The Board of Directors shall establish a written policy and assessment schedule providing for the determination of violations of this Declaration and providing for assessments based on the nature, severity, frequency, and continuation of such violations, including escalated assessments for continued or subsequent violations. Penalty assessments shall be enforced and collected in the same manner as annual assessments and special assessments.

**19. CONVEYANCE, MORTGAGE, AND DEDICATION OF COMMON AREAS** The common areas and limited common areas may not be conveyed,

mortgaged, or dedicated without the consent of at least two-thirds of the lot owners.

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

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

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

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

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

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

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

(2) Unless otherwise provided in the Declaration or 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 Mortgage Holders holding mortgages on all remaining units or lots whether existing whole or in part, and which have at least 51% of the votes of such remaining lots or units subject to Eligible Mortgage Holders.

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

(a) Amount and Scope of Insurance: All insurance policies upon the common areas shall be secured by the Board of Directors or its designee on behalf of the Association with full authority, which shall obtain such insurance against (1) loss or damage by fire or other hazards normally insured against, and (2) public liability insurance. Such liability coverage shall be for at least \$500,000.00 for bodily injury, including deaths of persons and property damage arising out of a single occurrence. Coverage under this policy shall include, without limitation, legal liability of the insureds for property damage, bodily injuries, and deaths of persons in connection with the operation, maintenance, or use of the common areas and legal liability arising out of lawsuits relating to employment contracts of the Association. The foregoing shall not preclude the Board from obtaining insurance coverage on all or a portion of the limited common areas and facilities.

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

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

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

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

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

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

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

(c) Premiums. All insurance premiums on the common areas for the benefit of the Association purchased by the Board of Directors or its designee and any deductibles payable by the Association upon loss shall be a common expense and the Association shall levy against the owners equally, as an additional annual assessment,

herein called "Insurance Assessment" which shall be in addition to the amounts provided for herein, an amount sufficient to pay the annual cost of all such insurance premiums.

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

(e) Policies. All insurance policies purchased by the Board of Directors shall be with a company or companies permitted to do business in the State of North Carolina and holding a rating of "A" or better by the current issue of Best's Insurance Reports. All insurance policies shall be written for the benefit of the Board of Directors and the lot owners and their mortgagees as their respective interests may appear, and shall provide that all proceeds thereof shall be payable to the Board of Directors and duplicates of said policies and endorsements and all renewals thereof, or certificates thereof, together with proof of payment of premiums, shall be delivered to the owners at least ten (10) days prior to the expiration date with respect to the then current policies.

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

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

## 22. FIDELITY BONDS

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

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

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

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

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

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

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

23. **AMENDMENT** Except as otherwise provided herein, these restrictions may be altered, modified, canceled, or changed at any time as to said subdivision as a whole or as to any subdivided lot or part thereof by a written document, recorded in the New Hanover County Registry, executed by the owners (not including mortgagees, trustees, or other lienholders) of not less than two-thirds (2/3) of the subdivided lots to which these restrictions apply.

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

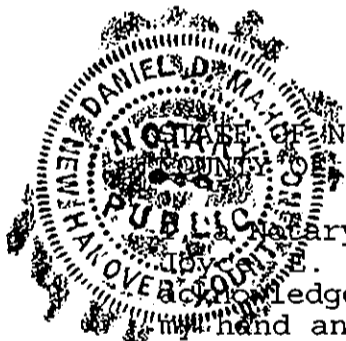
25. **INVALIDATION** Invalidation of any one of these covenants by judgment or court order shall in no way effect any of the other covenants herein, which shall remain in full force and effect.

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

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

IN TESTIMONY WHEREOF, the Owners have hereunto set their hands and seals, the day and year first above written.

Joyce E. Easter (SEAL)  
Joyce E. Easter



STATE OF NORTH CAROLINA  
NEW HANOVER COUNTY

I, Daniel D. Mahn, Notary Public of the County and State aforesaid, certify that Joyce E. Easter personally appeared before me this day and acknowledged the due execution of the foregoing instrument. Witness my hand and official stamp or seal, this 29th of March, 1999.

My Commission Expires:  
10/16/2000

D. Mahn  
Notary Public

STATE OF NORTH CAROLINA  
New Hanover County

The Foregoing/ Annexed Certificate(s) of

Daniel D. Mahn

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

This the 30 day of March, 1999

Mary Sue Oots, Register of Deeds  
by Jaymie Nelson  
Deputy/