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DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
PERRY PARK TOWNHOMES

*Prepared by and return to: Smith Moore Leatherwood LLP (DGM)
101 N. Third Street, Wilmington, NC 28401*

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**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
PERRY PARK TOWNHOMES**

THIS DECLARATION is made on the date hereinafter set forth by SANCO BUILDERS CORP., a North Carolina corporation having an office in New Hanover County, North Carolina, hereinafter referred to as "Declarant."

WITNESSETH:

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

BEING ALL of that property shown on that map titled "Perry Park Townhomes," comprising Lots 1A, 1B, 2A, 2B, 3A and 3B, together with certain Limited Common Area and Common Area as shown thereon, which map is recorded in Map Book 61, page 361, New Hanover County Registry.

WHEREAS, it is the intent of the Declarant hereby to cause the above-described property to be subjected to this Declaration of Covenants, Conditions and Restrictions.

NOW, THEREFORE, Declarant hereby declares that all of the property described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, such real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof. It is the intent of Declarant that the provisions of this Declaration in all respects conform and comply to the requirements set forth in the North Carolina Planned Community Act. To the extent any provision contained herein does not conform or comply with the North Carolina Planned Community Act, the provisions of the Act shall control.

ARTICLE I

DEFINITIONS

SECTION 1. Additional Property. "Additional Property" shall mean and refer to the property described in Schedule "A," attached hereto and incorporated herein by this reference, together with any other property located adjacent to the Properties. For the purpose of determining whether property is adjacent to the Properties, the rights of way of public roads and

utilities, as well as rivers and streams, shall be deemed not to separate otherwise adjacent property.

SECTION 2. Appropriate Local Governmental Authority. “Appropriate Local Governmental Authority” shall mean and refer to the Town of Carolina Beach, New Hanover County or other appropriate local governmental authority having jurisdiction over the Properties.

SECTION 3. Association. “Association” shall mean and refer to Perry Park Homeowners Association, Inc., its successors and assigns.

SECTION 4. Common Elements or Common Area. “Common Elements” or “Common Area” shall mean all real property owned by the Association (whether owned in fee or by way of license or easement) or leased by the Association, other than a Lot and Limited Common Area. The Common Elements to be owned by the Association at the time of the conveyance of the first Lot is described as follows:

BEING ALL of that property identified as “Common Area” on that map titled “Perry Park Townhomes,” which map is recorded in Map Book 61, page 361, New Hanover County Registry.

Declarant reserves the right, in its sole discretion, to convey or cause to be conveyed to the Association from time to time and without the consent of the Association or its Members, additional property to the Association, which property may include any portion of the Properties, including any Additional Property annexed by Declarant pursuant to Article XI, Section 4 hereof. The Association shall accept any such conveyance of property together with any local, state or federal governmental permits relating to such property, including, without limitation, any stormwater, erosion control or wetlands permits, and thereafter such property shall be held and maintained by the Association as Common Elements. Declarant may construct or cause to be constructed (**BUT SHALL NOT BE OBLIGATED TO CONSTRUCT**) walkways and related facilities on any such Common Elements. Other improvements, which may include, but shall not be limited to, roadways, sidewalks, landscaped areas, retention or detention ponds or erosion control devices, may be located on any such Common Elements. Declarant does not contemplate the construction of any other recreational improvements or amenities within the Common Elements (i.e., swimming pool, tennis courts, clubhouse, etc.). Except as otherwise provided in Section 47F-3-113 of the Planned Community Act, the Association shall be required to promptly repair and replace any portion of the Common Elements and Limited Common Elements for which the Association is required to maintain casualty insurance pursuant to the Bylaws of the Association which is damaged or destroyed. All Common Elements and Limited Common Elements shall be conveyed to the Association in their “as is” condition without any express or implied warranty. **DECLARANT HEREBY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE COMMON ELEMENTS AND THE LIMITED COMMON ELEMENTS.**

The Association also may acquire additional Common Elements and Limited Common Elements with the consent of the Members of the Association entitled to cast at least two-thirds (2/3) of the votes of each class of Members of the Association, who are voting, in person or by

proxy, at a meeting duly called for such purpose; provided, however, during Declarant's Development Period no such action shall be effective without Declarant's consent and approval. For such a conveyance to be effective, the deed or instrument conveying to the Association additional Common Elements or Limited Common Elements must: (1) be executed on behalf of the Association by its duly authorized officers; (2) contain an attestation by the officers executing the instrument on behalf of the Association that the requisite owner and Declarant approval has been obtained and is evidenced by written acknowledgments signed by the owners approving the amendment and if required, Declarant, and that such acknowledgments are made a part of the minute book of the Association; and (3) be properly recorded in the New Hanover County Registry.

SECTION 5. Declarant. "Declarant" shall mean and refer to Sanco Builders Corp., as well as its successors and assigns, pursuant to an express assignment or conveyance of any special declarant rights hereunder to such successor or assign, all of which rights, including Declarant's voting, architectural review, easement and development rights, shall be assignable and may be apportioned on a lot-by-lot basis.

SECTION 6. Declarant's Development Period. "Declarant's Development Period" shall mean and refer to the period of time commencing on the date this Declaration is recorded in the Office of the Register of Deeds, New Hanover County, North Carolina, and continuing for so long as Declarant shall have the right to annex any portion of the Additional Property pursuant to the provisions of Article XI, Section 4 hereof or Declarant or any affiliate of Declarant shall own any portion of the Properties.

SECTION 7. Limited Common Elements or Limited Common Area. "Limited Common Elements" or "Limited Common Area" shall mean and refer to those portions of the Common Elements allocated by the Declaration or the plat recorded in Map Book 61, page 361, New Hanover County Registry, for the exclusive use of at least one but fewer than all of the Lots. Limited Common Elements are sometimes referred to herein as Limited Common Areas.

SECTION 8. Lot or Lots. "Lot" shall mean and refer to any separately numbered plot of land shown upon any now or subsequently recorded subdivision plat of the Properties intended for residential townhome purposes and shall include any improvements constructed thereon and "Lots" shall refer to all such lots collectively. Declarant hereby reserves the right to reconfigure, from time to time and without the consent of the Owners or the Members of the Association, the boundaries of any Lot or Lots owned by Declarant and to thereby create additional Lots, eliminate existing Lots or create additional Common Elements and Limited Common Elements; provided, however, in no event shall the Properties contain a greater number of Lots than the number from time to time permitted by the Appropriate Local Governmental Authority, nor shall any Lot within the Properties contain fewer square feet than the minimum number of square feet from time to time required by the Appropriate Local Governmental Authority. If Declarant elects to exercise its right to revise the boundaries of one or more Lots owned by Declarant, Declarant shall record a revised plat of the affected Lot or Lots. Upon the recording by Declarant of such a revised plat, each lot shown on the previously recorded plat or plats, the boundaries of which are revised by the revised plat, shall cease to be a "Lot" as defined

in this Declaration and each newly configured lot shown on the revised plat shall be a "Lot" as defined in this Declaration.

SECTION 9. Master Plan. "Master Plan" shall mean and refer to the plan(s) for the Properties and the Additional Property now or hereafter approved by the Appropriate Local Governmental Authority, as such plan(s) may be from time to time amended and approved.

SECTION 10. Member. "Member" shall mean and refer to every person or entity who holds Membership with voting rights in the Association.

SECTION 11. Owner. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, as hereinafter defined, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

SECTION 12. Period of Declarant Control. "Period of Declarant Control" shall mean and refer to the period of time commencing on the date this Declaration is recorded in the Office of the Register of Deeds, New Hanover County, North Carolina, and continuing for so long as Declarant shall own any Lot shown on the Master Plan.

SECTION 13. Planned Community Act. "Planned Community Act" shall mean and refer to the provisions of Chapter 47F of the General Statutes of North Carolina.

SECTION 14. Properties. "Properties" shall mean and refer to all of the property hereby or hereafter made subject to the terms, covenants and conditions of this Declaration, as amended from time to time.

ARTICLE II

PROPERTY RIGHTS

SECTION 1. RECREATIONAL AMENITIES WHICH MAY BE LOCATED IN THE COMMON ELEMENTS. Declarant hereafter may construct or cause to be constructed (**BUT SHALL NOT BE OBLIGATED TO CONSTRUCT**) walkways and related driveways, parking and other facilities on a portion of the Common Elements. Declarant does not contemplate the construction of any other recreational improvements or amenities within the Common Elements or the Limited Common Elements.

During Declarant's Development Period, Declarant or its affiliate shall have the right to require the exclusive (or, at the discretion of Declarant or its affiliate, non-exclusive) use of all or certain portions of any Common Elements for events promoting the sale of lots or homes in Perry Park; provided, however, no such use by Declarant or its affiliate shall unreasonably interfere with or obstruct ingress, egress and regress to or from the Lots.

Pursuant to rules and regulations from time to time promulgated by the Association, upon request and after such notice as the rules and regulations may require, the Association, in the sole discretion of the Association's Executive Board or its designee, may allow a Member of the

Association exclusive use of all or certain portions of any Common Elements for private events for a period not to exceed twenty-four (24) hours. Such rules and regulations may require that fees and/or deposits be paid to the Association in connection with such exclusive private use. Any damage to the Common Elements or any improvements located thereon during any such private event and any liability incurred by the Association as a result thereof not covered by insurance maintained by the Association (including any deductible) shall be the personal obligation of the Member or Members (joint and several) reserving the Common Elements and if not paid within thirty (30) days of written demand therefor shall be subject to collection by the Association in accordance with the provisions of Article XI hereof.

SECTION 2. MAINTENANCE OF WATERSHED IMPROVEMENTS. The Association shall maintain any lake and any retention or detention ponds, rip rap and other drainage or erosion control devices located on the Common Elements and Limited Common Elements now or hereafter conveyed to the Association by Declarant that are required to be maintained by the governmental office(s) having jurisdiction for watershed protection as directed by such governmental office(s). In the event the Association is dissolved or otherwise defaults on its obligation to maintain any such drainage or erosion control device, Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay a pro rata share of the cost of the maintenance of such pond or erosion control device.

SECTION 3. RULES AND REGULATIONS. The Executive Board of the Association may establish reasonable rules and regulations concerning the use of the Common Elements, Limited Common Elements and improvements located thereon. Such rules and regulations may prohibit or restrict the use of any lake or pond which is a part of or adjacent to the Common Elements for boating, fishing and swimming and/or may provide for access to any such lake or pond only through designated portions of the Common Elements. The Association may impose reasonable monetary fines (in accordance with the Planned Community Act) and other sanctions for the violation of established rules and regulations and for the violation of any of the covenants and conditions contained in this Declaration, which monetary fines and sanctions shall be assessed and collected pursuant to the provisions of Articles IV and X hereof. Copies of such rules and regulations and the amendments thereto shall be furnished by the Association to all owners prior to the effective date thereof. All such rules and regulations shall be binding upon the owners, their families, tenants, guests, invitees and agents until and unless such regulation, rule or requirement shall be specifically overruled, canceled, or modified by the Executive Board of the Association or by the Members of the Association entitled to cast at least two-thirds (2/3) of the votes of the Association, who are voting, in person or by proxy, at a meeting duly called for such purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action. To the extent any rule or regulation is inconsistent with this Declaration, the terms and provisions of this Declaration shall control.

SECTION 4. OWNERS EASEMENTS OF ENJOYMENT. Every Owner shall have a right and easement of enjoyment in and to the Common Elements which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the easements herein reserved by Declarant or created in favor of the Association, including, without limitation the easements set forth in Article VIII hereof;

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

(c) the right of the Association to suspend the voting rights by the Owner(s) of any Lot for any period during which any assessment against such Lot remains unpaid and for any period during which such Lot or any Owner or occupant thereof is in violation of the terms of this Declaration or the published rules and regulations of the Association and for a period not to exceed sixty (60) days after any such violation;

(d) the right of the Association to dedicate or transfer non-exclusive easements on, over and upon all or any part of the Common Elements and Limited Common Elements for such purposes and subject to such conditions as may be agreed to by the Association's Executive Board; provided, however, no such dedication or transfer shall be effective unless an instrument executed on behalf of the Association by its duly authorized officers, agreeing to such dedication or transfer, has been recorded;

(e) the right of the Association, pursuant to Section 47F-3-112 of the Planned Community Act and with the consent of the Members entitled to cast at least eighty percent (80%) of the votes of the Association (including two-thirds of the votes of the Members present at a meeting of the Members held in accordance with the Bylaws of the Association, such vote including at least a majority of the votes of the Members present other than Declarant), to dedicate or transfer fee title to all or any part of the Common Elements for such purposes and subject to such conditions as may be agreed to by the Members consenting to such dedication or transfer; provided, however, during Declarant's Development Period, Declarant must also consent to such action and, further provided that no such dedication or transfer shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances;

(f) the right of the Association to impose rules and regulations for the use and enjoyment of the Common Elements, Limited Common Elements and improvements thereon, which regulations may further restrict the use of the Common Elements and Limited Common Elements, and specifically including the right to make permanent and temporary assignments of parking spaces and to establish rules and regulations concerning parking and vehicular traffic flow on and along the streets and roadways, whether public or private, within or abutting the Properties which rules and regulations may restrict or prohibit on-street parking and may be enforced by towing at the expense of the vehicle's owner, by reasonable fine levied against the vehicle's owner and/or any Owner of a Lot to which such violation reasonably may be attributed, or by any other reasonable method of enforcement established by the Association's Executive Board;

(g) the right of the Association to borrow money for the purpose of improving the Common Elements and facilities thereon and, with the assent of the Members entitled to cast at least eighty percent (80%) of the votes of the Association (including two-thirds of the votes of the Members present at a meeting of the Members held in accordance with the Bylaws of the Association, such vote including at least a majority of the votes of the Members present other than Declarant), mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred (any such mortgage shall be effective if it is executed on behalf of the Association by its duly authorized officers and recites that the requisite consent of Members has been obtained and documented in the Minute Book of the Association); provided, however, during Declarant's Development Period, Declarant must also consent to such action, and further provided that no such mortgage, encumbrance or hypothecation or foreclosure of the lien thereby created shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances; and

(h) the right of the Association to convey to Declarant portions of the Common Elements for the purpose of correcting erroneous conveyances of Common Elements or eliminating unintentional encroachments of dwellings or other improvements onto portions of the Common Elements or for the purpose of enhancing the utility of the Common Elements to be retained by the Association; provided, however, no such conveyance shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances.

SECTION 5. DELEGATION OF USE. Any Owner may delegate, in accordance with the Bylaws, his rights of enjoyment of the Common Elements and facilities to the members of his family, his tenants or contract purchasers who reside on the Lot of such Owner.

SECTION 6. LEASES OF LOTS. Any Lease Agreement between an Owner and a lessee for the lease of such Owner's Lot shall provide that the terms of the Lease shall be subject in all respects to the provisions of this Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation and Bylaws of the Association and that any failure by the lessee to comply with the terms of such document shall be a default under the terms of the lease. All leases of Lots shall be in writing. Weekly and vacation rentals of Lots are expressly permitted. Other than the foregoing, there is no restriction on the right of any Owner to lease his Lot.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

SECTION 1. MEMBERSHIP. Every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including Declarant and any affiliated entity shall be a voting

Member of the Association. The foregoing is not intended to include persons or entities who hold an interest in a Lot merely as security for the performance of an obligation. Such Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Except as otherwise provided in Section 2 below, on all matters which the Membership shall be entitled to vote, the Member(s) owning each Lot shall be entitled to one (1) vote. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

SECTION 2. CLASSES OF MEMBERSHIP. The Association shall have two classes of voting membership:

Class A: The Class A Members shall be every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, except for Declarant or any affiliated entity during any Period of Declarant Control. Class A Members shall be entitled to one (1) vote for each Lot owned. In the event that a Lot is owned by more than one Class A Member, the Owners of such Lot, collectively, shall be allocated not more than one (1) vote and the vote allocated to such Lot shall be cast as such Owners may agree between or among themselves.

Class B: Declarant shall be the Class B Member and Declarant shall be entitled to six (6) votes for each lot shown on the Master Plan as developed or to be developed as a part of Perry Park which has not been conveyed by Declarant or any affiliated entity to a Class A Member. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership; however, the Class B membership shall be reinstated if thereafter, and before the time stated in subparagraph (b) below, the Master Plan is amended to add additional lots developed or to be developed as a part of Perry Park sufficient to give the Class B membership a total number of votes (with the Class B membership entitled to six (6) votes for each lot shown on the Master Plan as developed or to be developed as a part of Perry Park which has not been conveyed by Declarant or an affiliate of Declarant to a Class A Member) greater than those of the Class A membership; or,

(b) ten (10) years from the date this Declaration is recorded in the Office of the Register of Deeds, New Hanover County, North Carolina.

SECTION 3. DECLARANT RIGHT TO REPRESENTATION ON THE EXECUTIVE BOARD OF THE ASSOCIATION. During any Period of Declarant Control, Declarant shall have the right to designate and select all of the Members of each Executive Board of the Association. Whenever Declarant shall be entitled to designate and select any person or persons to serve on any Executive Board of the Association, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or Bylaws of the

Association, and Declarant shall have the right to remove any person or persons selected by it to act and serve on said Executive Board and to replace such person or persons with another person or other persons to act and serve in the place of any member or members of the Executive Board so removed for the remainder of the unexpired term of any member or members of the Executive Board so removed. Any Executive Board member designated and selected by Declarant need not be a resident of the Properties. Except as otherwise provided in the Bylaws with respect to the filling of vacancies, any members of the Executive Board which Declarant is not entitled to designate or select shall be elected by the Members of the Association.

ARTICLE IV

COVENANT FOR MAINTENANCE AND ASSESSMENTS

SECTION 1. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay: (a) to the Association: (i) annual and other assessments and charges provided for herein, together with interest, and late fees, costs and reasonable attorneys' fees; (ii) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided; and (b) to the appropriate governmental taxing authority: (i) a pro rata share of ad valorem taxes levied against the Common Elements and Limited Common Elements; and (ii) a pro rata share of assessments for public improvements to or for the benefit of the Common Elements if the Association shall default in the payment of either or both for a period of six (6) months. All assessments and charges provided for herein, together with interest, and late fees, costs and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made when a claim of lien is filed of record in the Office of the Clerk of Superior Court, New Hanover County, North Carolina. Each such assessment and charge, together with interest, any late fees, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

SECTION 2. PURPOSE OF ASSESSMENTS.

(a) The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Properties and in particular for the acquisition, improvement and maintenance of properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Elements, Limited Common Elements or the Lots, including but not limited to, the costs of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the payment of any taxes assessed against the Common Elements and Limited Common Elements, the payment of assessments assessed against the Common Elements Limited Common Elements and any improvements thereupon; the maintenance of open spaces and streets within the Common Elements and Limited Common Elements which have not been accepted for dedication by a public authority,

roadway medians and islands (including medians and islands located in dedicated rights-of-way within the Properties), drives and parking areas within the Common Elements and Limited Common Elements; the procurement and maintenance of insurance in accordance with the Bylaws; the maintenance of dams and ponds, including retention or detention ponds, or other bodies of water, if any, located within the Common Elements or Limited Common Elements; the performance of any other maintenance or repair obligation of the Association under this Declaration; the erection, maintenance and repair of signs, entranceways, landscaping and lighting within easements provided therefor or the Common Elements, Limited Common Elements, road medians and islands; the cost of operating, maintaining and repairing any street lights erected by the Association or the Declarant in the rights-of-way of streets (whether public or private) or in any other easement provided therefor within the Properties; the payment of charges for garbage collection and municipal water and sewer services furnished to the Common Elements and Limited Common Elements; the employment of attorneys and other agents to represent the Association when necessary; the provision of adequate reserves for the replacement of capital improvements including, without limiting the generality of the foregoing, paving, and any other major expense for which the Association is responsible; and such other needs as may arise.

(b) The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the Common Elements, Limited Common Elements and those other portions of the Properties which the Association may be obligated to maintain. Such reserve fund is to be established out of regular assessments for common expense.

(c) All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense of operating and managing the Properties, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation and the Bylaws of the Association. As monies for any assessment are paid to the Association by any Owner, the same may be commingled with monies paid to the Association by the other Owners. Although all funds and Common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom shall be held for the benefit of the Members of the Association, no Member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his Membership interest therein, except as an appurtenance to his Lot. When any Owner shall cease to be a Member of the Association by reason of his divestment of ownership of his Lot, by whatever means, the Association shall not be required to account to such Owner for any share of the fund or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Properties.

SECTION 3. ADOPTION OF BUDGET AND FIXING OF ANNUAL ASSESSMENTS; MAXIMUM ANNUAL ASSESSMENT.

(a) At least thirty (30) days in advance of each annual assessment period, the Executive Board shall establish an annual budget and fix the amount of the annual assessments in advance for the following year. Within thirty (30) days of the adoption of any proposed budget, the Executive Board shall provide to all of the Owners a summary of the budget and a notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Executive Board shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than 10 nor more than 60 days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting the Owners of a majority of the Lots reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Executive Board.

(b) Until December 31 of the year of the conveyance of the first Lot to an Owner, the maximum annual assessment shall be \$4,740.00 per Lot, and may be collected in monthly installments of \$395.00 per Lot. The maximum annual assessment for the calendar year immediately following the year in which conveyance of the first Lot to an Owner is made and for each calendar year thereafter shall be established by the Executive Board and may be increased by the Executive Board 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 the calendar year immediately following the year in which conveyance of the first Lot to an Owner is made and for each calendar year thereafter may be increased without limit by a vote of the Members entitled to cast at least two-thirds (2/3) of the votes of each class of Members of the Association who are voting, in person or by proxy, at a meeting duly called for this purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action.

(c) The Executive Board may fix the annual assessment at an amount not in excess of the maximum, subject to the provisions of Section 6 of this Article.

SECTION 4. SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS. In addition to the annual assessments authorized above, the Association may levy, in any calendar year, a special assessment for the purpose of defraying in whole or in part the costs of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Elements and Limited Common Elements, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of the Members entitled to cast at least two-thirds (2/3) of the votes of each class of Members of the Association who are voting, in person or by proxy, at a meeting duly called for this purpose; provided, however, during the Declarant's Development Period, Declarant must also consent to such action. All special assessments shall be fixed at a uniform rate for all Lots and may be collected on a monthly basis.