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STATE OF NORTH CAROLINA :

COUNTY OF NEW HANOVER : DECLARATION OF CONDOMINIUMS

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

SEP 11 10 48 AM '85

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Now comes STONE BUILDERS, a North Carolina partnership with a certificate filed in Book 1268, at Page 1064, of the New Hanover County Registry, hereinafter called "DECLARANT", being the owner in fee simple of the property hereinafter described and hereby submits said property to condominium ownership pursuant to Chapter 47A of the General Statutes of North Carolina, as amended, known as the "Unit Ownership Act", and to that end do hereby publish and declare that all of the said property to be known as "Savannah Court Condominiums", is and shall be held, conveyed, hypothecated, encumbered, used, occupied and improved, subject to the following conditions, covenants, restrictions, uses, limitations and obligations, all of which shall be deemed to run with the land, and shall be a burden and benefit to Declarants, their heirs and assigns, and any persons acquiring or owning an interest in the property and improvements, their grantees, successors, heirs, executors, administrators, devisees and assigns.

1. Definitions: Unless it is plainly evident from the context that a different meaning is intended, the following terms shall be used as follows:

a. Act or Unit Ownership Act shall mean the statutory provisions set forth in Chapter 47A of the General Statutes of North Carolina.

b. Assessment shall be the share of funds assessed against the unit owners by the Association for the payment of common expenses as provided herein.

c. Association shall refer to the Savannah Court Condominium Homeowner's Association, Inc., a non-profit corporation, organized under the laws of the State of North Carolina which shall include all unit owners and shall act in accordance with its Articles of Incorporation, By-Laws and this Declaration.

d. Board of Directors shall mean the Board of Directors of Savannah Court Condominium Homeowner's Association, Inc.

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e. By-Laws shall refer to the By-Laws of Savannah Court Condominium Homeowner's Association, Inc. A copy of the initial By-Laws of said Association are attached hereto as Exhibit D and incorporated by reference herein.

f. Buildings shall mean the structures and improvements now or hereafter erected upon the property.

g. Common expenses shall mean the expenses of administration, maintenance, operation, repair and replacement, including the funding of any capital reserve fund established for such maintenance, repair and replacement of the common areas and facilities, and other expenses declared by the Association to be common expenses, as further defined in the Unit Ownership Act.

h. Condominium documents shall mean this Declaration, the Articles of Incorporation, By-Laws and Rules and Regulations of the Association and all other documents and regulations promulgated in connection with this condominium, as the same shall be amended from time to time.

i. Declarant means Stone Builders, a North Carolina Partnership, its successors and assigns.

j. Declaration shall mean this instrument, as it may be amended from time to time.

2. Description of Property: All of that certain tract of land with the buildings and improvements thereon erected or to be erected, situate, lying and being in the City of Wilmington, County of New Hanover, State of North Carolina, and more particularly described as follows:

BEGINNING at a point at the southwestern corner of the Drayton Square tract, said point being located North 84 degrees 04 minutes West 240.2 feet thence North 84 degrees 02 minutes West 225.36 feet and North 5 degrees 56 minutes West, 60 feet from a concrete monument marking the Southwest corner of Lot 9, Section 9, Highland Hills, map of same being recorded in Map Book 17, at Page 40, in the New Hanover County Registry; Running thence with the

Northern line of a 60 foot easement dedicated in Book 963, at Page 911, of the New Hanover County Register of Deeds Office, North 84 degrees 02 minutes West 247.88 feet to an iron pipe; continuing with the northern line of the aforescribed easement North 84 degrees 4 minutes West 257.93 feet to an iron pipe; running thence North 5 degrees 56 minutes East 200 feet to an iron pipe in the southern line of the R.A. Shew Tract, running thence with the R.A. Shew Southern line, South 84 degrees 04 minutes East 505.81 feet to a point in the western line of the Drayton Square tract; Running thence South 05 degrees 56 minutes West 200.14 feet to the point of beginning. Being the same property as conveyed to Lionel L. Yow, Trustee for the Larry K. Neal, D.D.S., P.A. Profit Sharing Plan, by deed recorded in Book 1157, at Page 924, of the New Hanover County Registry.

3. Description of Building: The Declarant has constructed, or will construct, upon the property described above, ten (10) quadplexes to be used for residential purposes as herein provided. A plat of survey of property by Jack G. Stocks, Registered Land Surveyor, showing the perimeter bounds of the property and the location of said buildings is attached hereto and made a part hereof as Exhibit "A". The buildings are more particularly described in the plans thereof, a copy of said plans being attached hereto as Exhibit "B", sheets 2 through 21, and made a part hereof, showing all particulars of said buildings as required by law.

In general, the buildings have two stories and are constructed primarily of wood frame, with white pine siding on the exterior surfaces and sheet rock on the interior surfaces, on a concrete slab. Each building is approximately 54'8" x 44' and is divided into four dwelling units containing approximately 1050 square feet each, with two units on the ground floor and two units on the second floor.

4. Unit Designation and Description:

A. Designation: The unit designation of each unit, its location and dimensions, is set forth in Exhibits "A" and "B" attached hereto and made a part hereof. Each unit is identified by a number designating the building within which the unit is located as appears on Exhibit "A" and by a letter designating the location within said building as appears on Exhibits "B". Those units designated with the letters A and B are units on the ground level and those units designated with the letters C

and D are units on the second floor of each building. Units A and C are located in the left half of each building when facing the building and Units B and D are located in the right half of each building when facing the building.

B. Description: The legal description of each unit shall consist of the letter and number combination described in paragraph A above. Each unit is one story in height and is bounded both as to horizontal and vertical boundaries by the interior surface of its perimeter walls, ceilings and floors as shown on Exhibit "B", subject to such encroachments as are contained in the Building, whether the same now exists or may be caused or created by construction, settlement or movement of the buildings, or by permissible repairs, construction or alteration. The perimeter bounds of each unit is attached hereto as Exhibit "B". All units are of approximately equal size. The porches and balconies attached and adjacent to each unit are limited common areas for the exclusive use of the adjacent unit.

5. Common Areas and Facilities:

A. The common areas and facilities generally shall mean and refer to all of the real property, described in paragraph 1 above, and all of the improvements and facilities thereon which are not units, as hereinabove described or limited common areas described in paragraph 6, below, and which are not items of personal property owned, held and maintained by unit owners. Without in any way limiting the foregoing, the common areas and facilities shall include and consist of the following:

1. All foundations, columns, girders, beams, supports, roofs, first floor joists and subflooring, second floor joists and subflooring, exterior walls and the interior walls.

2. The driveway parking area and walks attached to and adjoining the parking area as well as the unimproved real property adjacent thereto.

3. Stairs and landings adjacent to the units and necessary as a means of egress and ingress to said units.

4. All other parts of the property and all apparatus and installations existing in the building or upon the property for common use as are necessary or convenient to the enjoyment, existence, maintenance or safety of the property.

B. The individual share in common elements which are appurtenant to a unit shall not be separated therefrom and shall pass with the title to the unit rather or not separately described. A share in the common elements appurtenant to the unit can only be conveyed or encumbered together with the unit. The shares in the common elements appurtenant to units shall remain undivided, and no action for partition of the common elements shall lie.

C. All units are approximately equal in value. The undivided interest of each unit owner in such common areas and facilities is 2.5% or 1/40 of all common areas.

6. Limited Common Areas: All porches and balconies located to the rear of each unit as shown on Exhibit B shall be deemed limited common areas and may be used exclusively by the owner of the unit contiguous with or adjacent to such limited common areas, subject to the same rights and limitations applicable to each dwelling unit as provided herein, provided, however, that the said limited common areas shall be maintained by the Homeowner's Association.

7. Use: No unit shall be used or occupied for any purpose other than as a private single family residence. Nothing shall be stored in the common area without the prior consent of the Board of Directors of the Association and there shall be no obstructions of the common areas. No livestock or poultry of any kind shall be raised, bred or kept in any unit or in the common areas except as may be permitted by rules and regulations adopted by the Homeowner's Association. No obnoxious or offensive activity shall be carried on in any unit or in the common area nor shall any thing be done therein which may be or become an annoyance or nuisance to the other owners. No sign of any kind shall be displayed on any unit or in the common areas without the prior consent of the Board of Directors of the Association. The uses contemplated by this

paragraph shall not be changed, amended or modified without the written consent of all of the owners of all of the units subject to said declaration. The units and common areas are hereby declared subject to Restrictions in the form of Rules and Regulations attached hereto on Exhibit "C", subject to amendment by the Board of Directors. Violators of the Rules and Regulations may be punished or fined by the Board of Directors as provided in the By-Laws of the Homeowner's Association attached hereto as Exhibit "D".

8. Process Agent: SUZANNE E. CARTER, of Post Office Box 83, Pinehurst, North Carolina 28374 is hereby designated as the person to receive service of process in any action provided for under North Carolina General Statutes, Chapter 47A. The Board of Directors of the Association may change the process agent by filing a Declaration of Change in the office of the Register of Deeds of New Hanover County.

9. Maintenance:

A. All plumbing, air conditioning, floor and wall coverings, heating, electrical, telephone, cabinetry, partitions, walls, ceilings, and other fixtures and equipment located within the outer perimeter bounds of the unit as shown on Exhibits B, and all windows and doors opening into the unit, shall be maintained (and if the owner desires insured), by the owner. Any replacements or substitutions of such fixtures and equipment shall be compatible with any common areas and facilities affected thereby. The Association shall not be responsible for repairing, maintaining and replacing such fixtures or equipment.

B. All parts of the condominium units 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, safe condition, free of nuisance. Each unit owner will comply promptly with any requirements of the insurance underwriters of the insurer of the common areas and facilities as requested by the Board of Directors of the Association or its designated agent. If any owner fails to repair, maintain or replace any facilities, fixtures or equipment located in his unit, when required, pursuant to the condominium documents or the determination by the Board

or its designated agent that such failure will endanger or impair the value of the common area and facilities of any unit belonging to another member or its common elements, the same may be repaired or replaced by the Association at the expense of the unit owner, to be collected by special assessment as herein provided. Such assessment may include the cost to the Association incurred in the abatement of any nuisance maintained by the unit owner herein.

10. Easements:

A. The Declarants or the Board of Directors of the Association may hereinafter grant easements for utility purposes for the benefit of the property including the right to install, lay, maintain, repair and replace water lines, pipes, sewer lines, gas mains, television and telephone wires and equipment and electrical wires over, under or on any portion of the common areas; each unit owner hereby grants to the Declarants and the Board of Directors an irrevocable power of attorney, to execute, acknowledge and record such instruments as may be necessary to effectuate the foregoing.

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

C. In the event that by reason of the construction, reconstruction, settlement or shifting of the building, any portion of the common areas and facilities encroaches upon any unit, or any unit encroaches upon any other unit or the common areas and facilities, valid cross easements for the maintenance of such encroachment are hereby established and shall exist for the benefit of such unit or common element so encroaching; provided, however, that in no event shall a valid easement or any encroachment be created in favor of the owner of

any unit or in favor of the owners of the common elements if such encroachment occurred due to the willful conduct of a unit owner or the association.

D. Ingress and egress is reserved for pedestrian traffic over, through and across sidewalks, paths, walks and lanes as 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 the owners of units in Savannah Court, their guests, families, invitees, lessees, the Association, Declarant, their successors and assigns.

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

F. All easements and rights described herein are easements appurtenant, running with the land and shall inure to the benefit of and be binding on the Declarant, its successors and assigns.

11. Common expenses: The unit owners are bound to contribute prorata in the percentages set forth in paragraph 5. C. above towards the expense of administration and of maintenance and repair of general and limited common areas and facilities, and toward any other expenses lawfully assessed by the Association. No unit owner may exempt himself from contributing towards such expenses by waiver of the use or enjoyment of the common areas and facilities or by the abandonment of the unit belonging to him.

12. Taxes: Each condominium unit and its percentages of undivided interest in the common areas and facilities set forth in Paragraph 5. C. hereof, shall be deemed to be a separate parcel and shall be separately assessed and taxed for all types of taxes authorized by law,

including, but not limited to, special ad valorem levies and special assessments. Each unit holder shall be liable solely for the amount of taxes against his individual unit and shall not be affected by the consequences resulting from the tax delinquency of any other unit holders. Neither the building, the property, nor any of the common areas and facilities shall be deemed to be a separate parcel for purposes of taxation.

13. Liens:

A. No liens of any nature may be created subsequent to the recording of this Declaration against the condominium property as a whole (as distinguished from an individual unit, together with its undivided common interest in the common areas and facilities) except with the unanimous consent of the unit owners and the holders, if any, of prior liens thereon.

B. No labor performed or materials furnished to the common elements shall be the basis for a lien thereon unless authorized by the Condominium Documents or expressly authorized by the Board, in which event, the same might be the basis for the filing of a lien against all condominium units in the proportions for which the owners thereof are liable for common expenses.

C. Unless otherwise provided by law, in the event a lien against one or more condominium units becomes effective each owner thereof may relieve his condominium unit of the lien by paying the proportionate amount attributable to his condominium unit. Upon such payment, it shall be the duty of the lienor to release the lien of record for such condominium unit.

D. Assessments against unit owners by the Association made pursuant to the By-Laws shall, if not paid when due, create a lien in favor of the Association against the unit of the defaulting owner as provided by Section 47A-22 of the Unit Ownership Act, and shall be collected as therein provided.

E. All liens provided for herein shall be subordinate, and are hereby subordinated, to the lien of any first mortgage given to any

lender to secure a loan, the proceeds of which are used to finance the purchase of any unit or units, unless any such lien provided for herein shall have been recorded in the Office of the Clerk of Superior Court prior to the recordation of said first lien mortgage in the office of the Register of Deeds of New Hanover County, North Carolina.

14. Nature of Interest in Unit:

A. Every unit, together with its undivided common interest in the common areas and facilities, shall for all purposes be a separate parcel of real property and the unit owner thereof shall be entitled to the exclusive ownership and possession of such unit subject only to the provisions of the Unit Ownership Act, the Condominium Documents and the covenants, restrictions, easements, regulations, resolutions and decisions adopted pursuant thereto.

B. The owner shall be entitled to use the common areas and facilities in accordance with the purposes for which they are intended, but no such use shall hinder or encroach upon the lawful rights of the owners of other units. There shall be joint use of the common areas and facilities and a joint mutual easement for that purpose is hereby created.

15. Insurance: The Board of Directors (or the Managing Agent, if so designated by the Board), on behalf of the Association, at its common expense shall at all times keep the property (except personal property within a unit) insured against loss or damage by fire or other hazards normally insured against at 100% of replacement cost, and such other risks, including public liability insurance, upon such terms and for such amounts as may be reasonably necessary from time to time to protect the property and as shall be required to protect not only the Unit Owners but any lending institution holding first liens on individual units which insurance shall be payable in case of loss to the Board (or its designee) as Trustee for all Unit Owners and mortgagees according to the loss or damage to their respective apartments and appurtenant common interest as their interests may appear. The Trustee so named shall have the authority on behalf of the Association and Unit Owners to deal with the insurer in the settlement of claims.

Such insurance shall be obtained without prejudice to the right of each individual Unit Owner to insure his personal property for his own benefit and any Unit Owner or Occupant may obtain additional insurance at his own expense; provided, however, that no owner or occupant shall be entitled to exercise his right to maintain insurance coverage in such a way as to decrease the amount which the Board of Directors (or its Designee) as Trustee for all the owners, may realize under any insurance policy in force on the project at any particular time. In no event shall the insurance coverage obtained by the Board of Directors (or its Designee) be brought into contribution with insurance purchased by individual owners or their Mortgagees.

16. Damage or Destruction: Except as hereinafter provided, damage to or destruction of the property or building shall be promptly repaired and restored by the Board using the proceeds of insurance for that purpose, and the Unit Owners of all units shall be liable for assessment of any deficiency in accordance with their undivided interest in the common areas and facilities as set forth in Paragraph 4; provided, however, if the building shall be more than two-thirds destroyed by fire or other casualty, as determined by the Board of Directors and the owners of more than two-thirds of all the units resolve not to proceed with the construction or restoration, then and in that event:

A. The property shall be deemed to be owned as tenants in common by the Unit Owners in the same percentages as set forth in Paragraph 4 previously applicable to the share of such owner in the common areas and facilities.

B. Any liens affecting any of the units shall be deemed to be transferred, in accordance with the existing priorities, to the percentage of undivided interest of the Unit Owner in the property as herein provided.

C. The property shall be subject to an action for partition at the suit of any Unit Owner, in which event, the net proceeds of sale, together with the net proceeds of insurance policies, if any, shall be considered as one fund and shall be divided among the Unit Owners in

proportion to their respective undivided interest in the common areas and facilities, as set forth in Paragraph 4, after paying off, out of the respective shares of the Unit Owners all liens on the respective unit.

17. Condemnation: In the event of a taking by any entity having the right of eminent domain, whether the same be by condemnation or by conveyance in lieu of condemnation, of all or part of the common elements, the award for such taking shall be payable to the Association which shall represent the unit owners in the proceedings. Any such funds received from said taking shall be utilized, to the extent possible, for the repair, restoration, replacement or improvement of the general common element, provided, however, that if all or more than two-thirds of the common elements are taken, it shall be deemed a destruction of more than two thirds of all the common elements and the condominium shall be terminated as provided for in this Declaration. Any funds not used for the repair, restoration, replacement or improvement of the remaining common elements shall be applied in payment of common expenses otherwise assessable. In the event of a taking of all or part of a unit, the award shall be made payable to the owner of such unit and his mortgagee, if any, as their respective interests may appear.

18. Management Agreement: The Declarants or its designee, shall act as Managing Agent from the date of the first conveyance of title to a unit to an owner until the date of the first annual meeting of the Association, unless sooner terminated by the parties, with responsibility for coordinating all normal management services of the Association. During such period, the Declarant shall not receive a management fee, however, its designee, if any, may receive such fees as may be agreed upon by the Association.

Upon selection by the Association of a regular management agent and the holding of the first annual meeting of the Association, any excess of interim assessments over actual Association operating expenses shall be deposited to the account of the Association as additional

working capital. The Declarant or its designee shall provide to the regular management agent an accounting of operating revenues and expenses during the period that it has served as management agent.

Under the Management Agreement, the Managing Agent, to the exclusion of all persons, including the Association and its members, shall be delegated all the powers and duties of the Association as set forth in this Declaration of Condominium and the By-Laws of the Association (except such thereof as are specifically required to be exercised by the Board of Directors or the members), including, but not limited to the power to levy and collect assessments for the common expenses of the condominium; and it shall be the duty of the Managing Agent to supervise, generally manage, and maintain the common elements of the condominium at the expense of and for the benefit of the Association and its members.

19. Fidelity Bonds: The Association shall maintain blanket fidelity bonds securing the faithful performance of all officers, directors, employees and all other persons handling or responsible for funds of the Association. If the Association chooses to 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 agent for its officers, employees and agents handling or responsible for funds of or administered on behalf of the Association. The total amount of fidelity bond coverage required shall be as determined by the Board of Directors and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association, or its agents at any time during the term of each bond, provided, however, the aggregate amount of such bond shall always exceed a sum equal to three months aggregate assessments on all units plus reserved funds.

2. All fidelity bonds shall name the Association as an obligee and shall contain waivers by the insurers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" for similar terms or expressions.

3. The premiums on all bonds required herein, except any bonds maintained by management agent, shall be paid by the Association as a common expense.

4. The bonds shall provide that they may not be cancelled or substantially modified without at least 10 days prior notice to the Association, to any insurance trustee and to each eligible mortgage holder.

20. Assessments: Each owner shall pay monthly to the Managing Agent an assessment equal to the unit's pro-rata share, as set forth in Paragraph 5 of this Declaration, of the estimated total operating expenses, including the management fee of the managing agent, which assessments shall be due on the first day of each month or such other period as may be designated by the Managing Agent. Payments not received when due shall bear interest at the rate of 12% per annum until paid. An initial Homeowner's Association fee, not exceeding \$150.00 shall be payable at closing by the grantee on each unit conveyed by the Declarant. Said fee shall provide for prepayment of expenses and working capital for future services.

Assessments provided for herein shall commence as to all units on the first day of the month following the conveyance of the common area to the Association by the Declarant, except that annual assessments shall not commence for any unit until a certificate of occupancy has been issued for such unit.

In the event that a condominium unit is to be leased, sold or mortgaged at a time when payment of any assessment due the Association by said condominium unit or the owner of such condominium unit shall be in default (whether or not a claim of lien has been recorded by the Association), then the rent, proceeds of such purchase or mortgage proceeds, shall be applied by the lessee purchaser or mortgagee first to payment of any then delinquent assessment or installments thereof due to the Association before the payment of any rent, proceeds of purchase or mortgage proceeds to the owner of any condominium unit who is responsible for payment of such delinquent assessment.

21. Units Subject to Condominium Documents: All present and future owners, tenants and occupants of dwelling units and their guests or invitees, shall be subject to, and shall comply with the provisions of the Condominium Documents, as the Condominium Documents may be amended from time to time. The acceptance of a deed of conveyance or the entering into a lease or the entering into occupancy of any dwelling unit shall constitute an agreement that the provisions of the Condominium Documents are accepted and ratified by such owner, tenant or occupant, and all such provisions shall be deemed and taken to be covenants running with the lands and shall bind any person having at any time any interest or estate in such unit as though such provisions were made a part of each and every deed of conveyance or lease. Failure to comply with the provisions of the Condominium Documents shall entitle the Association or any owner to seek legal and/or equitable relief.

22. Amendment of Declaration: Except as provided in Paragraph Eight (8) for changing the Process Agent, this Declaration may be amended only by the vote of at least two-thirds of all unit ownerships (each unit having one vote, regardless of the number of individuals or entities owning interests in a unit), cast in person or by proxy at a meeting duly held in accordance with the provisions of the By-Laws. The By-Laws may be amended in accordance with the procedure set forth in such By-Laws. No such amendment shall be effective until recorded in the Office of the Register of Deeds for the county wherein the property is located. In no event may the Declaration be amended so as to deprive the Declarants of any rights granted herein.

23. Warranties: Declarant acknowledges that all warranties of material and equipment in each unit, shall accrue to the benefit of the owner of each unit or collectively to the Association, as the owners of such units, along with all warranties, if any, provided by the manufacturers or suppliers of appliances, air conditioning, heating and utility systems in the unit. Declarants make no warranties, expressed or implied, in any respect with regard to the lands and buildings which are the subject of this Declaration, except for such warranties as set forth in the general warranty deed to the unit.