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NEW HANOVER COUNTY,

TAMMY THEUSCH BEASLEY

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PREPARED BY: Colby & Mincey, PLLC
RETURN TO: 1001 Military Cutoff Road, Suite 204
Wilmington, NC 28405

STATE OF NORTH CAROLINA

COUNTY OF NEW HANOVER

**DECLARATION OF COVENANTS CONDITIONS AND RESTRICTIONS
OF SCOTTS HILL VILLAGE**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, made the 8th day of July, 2016 by CHL, LLC aka Scott's Hill Village Developer, hereinafter referred to as "Declarant".

W I T N E S S E T H :

Whereas, Declarant is the owner of certain real property in New Hanover and Pender Counties, North Carolina, known as "Scott's Hill Village" which is described in that deed recorded in the Office of the Register of Deeds of New Hanover County, North Carolina in **Book 5940 at Page 2240 and Book 5940 at Page 2246**, and **Pender County Book 4612 at Page 1899**, and described on that plat recorded in **Map Book 49 at Page 222, Map Book 49 at Page 351, Map Book 61 at Page 317**, of **New Hanover County** and **Map Book 42 at Page 9, Map Book 59 at Page 41**, of **Pender County** to which reference is made for a more particular description; and

Whereas, Declarant desires to place certain Covenants and Restrictions upon the lands described above:

Now, THEREFORE, Declarant declares that 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 the land and be binding on and shall inure to the benefit of all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns.

ARTICLE I.
DEFINITIONS

SECTION 1. Association shall mean and refer to **Scott's Hill Village Homeowners Association**, a North Carolina Nonprofit Corporation, its successors and assigns, the owners association organized for the purposes set forth herein.

SECTION 2. Common Area shall refer to all of that area labeled as Common Area, Open Space, Active Area, Passive Area or the like upon plat of **Scott's Hill Village** and shall be subject to all local, state and federal rules and ordinances.

submitted electronically by "Colby & Mincey, PLLC"
in compliance with North Carolina statutes governing recordable documents
and the terms of the submitter agreement with the New Hanover County Register of Deeds.

SECTION 3. Community Wide Standard. Declarant shall establish initially a standard for the conduct, construction, maintenance, replacement or other activity generally prevailing at **Scott's Hill Village** pursuant to Architectural Guidelines, Restrictions and Rules. Declarant may unilaterally amend said standards as the development progresses.

SECTION 4. Declarant shall refer to **CHL, LLC**, its successors and/or assigns (which designations shall include singular, plural, masculine and neuter as required by the context).

SECTION 5. Declaration shall mean this instrument as it may be from time to time amended or supplemented.

SECTION 6. Development Period means the period commencing on the date on which this Declaration is recorded in the New Hanover County Register of Deeds and terminating on the earlier to occur of (i) when Declarant no longer owns a Lot in the Subdivision; (ii) the date that Declarant relinquishes in writing Declarant's right to appoint Directors; or (iii) the occurrence of the date ten (10) years from the date of recording the Declaration, renewable for an additional ten (10) year period with the consent of a majority of Lot Owners other than the Declarant.

SECTION 7. Lot(s) shall mean and refer to any subdivided lot within the confines of the land described above together with any dwelling situated thereon.

SECTION 8. Member(s) shall mean and refer to every person or entity that has a Membership in the Association.

SECTION 9. Membership shall mean and refer to the rights, privileges, benefits, duties, and obligations, which shall be inure to the benefit of and burden each Member of the Association.

SECTION 10. Owner shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

SECTION 11. Property shall mean the Property as defined in the preamble to this Declaration.

ARTICLE II. PROPERTY RIGHTS AND EASEMENTS

SECTION 1. Owners' Property Rights and Easement of Enjoyment in the Common Area. Every Owner shall have and is hereby granted a right and easement of enjoyment in existing and any future Common Areas, if any, which shall be appurtenant to and shall pass with the title to every Lot, subject to the following:

- (a) The Declarant and Association may make and amend reasonable rules and regulations governing the use of any future Common Areas;
- (b) The Association may levy fines in accordance with the North Carolina Planned Community Act (Chapter 47F of the North Carolina General Statutes).

SECTION 2. Easements in Favor of Declarant and the Association. The following easements are reserved to Declarant and the Association, their successors and assigns:

- (a) Any as shown upon that map of the property recorded in in the County Registry.

SECTION 3. Other Easements. The following easements are granted by Declarant to others;

- (a) an easement is hereby granted to all police, fire protection, ambulance and all similar persons, companies or agencies performing emergency services, to enter upon all Lots in the performance of their duties;
- (b) in case of any emergency originating in or threatening any Lot or Common Areas, regardless of whether any Lot Owner is present at the time of such emergency, the Association or any other person authorized by it, shall have the right to enter any Lot for the purpose of remedying or abating the causes of such emergency and making any other necessary repairs not performed by the Lot Owners, and such right of entry shall be immediate;
- (c) the Association is granted an easement over each Lot for the purpose of providing Remedial Lot maintenance.
- (d) the Declarant reserves the right to subject the real property of this subdivision to a contract with any and all utility companies as necessary including, but not limited to, installation of street lighting which may require a continuing installment payment to the utility provider by each residential customer.
- (e) the Association is granted an easement over each Lot for the purpose of repair or replacement of any damaged units.

SECTION 4. Nature of Easements. All easements and rights described herein are perpetual easements appurtenant, running with the land, and shall inure to the benefit of the binding on the Declarant and the Association, their successors and assigns, and any Owner, purchaser, mortgagee and other person having an interest in the Property or any Additional Property, or any part or portion thereof, regardless of whether or not reference is made in the respective deeds of conveyance, or in any mortgage or trust deed or other evidence of obligation, to the easements and rights described in this Declaration.

ARTICLE III. AMENDMENTS

SECTION 1. Amendment of Declaration by the Declarant. This Declaration may be amended without member approval by the Declarant, or the Board of the Association, as the case may be, as follows:

- (a) in any respect, prior to the sale of the first Lot;
- (b) to the extent this Declaration applies to Additional Property
- (c) to correct any obvious error or inconsistency in drafting, typing or reproduction;
- (d) to qualify the Association or the Property and Additional Property, or any portion thereof, for tax-exempt status;
- (e) to include any platting change as permitted herein;
- (f) to conform this Declaration to the requirements of any law or governmental agency having legal jurisdiction over the Property or any Additional Property or to qualify the Property or any Additional Property or any Lots and improvements thereon for mortgage or improvement loans made, insured or guaranteed by a governmental agency or to comply with the requirements of law or regulations of any corporation or agency belonging to, sponsored by, or under the substantial control of the United States Government or the State of North Carolina, regarding purchase or sale of such lots and improvements, or mortgage interests therein, as well as any other law or regulation relating to the control of property, including, without limitation, ecological control, construction standards, aesthetics, and matters affecting the public health, safety and general

welfare. A letter from an official of any such corporation or agency, including, without limitation, the Veterans Administration, U.S. Department of Housing and Urban Project, the Federal Home Loan Mortgage Corporation, Government National Mortgage Corporation, of the Federal National Mortgage Association, requesting or suggesting an amendment necessary to comply with the requirements of such corporation or agency shall be sufficient evidence of the approval of such corporation or agency, provided that the changes made substantially conform to such request or suggestion. Notwithstanding anything else herein to the contrary, only the Declarant, during the Developer Control Period, shall be entitled to amend this Declaration pursuant to this Section.

(1) This section shall include the requirement for New Hanover County legal approval of said covenants.

SECTION 2. Amendment of Declaration. Except as provided above, the covenants and restrictions of this Declaration may be amended only by an instrument duly recorded in the Office of the Register of Deeds of New Hanover County, executed by the duly authorized officers of the Association upon the vote of not less than two-thirds (2/3) of the Lot Owners; provided that no amendment shall alter any obligation to pay ad valorem taxes or assessments for public improvements, as herein provided, or affect any lien for the payment thereof established herein.

ARTICLE IV. HOMEOWNER'S ASSOCIATION

SECTION 1. Formation of Association. The Association is a nonprofit corporation organized pursuant to the Nonprofit Corporation Act of the State of North Carolina for the purpose of establishing an association for the Owners of Lots to (i) own, operate and maintain the Common Areas, (ii) to maintain the Designated Common Area, (iii) to maintain the Limited Common Areas, and (iv) serve as a member of **Scott's Hill Village**, all in accordance with this Declaration, the Association's Charter and Bylaws.

SECTION 2. Membership. Every Lot Owner shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from Lot ownership.

SECTION 3. Voting Rights. The Association shall have two classes of voting Membership:

- (a) Class A. Class A members shall be all Owners with the exception of Declarant, and shall be entitled to one vote for each lot owned. When more than one person holds an interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any lot.
- (b) Class B. Class B members shall be the Declarant and shall be entitled to three (3) votes for each lot owned. The Class B membership shall cease and be converted to Class A on the happening or either of the following events, whichever occurs earlier:
 - i. Sale of last lot owned by Declarant
 - ii. Ten (10) years from the recordation of this declaration.

SECTION 4. Government Permits. All duties, obligations, rights and privileges of the Declarant under any water, sewer, storm water, and utility agreements, easements, and permits for the Project with municipal or governmental agencies or public or private utility companies are at all times the responsibility of the Association.

SECTION 5. Management and Administration of Subdivision. The association shall be fully responsible for the maintenance, management and operation of the common areas, subdivision entrance signs, street lights, Stormwater Management Facilities, drainage pipes and drainage outlets, roads (unless accepted

for maintenance by a governmental entity), sidewalks, and other improvements and amenities in subdivision owned by the association.

ARTICLE V.
INSURANCE AND BONDS

If it is economically advantageous to obtain group insurance over individual insurance, the following shall apply:

SECTION 1. Insurance. It shall be the duty of the Association to maintain in effect casualty and liability insurance as follows:

- (a) Amount and Scope of Insurance. All insurance policies upon the Common Areas shall be secured by the Board of Directors, or its designee on behalf of the Association which shall obtain such insurance against loss or damage by fire or other hazards normally insured against and such other risks, including public liability insurance, as from time to time shall be customarily required by private institutional mortgage investors for projects similar in construction, location and use as the Project and the improvements thereon for at least \$1,000,000.00 for bodily injury, including deaths of persons and property damage arising out of a single occurrence. Coverage under this policy shall include, without limitation, legal liability of the insureds for property damage, bodily injuries, and deaths of persons in connection with the operation;
- (b) Insurance Provisions. The board of directors shall make diligent efforts to insure 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 be named insured and all mortgagees;
 - (4) coverage will not be prejudiced by act or neglect of the Lot Owners when said act or negligent is not within the control of the Association or by any failure of the Association to comply with any warrant or condition regarding any portion of the Project over which the Association has no control.
 - (5) the master 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 master policy on the Common Areas cannot be canceled, invalidated or suspended on account of the conduct of any officer or employee of the Board of Directors without prior demand in writing that the Board of Directors cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured.
- (c) Premiums. All premiums on such insurance policies and any deductibles payable by the Association upon loss shall be a common expense as described in Article VI, Section 4 herein:

- (d) Proceeds. All insurance policies purchased pursuant to these provisions shall provide that all proceeds thereof 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. All insurance policies shall be written for the benefit of the Board of Directors and the Lot Owners and any 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 premium, shall be delivered to the Owners at least ten (10) days prior to the expiration date with respect to the then current policies. Duplicates shall also be obtained and issued by the Association to each mortgagee, if any, upon request of such mortgagee;
- (f) Individual Policies. The insurance coverage for the individual lots and the structure(s) thereon shall be purchased as individual policies under such terms and conditions as the Association may prescribe by the individual lot owners. Each lot shall be insured for its full replacement value; Lot owners shall also be liable for payment of any claim made against the Association caused solely by the negligent or willful act or behavior of said owner or their guests.
- (g) Distribution of Insurance Proceeds. Proceeds of insurance policy for the Common Areas shall be distributed to or for the benefit of the beneficial owners in the following manner:

(1) all reasonable expenses of the insurance trustee shall be paid or provision made thereof;

(2) the remaining proceeds shall be used to defray the cost of repairs for the damage or reconstruction for which the proceeds are paid. Any proceeds remaining after defraying such cost shall be distributed to the beneficial owners, including lienholders of record, or retained by the Association for such common expenses or purposes as the Board shall determine.

SECTION 2. Fidelity Bond. The association shall maintain blanket fidelity bonds for all officers, directors, employees, and all other persons handling or responsible for funds of the Association (provided, however, that 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).

ARTICLE VI. COVENANTS FOR ASSESSMENTS

SECTION 1. Creation of the Lien and Personal Obligation of Assessments. Each owner of any Lot, by acceptance of a deed for the Owner's Lot, whether or not it shall be so expressed in such deed, covenants and agrees to pay to the Association Regular Assessments for the payment of the Common Expenses and shall be made in the manner provided herein, and in the manner provided in the Bylaws. The Regular Assessment is established for the benefit and use of the Association and shall be used in covering all of the Common Expenses (collectively the "Assessments") including, but not limited to, common area maintenance, road maintenance and payment of any taxes assessed on the common areas and elements.

The Assessments, together with interest, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the respective Lot against which the Assessments are made. Each such Assessment, together with interest costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the Assessment fell due. The personal oblig-

ation for delinquent Assessments shall not pass to the Owner's successors in title unless expressly assumed by them.

SECTION 2. Annual Assessments. The board of directors shall adopt a proposed annual budget at least 90 days before the beginning of each fiscal year. Within 30 days after adoption of the proposed budget for the Project, the Board of Directors shall provide all of the Lot Owners a summary of the budget and notice of a meeting to consider its ratification including a statement that the budget may be ratified without a quorum. The budget is ratified unless, at the meeting, a majority of all the Lot Owners in the Association rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Lot Owners shall be continued until such time as the Lot Owners ratify a subsequent budget proposed by the Board of Directors. The annual assessment for each Lot shall be established based on the annual budget thus adopted; provided, however, that the first Annual Assessment shall be set by the Declarant prior to the conveyance of the first Lot to an Owner. The due date for payment shall be established by the Board of Directors. The board of Directors shall have the authority to require the assessments to be paid in periodic installments.

The Association shall, upon demand, and for a reasonable charge furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

SECTION 3. Special Assessments for Capital Improvements. In addition to the Annual Assessments authorized above, the Association may levy, in any assessment year, a Special Assessment applicable to the year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair, or replacement of a capital improvement upon any current or future Common Areas, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of a majority of the members of each class who are voting in person or by proxy at a meeting duly called for this purpose.

SECTION 4. Insurance Assessments. All premiums on insurance policies 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 may in any assessment year levy against the Owners equally an "Insurance Assessment", in addition to the Annual Assessments, which shall be in an amount sufficient to pay the annual cost of all such deductibles and insurance premiums not included as a component of the Annual Assessment.

SECTION 5. Tax Assessments. All annual or special assessments for taxes levied by a governmental agency for association property shall be a common expense and shall be the responsibility of the Association.

SECTION 6. Rate of Assessment. The Association may differentiate in the amount of Assessments charged when a reasonable basis for distinction exists, such as between vacant Lots of record with completed dwellings for which certificates of occupancy have been issued by the appropriate governmental authority, or when any other substantial difference as a ground of distinction exists between Lots. However, Assessments must be fixed at a uniform rate for all Lots similarly situated.

SECTION 7. Working Capital. The Association is authorized to establish an amount to be collected from each purchaser of a Lot(s) to be set aside in reserve.

SECTION 8. Commencement of Assessments. Assessments for each Lot shall commence upon the date of acceptance by an Owner of a deed from Declarant.

SECTION 9. Declarant Obligation for Assessments. During Declarant control period, Declarant shall be responsible to cover any budget shortfall; specifically the difference between the actual expenses charged the association less lot owner contributions.

SECTION 10. Effect of Nonpayment of Assessments and Remedies of the Association. Any assessment or installment thereof not paid within (30) days after the due date shall bear interest from the due date at the highest rate allowable by law. The association may bring an action at law against the Owner per-

sonally obligated to pay the same, or foreclose the lien against the Owner's Lot. No Owner may waive or otherwise escape liability of the Assessments provided for herein by non-use of the Common Area or abandonment of his Lot. All unpaid installment payments of Assessments shall become immediately due and payable if an Owner fails to pay any installment within the time permitted. The Association may also establish and collect late fees for delinquent installments.

SECTION 11. Lien for Assessments. The Association may file a lien against a Lot when any Assessment levied against said Lot remains unpaid for a period of 30 days or longer.

- (a) The lien shall constitute a lien against the Lot when and after the claim of lien is filed of record in the office of the Clerk of Superior Court of the county in which the Lot is located. The Association may foreclose the claim of lien in like manner as a mortgage on real estate under power of sale under Article 2A of Chapter 45 of the General Statutes. Fees, charges, late charges, fines, interest, and other charges imposed pursuant to Sections 47-E-3-102, 47F-3-107A and 47F-3-115 of the Act are enforceable as Assessments.
- (b) The lien under this section shall be prior to all liens and encumbrances on a Lot except (i) liens and encumbrances (specifically including, but not limited to, a mortgage or deed of trust on the Lot) recorded before the docking of the claim of lien in the office of Clerk of Superior Court, and (ii) liens for real estate taxes and other governmental assessments and charges against the Lot.
- (c) The lien for unpaid assessments is extinguished unless proceedings to enforce the tax lien are instituted within three years after the docketing of the claim of lien by the office of the Clerk of Superior Court.
- (d) Any judgment, decree, or order in any action brought under this section shall include costs and reasonable attorney's fees for the prevailing party.
- (e) Where the holder of a first mortgage or deed of trust of record, or other purchaser of a Lot obtains title to the Lot as a result of foreclosure of a first mortgage or first deed of trust, such purchaser and its heirs, successors and assigns shall not be liable for the Assessments against the Lot which became due prior to the acquisition of title to the Lot by such purchaser. The unpaid Assessments shall be deemed to be common Expenses collectible from all the Lot Owners including such purchaser, its heirs, successors and assigns.
- (f) A claim of lien shall set forth the name and address of the association, the name of the record Owner of the Lot at the time the claim of lien is filed, a description of the Lot, and the amount of the lien claimed.

SECTION 12. Common Surplus. If the Annual Assessments collected in any given year is in excess of the actual Common Expenses for that year, the Association may, at its sole discretion, credit each Owner's share of the Common Surplus to each Owner's payment as for the Annual Assessment for the following year.

ARTICLE VII. ARCHITECTURAL CONTROL

SECTION 1. Committee Established. The Association shall at all times have as a standing committee an architectural control committee, consisting of one or more persons. Each Committee member is appointed by, and serves at the pleasure of, the Board, unless the Board from time to time constitutes itself as the Committee. The Board from time to time may designate alternate members, to serve in the absence of any regular member. Absent Board action to the contrary, the Board is deemed to have constituted itself as the Committee.

Committee members need not be Directors but must be a lot owner. No Committee member is entitled to compensation for services performed; but the Board may employ independent professional advisors to the Committee and allow reasonable compensation to such advisors from Association funds. Any Committee action may be taken by a simple majority of its members, with or without a formal meeting or joint deliberation, so long as each member is informed in advance of the action proposed.

SECTION 2. Developer's Rights. All duties and responsibilities conferred upon the Architectural Review Committee by this Declaration or the By-Laws of the Association shall be exercised and performed by the Declarant or its Designee, so long as the Declarant shall own any lot in **Scott's Hill Village** or any additions annexed thereto by Supplemental Declaration or Amendment.

SECTION 3. Committee Authority. The Committee has full authority to regulate the exterior appearance of the Lots to: (i) assure harmony of external design and location in relation to surrounding buildings and topography and (ii) to protect and conserve the value and desirability of the Properties as a residential community. The power to regulate includes the power to prohibit those exterior uses, structures, conditions, or activities inconsistent with the provisions of this Declaration or otherwise contrary to the best interests of all Homeowners in maintaining the value and desirability of the Properties as a residential community.

SECTION 4. Committee Approval. No building, improvement, fence, structure, addition, landscaping, attachment, condition, excavation, alteration, or change (including any color change) may be made, installed, maintained, restored, or permitted to remain on or to the exterior of any Lot, unless made, installed, maintained, or restored, as the case may be, substantially in compliance with plans and specifications reviewed and approved by the Committee in advance. Notwithstanding the foregoing, the Committee's approval is not required for (i) interior areas of a building, (ii) restoration of any previously approved building, structure, or other item that is substantially identical in all respects to the original work, as approved, or (iii) for any item that is concealed from view by improvements, structures, fencing, vegetation, or other items previously approved or installed.

SECTION 5. Objective Standards. In addition to any other express standard that may be provided by this Declaration, all actions by the Committee must: (i) assure harmony of external design, materials, and location in relation to surrounding buildings and topography within the Properties; and (ii) protect and conserve the value and desirability of the Properties as a residential community; and (iii) not conflict with the express provisions of the Legal Documents; and (iv) otherwise be in the best interests of all Homeowners in maintaining the value and desirability of the Properties as a residential community.

SECTION 6. Rules and Regulations. The Committee from time to time may adopt and amend reasonable, uniform rules and regulations as to all matters within the scope of its authority, including procedural matters, so long as such rules and regulations are (i) consistent with the provisions of the Legal Documents; and (ii) if the Board has not constituted itself as the Committee, approved by the Board before taking effect. Rules and regulations adopted pursuant to this Section have the same force and effect as the Association's other rules and regulations and are enforced by the Board in the name of the Association.

SECTION 7. Subjective Judgment. In addition to complying with the objective standards of this Declaration, Developer specifically intends the Committee members to exercise an informed, subjective aesthetic judgment as to any matters within the Committee's authority that is conclusive and binding upon any person affected, absent bad faith, mistake, or deliberate intentional discrimination that cannot be justified on any rational basis. Without limitation, and in recognition of the fact that each Lot is unique, no Committee action with respect to any particular Lot necessarily is of any precedential value with respect to any other Lot. Specifically, the fact that the Committee may have approved or denied a particular installation, condition, activity, or item with respect to any particular Lot does not, by itself, constitute grounds for requiring such approval or denial with respect to any other Lot. Each application for Committee action must be evaluated on its own merits, with the Committee exercising the broadest discretionary judgment that is consistent with the requirements of this Declaration.

SECTION 8. Review. The Board from time to time may appoint one or more persons to make preliminary review of any applications to the Committee and report such applications with such person's advisory recommendations for Committee action. If the Board has not constituted itself as the Committee, provision must be made for review by the Board of Committee decisions at the request of the applicant, subject to such reasonable limitations and procedures as the Board considers appropriate. The Association's procedures for review and enforcement of the provisions of this Article in all events and at all times must provide any affected person with reasonable advance notice and a reasonable opportunity to be heard in person and through appropriate representatives of such person's choosing in a reasonably impartial manner.

SECTION 9. Applications. Any applications for Committee approval must be accompanied by three sets of plans and specifications, together with such renderings, samples, models, and other information as the Committee reasonably may require. Any application submitted other than by a Homeowner must attach the Homeowner's written consent to the approval requested. Any application for installation of any building or other permanent structure must include a landscaping plan and detailed plot plan of any permanent improvements and structures. If requested, the Committee may require the preliminary staking of such improvements and structures according to such plan for Committee inspection. Any application for the initial installation of any residential dwelling also must include a grading and drainage plan and tree survey. Any costs of filing and processing an application pursuant to this Article are at the expense of the applicant; and the Association also may impose a reasonable, uniform application fee to defray its costs.

SECTION 10. Procedure. Within 60 days after receiving an application, the Committee either must approve the application as submitted or notify the applicant of (i) the Committee's intent to deny the application, or (ii) any additional plans, specifications, drawings, or other items that the Committee will require to act upon the application, or (iii) both of the foregoing. The Committee's failure to so notify the applicant is an approval of the application submitted. Upon receiving the foregoing notice, the applicant may request a hearing before the Committee, at which the applicant, personally and through representatives of the applicant's choosing, is entitled to a reasonable opportunity to be heard in a reasonably impartial manner, after reasonable advance notice. No particular formality is required for any of the Committee's proceedings, including any hearing, nor is any record required other than a written statement fairly summarizing the material features of any Committee action. Unless the applicant agrees otherwise, the Committee must approve or disapprove any application within 75 days after receipt.

SECTION 11. Approval. The Committee's approval is deemed given under any of the following circumstances: (i) the Committee fails to deny any application within 75 days after receipt, unless the applicant agrees to a longer period of time; or (ii) the Committee fails to notify the applicant of its intent to deny an application, or that further information is required, within 60 days after receipt of an application; as provided in the preceding Section; or (iii) no suit, action, or other proceeding is instituted by the Association within one year after substantial completion with respect to any use, activity, structure, installation, condition, or other item installed, maintained, or restored without application to the Committee. In all other events, the Committee's approval must be in writing and endorsed upon two sets of the plans and specifications, one of which must be returned to the applicant and one retained in the Association's permanent records for a period of at least five years. Upon completion of the approved work, the applicant and any architect, engineer, contractor, or other responsible professional must certify to the Association in writing that the work has been completed substantially according to the approved plans and specifications; and no Statute of Limitations begins to run in favor of any Homeowner or other applicant with respect to any substantial non-conformity to the approved plans and specifications until such certificate is filed.

SECTION 12. Changes. Any material change to any plans and specifications approved by the Committee also must be approved by the Committee as provided in this Article, except that the Committee will expedite, to the extent practical, any such application that is made while construction is in progress. The Committee in no event is required to act upon any such application in less than 15 days, however.

SECTION 13. Notice of Action. No suit, proceeding, or other action to enforce the provisions of this Article may be commenced or continued, nor may any of the provisions of this Article be enforced,

against any person who acquires any interest in a Lot without actual knowledge that a building or other structure (including walls and fencing) was installed, maintained, or restored, as the case may be, in violation of the requirements of this Article unless such suit, action, or other proceeding is commenced within one year after such building or other structure was substantially complete and a lis pendens or other notice of the pendency of such action is recorded within such time period. No such action may be commenced, continued, or otherwise enforced against any purchaser or creditor who acquires an interest in, or a lien upon, any Lot for value, other than pre-existing indebtedness, and without actual knowledge of any such violation, if such purchaser or creditor obtained a statement under penalty of perjury from the applicable Homeowner that no violation existed on such Lot at the time value was given or paid. Upon payment of any reasonable uniform charge that the Association, from time to time may impose to defray its costs, the Association within ten days after request will issue an appropriate certificate of compliance or noncompliance, as the case may be, with the provisions of this Article that is binding and conclusive as to the information it sets forth upon both the Association and any person without actual knowledge to the contrary.

SECTION 14. Developer Action. Notwithstanding any provision of this Article, no Committee approval is required for any residential dwelling or any of its appurtenances constructed or authorized by Declarant on any Lot, so long as it otherwise conforms to the applicable requirements of this Declaration. The foregoing exemption is for the exclusive benefit of a Declarant and may not be extended by Declarant to any Builder or any Homeowner other than Declarant.

SECTION 15. Hold Harmless. The Declarant, Association, and Architectural Review Committee do not warrant and make no representations regarding the quality of any building, improvement, structure, addition, landscaping, attachment, condition, excavation, alteration, or change located upon any lot. All owners hereby hold harmless the Declarant, Association, or Architectural Review Committee from any and all damages that may result from the installation, construction, maintenance or the like with regards to any improvements or additions.

ARTICLE VIII. USE RESTRICTIONS AND MAINTENANCE

SECTION 1. Use Restrictions.

(a) Dwelling Size. The minimum heated square footage of each dwelling shall not be less than 1800 square feet.

(b) Land Use and Building Type. No Lot shall be used for any purpose except for residential purposes. All numbered Lots are restricted for construction of dwellings in accordance with the plat of **Scott's Hill Village**.

(c) Nuisances. No noxious or offensive activity shall be carried on upon any Lot nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. There shall not be maintained any plants or animals, nor device or thing of any sort whose normal activities or existence are in any way noxious, dangerous, unsightly, unpleasant or other nature as may diminish or destroy the enjoyment of other Lots by the Owner thereof. It shall be the responsibility of each Owner to prevent any unclean, unsightly or unkempt condition of buildings or grounds on the Owner's Lot which would tend to decrease the beauty of the neighborhood as a whole or the specific area.

(d) Temporary Structures. No structure of a temporary character, trailer, basement, tent, garage, barn, or other temporary outbuilding shall be used on any Lot any time as a residence either temporarily or permanently without the written consent of the Association or its designee; provided, however, that this shall not prevent the Declarant, its designees or assigns from maintaining a construction trailer or office on any part of the Project until the construction of dwellings on all Lots and improvements are completed.

(e) Vehicles/Boats/Etc. No camper, trailer, motor or mobile homes, tractor/trailer, or similar type vehicle, bicycles, scooters, toys or other personal articles shall be permitted to remain on any Lot or on any street at any time. No inoperable vehicle or vehicle without current registration and insurance will be permitted on any Lot or street. The Association shall have the right to have all such vehicles towed away at the owner's expense. No repairs to any vehicle may be made on the streets or in driveways, but only in garages or other areas not visible from the street. No vehicle belonging to an owner or to a member of the family or guest, tenant, or employee of an owner shall be parked in such a manner as to impede or prevent ready access to another owner's lot. The owners, their employees, servants, agents, visitors, licensees and the owner's family will obey the parking regulation posted on the private streets and drives and any other traffic regulations promulgated in the future for the safety, comfort and convenience of the owners.

(f) Animals. No animals, livestock, poultry of any kind shall be kept or maintained on any Lot or in any dwelling except that dogs, cats, or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and provided further that they are not allowed to run free, are at all times kept properly leashed or under the control of their owner and do not become a nuisance to the neighborhood. Pet owners shall be responsible to immediately and properly dispose of any pet waste on common areas or roadways.

(g) Nuisances. No owner shall make or permit any noises that will disturb or annoy the occupants of any of the lots in the development or do or permit anything to be done which will interfere with the rights, comfort or convenience of other owners.

(h) Statuary, TV Satellite Dishes and Outside Antennas. No yard statuary, yard art, or TV satellite signal receiving dishes are permitted on any lot and no outside radio or television antennas shall be erected on any Lot or dwelling unless and until permission for the same has been granted by the Board of Directors of the Association or its architectural control committee; provided, however, satellite dishes not over eighteen (18) inches in diameter which cannot be seen from the street are permitted.

(i) Construction in Any Future Common Area. No person shall undertake, cause or allow alteration or construction in or upon any portion of future Common Areas except at the direction or with the express written consent of the Association or as permitted by this Declaration.

(j) Subdividing. Subject to any rights reserved to the Declarant herein, no Lot shall be subdivided, or its boundary lines changed except with the prior written consent of the Declarant during the period of Declarant control of the Association and thereafter by the Board of Directors of the Association.

(k) Trash. Each owner shall keep such owner's lot in a good state of preservation and cleanliness and shall not sweep or throw or permit anything to be swept or thrown therefrom, or from the doors or windows thereof, any dirt or other substance. All garbage and refuse from the lots shall be deposited with care in garbage containers intended for such purpose only at such times and in such manner as the Board of Managers/Directors may direct. All trash cans must be kept from view from the street except on trash pickup days. Trash cans must be removed from the street within 24 hours of trash pickup.

(l) Christmas Decorations. Christmas decorations may only be exhibited between November 20 and January 7 of the following year.

(m) Flags. No flags shall be flown upon any lot or common area in the subdivision with the exception of the flag of the State of North Carolina and the flag of the United States of America. No flags of any kind may be displayed upon vertical flag poles. No flag may be displayed larger than 4'x6'.

(n) Political Signs. No political signs may be displayed upon any common areas or individual lots within the subdivision.

(o) Damage Liability. Any damage to buildings, recreational facilities, or other common areas or equipment caused by owners, their children or their guests shall be repaired at the expense of the owner.

(p) Amendment and Revocation. Any consent or approval given under these Community rules by the Board of Managers shall be revocable at any time. These Community Rules may be added to or repealed at any time by the Board of Managers/Directors,

SECTION 2. Maintenance. To the extent the association is not obligated to provide maintenance pursuant to this Declaration, each Lot Owner shall keep his Lot free from weeds, underbrush or refuse piles, or unsightly growth or objects. In the event the Owner fails to do so, then after thirty days notice from the Architectural Control committee, the Association or its designee may enter upon the Lot and remove the same at the expense of the Owner, and such entry shall not be deemed a trespass, and in such event a lien shall arise and be created in favor of the full amount of the cost thereof chargeable to the Owner's Lot, including collection costs and such amounts shall be due and payable within thirty (30) days after the Owner is billed therefore. Such lien shall be enforceable by Court proceedings as provided by law for enforcement of liens. In the event that any maintenance activities are necessitated to any future Common areas by the willful act or active or passive negligence of any Owner, his family, guests, invitees or tenants and the cost of such maintenance, repair or other activity is not fully covered by insurance, then, at the sole discretion of the board of directors of the association, the cost of the same shall be the personal obligation of the owner and, if not paid to the association upon demand, may be added to the annual assessment levied against said Owner's Lot and shall become a lien against the Lot.

ARTICLE IX. GENERAL PROVISIONS

SECTION 1. Restrictions on Jurisdictional Wetlands. The areas denoted as Wetlands shown on the recorded plats for "Scott's Hill Village" recorded in the New Hanover and Pender County Register of Deeds shall be maintained in perpetuity in a natural and managed condition.

This covenant is intended to ensure continued compliance with the mitigation condition of a Clean Water Act authorization issued by the United States of America, U.S. Army Corps of Engineers, Wilmington District, Action ID 200400941, and, therefore, may be enforced by the United States of America. This covenant is to run with the land and shall be binding on the Owner and all parties claiming through or under it, including, but not limited to any adjacent homeowner's or any homeowners' association to whom the owner may assign or convey its rights. Modification of this particular Section 13 of Article VI will require written consent of the United States Army Corps of Engineers.

The wetland map referred to in paragraph one of this Section designates Wetland areas. Notwithstanding the provisions of this Section, the following activities will be permitted in Wetland areas without further consent of the United States Army Corps of Engineers: establish and maintain pervious surface, nature trails; remove noxious or poisonous plants such as poison ivy, poison oak; repair or remove storm damage and/or dying or diseased vegetation and trees; erect, build and maintain pile supported structures not requiring permits pursuant to 33 CFR 323.3.

SECTION 2. Stormwater Management. **The following covenants are intended to ensure ongoing compliance with State Stormwater Management Permit Number SW8 070603 as issued by the North Carolina Department of Environment and Natural Resources under 15A NCAC 2H.1000.**

The maximum allowable built-upon area per lot is as shown on the NCDENR Permit Number SW8 070603 which is attached herein as Exhibit "A". This allotted amount includes any built-upon area constructed within the lot property boundaries, and that portion of the right-of-way between the front lot line and the edge of the pavement. Built upon area includes, but is not limited to, structures, asphalt, concrete, gravel, brick, stone, slate, coquina, but does not include raised, open wood decking, or the water surface of swimming pools. The

covenants pertaining to stormwater may not be altered or rescinded without express written consent of the State of North Carolina. Filling in or piping of any vegetative conveyances associated with the development except for average driveway crossings is strictly prohibited by any persons. In case of a lot within CAMA's regulated AEC, where the Division of Coastal Management calculates a different maximum allowable built-upon area for that lot than is shown herein, the governing maximum built-upon area that lot shall be the most restrictive of the two.

The State of North Carolina is made a beneficiary of these covenants to the extent necessary to maintain compliance with the stormwater management permit. Alteration of the drainage as shown on the approved plan may not take place without the concurrence of the North Carolina Department of Environment and Natural Resources. These covenants are to run with the land and shall be binding on all persons and parties claiming under them. Each lot will maintain a 50' wide vegetated buffer between all impervious areas and surface waters or as allowed by the NCDENR permit. All roof drains shall terminate at least 50' from the mean high water mark of surface waters or as allowed by the NCDENR permit.

Any individual or entity found to be in noncompliance with the provisions of the stormwater management permit or the requirements of the stormwater rules found in 15A NCAC 02H.1000 and Session Law 2008-211, is subject to enforcement procedures as set forth in NCGS 143, Article 21.

SECTION 3. Rights of Institutional Note Holders. Any institutional holder of a first lien on a Lot will, upon request, be entitled to (a) inspect the books and records of the Association during normal business hours, (b) receive an annual audited financial statement of the Association within ninety (90) days following the end of its fiscal year, (c) receive written notice of all meetings of the Association and right to designate a representative to attend all such meetings, (d) receive written notice of any condemnation or casualty loss that affects either a material portion of the Project or the Property securing its loan, (e) receive written notice of any sixty-day (60) delinquency in the payment of assessments or charges owed by any Owner of any property which is security for the loan, (f) receive written notice of a lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association, (g) receive written notice of any proposed action that requires the consent of a specified percentage of mortgage holders, and (h) be furnished with a copy of any master insurance policy.

SECTION 4. Utility Service. Declarant reserves the right to subject the Property to contracts for the installation of utilities, cable TV and street lighting, which may require an initial payment and/or a continuing monthly payment by the Owner of each Lot. Each Lot Owner will be required to pay for any water connections, sewer connections, impact fees or other utility service to the Lots. In the alternative, the Developer may collect such connection, impact and other fees, charges directly from the Lot Owners. All Lot Owners shall be required, for the household purposed, to use water and sewer supplied by the companies/governmental units servicing the Project. Separate water systems for outside irrigation and other outdoor uses shall not be permitted without the consent of the Declarant or the Association.

SECTION 5. Severability. Invalidation of any one of these covenant or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

SECTION 6. Lots Subject to Declaration/Enforcement. All present and future Owners, tenants and occupants of Lots and their guests or invitees, shall be subject to, and shall comply with the provisions of the Declaration, and as the Declaration may be amended from time to time. The acceptance of a deed of conveyance or the entering into of a lease or the entering into occupancy of any Lot shall constitute an agreement that the provisions of the Declaration are accepted and ratified by such Owner, tenant or occupant. The covenants and restrictions of this declaration shall inure to the benefit of and be enforceable (by proceedings at law or in equity) by the Association, or the Owner of any Lot, their respective legal representatives, heirs, successors and assigns, and shall run with and bind the land and shall bind any person having any Lot, as though such provisions were made a part of each and every deed of conveyance or lease, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of (10) years, unless terminated by the Lot Owners. Failure by the association or by an

Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

SECTION 7. Liability of Declarant. The affirmative vote of no less than two-thirds (2/3) of all votes entitled to be cast by the Association Members shall be required in order for the Association to (1) file a complaint, on account of an act or omission of the Declarant, with any governmental agency which has regulatory or judicial authority over the Project or any part thereof; or (2) assert a claim or sue the Declarant.

ARTICLE X.
FUTURE DEVELOPMENT

SECTION 1. Developer may, from time to time, without the assent of any other entity, annex to and make part of the Subdivision any other real property which Developer now owns or later acquired (the "Additional Property"), upon such terms and conditions and subject to covenants and restrictions, as the Developer, in its sole discretion, shall deem reasonable and appropriate.

SECTION 2. Each such annexation of Additional Property shall become effective upon the recording of an amendment to this Declaration, duly executed by the Developer, specifically describing the Additional Property annexed to the subdivision, and setting forth the terms and conditions upon which such Additional Property is annexed to the Subdivision and the covenants and restrictions to which such Additional Property shall be subject.

IN WITNESS WHEREOF, the undersigned has caused this Declaration to be executed the day and year first above written.

CHL, LLC aka
Scott's Hill Village Developer
By *E. W. Davis, Jr.* (SEAL)
E W Davis, Jr., Member/Manager

New Hanover County, North Carolina

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: E. W. Davis, Jr., Member/Manager

Date: 7/8/16

Carrie L. Mincey
Printed Name: Carrie L. Mincey, Notary Public

My commission expires: 8/9/2016

