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RECORDED & VERIFIED
STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER
REGISTER OF DEEDS
NEW HANOVER CO. NC

DECLARATION OF COVENANTS
CONDITIONS AND RESTRICTIONS
TEAL TRACE

This Declaration, made the 4th day of March, 1998, by WEB ASSOCIATES, L.L.C., a North Carolina Limited Liability Company, hereinafter referred to as "Declarant" or "Developer"; and WALTER L. BLAND T/A WALTER L. BLAND CONSTRUCTION COMPANY who executes this declaration for the purpose of subjecting Lots 4 and 6 of TEAL TRACE to the provisions of these covenants.

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W I T N E S S E T H

Whereas, Declarant is the owner of certain real property in the City of Wilmington, New Hanover County, North Carolina, known as Teal Trace which is shown on the plat thereof recorded in the Office of the Register of Deeds of New Hanover County, North Carolina, in Map Book 37 Page 323, to which plat reference is hereby made for a more particular description (the "Property").

Now, therefore, Declarant hereby 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 all parties having any rights, title or interest in the described Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I.

DEFINITIONS

SECTION 1. Association shall mean and refer to Teal Trace HOA, Inc., a North Carolina non-profit corporation, its successors and assigns, the owners association organized for the mutual benefit and protection of the property.

SECTION 2. Assessments shall mean the Annual, Special, Insurance, Ad Valorem and Working Capital Assessments defined in Article VII hereof.

SECTION 3. Common Area (s) shall mean and refer to all real property owned by the Association for the common use and enjoyment of the Owners.

SECTION 4. Declarant shall be used interchangeably with Developer (which designations shall include singular, plural, masculine and neuter as required by the context) and shall mean and refer to WEB ASSOCIATES, a North Carolina Limited Liability Company and its successors and assigns.

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SECTION 6. Declaration shall mean this instrument as it may be from time to time amended or supplemented.

SECTION 7. Lot(s) shall mean and refer to any numbered lot shown upon the plat of Teal Trace Subdivision recorded in Map Book 37 Page 323 of the New Hanover County Registry as it may be amended from time to time.

SECTION 8. 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 Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

SECTION 9. Property shall mean the real property shown on the plat of Teal Trace Subdivision recorded in Map Book 37 Page 323 of the New Hanover County Registry.

SECTION 10. Member(s) shall mean and refer to every person or entity who has a Membership in the Association.

SECTION 11. Membership shall mean and refer to the rights, privileges, benefits, duties and obligations, which shall inure to the benefit of and burden each Member of the Association.

SECTION 12. Subdivision shall mean Teal Trace as shown on the plat recorded in Map Book 37 page 323 of the New Hanover County Registry.

ARTICLE II.

PROPERTY RIGHTS

SECTION 1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Area, if any, which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

A. The right of the Association to suspend the voting rights and privileges by an Owner for any period during which any Assessments against the Owner's Lot remains unpaid and in default and for a period not to exceed sixty (60) days for any infraction of the published rules and regulations;

B. The right of the Association to mortgage or convey the Common Areas, or to dedicate or transfer all or part of the Common Areas, if any, to any municipality, public agency, authority, or utility company for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective until approved by vote of at least two-thirds (2/3) of the Members, excluding the Developer, as

indicated in an instrument executed by the Association and recorded in the New Hanover County Registry.

C. The right of the Association to impose regulations for the use and enjoyment of the Common Area, if any, and improvements thereon, which regulations may further restrict the use of the Common Area.

ARTICLE III.

EASEMENTS

SECTION 1. Perpetual, alienable easements as necessary in the Property, and the Common Areas thereof are reserved to Declarant, its successors and assigns, for the installation and maintenance of underground utilities and drainage facilities.

SECTION 2. Declarant hereby reserves unto itself, its successors and assigns, perpetual, alienable easements over all streets and Common Areas within the Subdivision as necessary to provide access, ingress and egress, to all Lots owned by Declarant.

SECTION 3. An easement is hereby granted to all police, fire protection, ambulance, garbage and trash collection, mail carriers, and all similar persons, companies or agencies performing services to enter upon all Lots and Common Areas in the performance of their duties.

SECTION 4. In case of any emergency originating in or threatening any Lot or the Common Areas, regardless whether any Lot 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 Lot for the purpose of remedying or abating the causes of such emergency and making any other necessary repairs not performed by the Lot Owner, and such right of entry shall be immediate.

SECTION 5. The Declarant reserves unto itself, its successors and assigns, a perpetual, alienable and releasable easement and right, on, over and under the ground with men and equipment to erect, maintain, inspect, repair and use electric and telephone poles, wires, cables, conduits, sewers, water mains, natural gas lines and other suitable equipment for the conveyance and use of electricity, telephone equipment, gas, sewer, water or other public conveniences or utilities on, in or over each Lot and such other areas as are shown on the plat of the Property recorded or to be recorded in the office of the Register of Deeds of New Hanover County. These easements and rights expressly include the right to cut any trees, bushes or shrubbery, make any grading of the soil, or to take any other similar action reasonably necessary to provide economical and safe utility installation and to maintain reasonable standards of health, safety and appearance. It further reserves

walkway, or on any residential Lot now or subsequently designated for such use or to locate same upon any Lot with the permission of the owner of such Lot. Such rights may be exercised by any licensee of the Declarant, but this reservation shall not be considered an obligation of the Declarant to provide or maintain any such utility or service.

SECTION 6. The Declarant reserves unto itself, its successors and assigns, the right to subject the Property to a contract with North Carolina Natural Gas for the installation of street lighting, which contract requires a continuing monthly payment to North Carolina Natural Gas by each resident customer for street lighting service.

SECTION 7. SUBDIVISION STREET DISCLOSURE STATEMENT. Prior to entering any agreement regarding the sale of a house or lot in the subdivision, the buyer shall receive a subdivision street disclosure statement, and said disclosure statement shall fully and completely disclose the private status of any street upon which the house or lot fronts. If the street is designated by the Declarant as a public street, the statement shall certify that the design and construction of said street meets or exceeds city standards. If the street has been designated as a private street by the subdivider, the statement shall, in addition to certifying compliance with city standards, explain the consequences and responsibility as to maintenance of private streets and shall fully and accurately disclose the responsibility of the Teal Trace Home Owners Association for maintenance of such streets. Written acknowledgement of receipt of the disclosure statement by the buyer shall be conclusive proof of delivery thereof. BLUE WING COURT AND GREEN TIP COVE ARE HEREBY DESIGNATED AS PRIVATE STREETS BY THE DECLARANT.

SECTION 8. JOINT DRIVEWAY EASEMENTS. The Declarant has dedicated joint and mutual driveway easements across Lots 5 and 6, 11 and 12, and 13 and 14, all as are more precisely shown on the recorded map of the Subdivision for the joint use of the adjoining Lot owners. Neither owner may park an automobile or any other vehicle on that portion of a driveway indicated on the official map of the Subdivision for the joint use of both Lots.

SECTION 9. 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 undersigned, its successors and assigns, and any Owner, purchaser, mortgagee and other person having an interest in the 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 IV.

UTILITIES

SECTION 1. Water Service. Water service for the Property shall be provided by the municipal system owned and operated by the City of Wilmington. No Owner may drill or otherwise construct a water well on any Lot, or use any other source of water supply for household use, except for irrigation purposes.

SECTION 2. Sewer Service. All Lots will be tied into the City of Wilmington Sewer System. All sewer tap fees and monthly charges for sewer service will be the responsibility of each Owner.

ARTICLE V.

MEMBERSHIP AND VOTING RIGHTS

SECTION 1. Every Lot Owner shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from Lot ownership.

SECTION 2. Each Member shall be entitled to one vote in the affairs of the Association 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 among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

ARTICLE VI.

MANAGEMENT AND CONTROL

Management of the affairs of the Association shall be the right and responsibility of its Board of Directors in accordance with the Declaration and the By-Laws; PROVIDED, HOWEVER, that all of the powers and duties of the Board of Directors may be exercised by the Declarant until such time as 90% of the Lots within the Property have been sold and conveyed by the Declarant to purchasers or until December 31, 2005, whichever occurs first. Management and control may be transferred to the Owners at any time but in all events, no later than 120 days after the happening of the earlier of the above events.

ARTICLE VII.

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 the following assessments (collectively the "Assessments"):

- A. Annual Assessments;
- B. Special Assessments for Capital Improvements;
- C. Insurance Assessments;
- D. Ad Valorem Tax Assessments; and
- E. Working Capital Assessments.

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

SECTION 2. Purpose of Annual Assessments. The Annual Assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Property and for the improvement and maintenance of all easements, utilities, roads, lawns and the Common Areas. The funds arising from said assessments or charges, may be used for any or all of the following purposes: Maintenance and improvement of the lawns, Common Areas, streets, roads, drives, access easements, sidewalks, drainage and utility easements, landscaping and fencing, including roadways, landscaping and fencing located upon easements reserved over Lots adjacent to Holly Tree Road; enforcing this Declaration; paying taxes, insurance premiums, legal and accounting fees and governmental charges; disposing of garbage and rubbish; employing watchmen; establishing working capital; and in addition, doing any other things necessary or desirable in the opinion of the Association to keep the Property in neat and good order and to provide for the health, welfare and safety of Owners and residents of the Subdivision.

SECTION 3. Annual Assessments. Annual Assessments shall be in an amount to be fixed from year to year by the Board of Directors which may establish different rates from year to year as

it may deem necessary for the purposes set forth in Section 2 above. The amount of the Annual Assessment against each Lot for any given year shall be fixed at least 30 days in advance of the Annual Assessment period; provided, however, that the first Annual Assessment shall be set prior to the conveyance of the first Lot to an Owner and written notice to the Owners to be subjected thereto shall be delivered to the Owners at or prior to the closing of their Lots. Written notice of each Annual Assessment thereafter shall be sent to every Owner subject thereto. The due date shall be established by the Board of Directors and the Board of Directors shall have the authority to require the assessments to be paid in pro rata monthly 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.

A. From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the Annual Assessment may be increased each year not more than five percent (5%) above the Annual Assessment for the previous year without a vote of the Members, except as herein provided.

B. From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the Annual Assessment may be increased above five percent (5%) by a vote of two-thirds (2/3) of the Members who are voting in person or by proxy at a meeting duly called for this purpose.

C. The Board of Directors may increase the amount of the Annual Assessment up to Nine Hundred Dollars (\$900.00) per Lot notwithstanding the provisions of subparagraphs A and B above, and thereafter the limitations set forth in said subparagraphs shall apply to any annual increase.

SECTION 4. Special Assessments for Capital Improvements. In addition to the Annual Assessment 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 the Common Areas, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the Members who are voting in person or by proxy at a meeting duly called for this purpose.

SECTION 5. Insurance. The Board of Directors on behalf of the Association, as a common expense, shall at all times keep the Common Areas and other property of the Association, if any, insured against loss or damage by fire or other hazards and other such risks, including, but not limited to directors' liability and public liability insurance, upon such terms and for such amounts as may be reasonably necessary from time to time to protect such

Property, which insurance shall be payable in case of loss to the Association for all Members. The Association shall have the sole authority to deal with the insurer in the settlement of claims. Such insurance shall be obtained without prejudice to the right of each Member to insure his personal property for his own benefit at his own expense. In no event shall the insurance coverage obtained by the Association be brought into contribution with insurance purchased by Members or their mortgagees.

SECTION 6. Insurance Assessments. All premiums on insurance policies purchased by the Board of Directors or its designee pursuant to Section 5 of this Article VII 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 provided for under Section 3 above, which shall be in an amount sufficient to pay the annual cost of all such insurance premiums not included as a component of the Annual Assessment. Such assessment shall not be subject to the 5% limitation set out in Section 3. A. and B. of this Article VII.

SECTION 7. Ad Valorem Tax Assessments. All ad valorem taxes levied against the Common Areas, if any, shall be a common expense, and the Association may in any assessment year levy against the Owners equally an "Ad Valorem Tax Assessment", in addition to the Annual Assessments provided for under Section 3 above, which shall be in an amount sufficient to pay such ad valorem taxes in such year not included as a component of the Annual Assessment. Such assessment shall not be subject to the 5% limitation set out in Section 3. A. and B. of this Article VII.

SECTION 8. Working Capital Assessments. At the time title to a Lot is conveyed to an Owner, the Owner shall contribute to the Association as a working capital reserve an amount at least equal to two months' estimated Annual Assessment. Such funds shall be used solely for initial operating and capital expenses of the Association such as pre-paid insurance, supplies, and furnishings, fixtures and equipment for the Common Areas, etc. Amounts paid into the working capital fund are not to be considered as advance payment of the Annual or any other assessments. Any working capital funds remaining at the end of the first full operating year shall be transferred to and become part of the general funds of the Association, in the discretion of the Board of Directors.

SECTION 9. Notice and Quorum For Any Action Authorized Under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 and 4 shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all votes of each class of Membership shall constitute a quorum. The required quorum at the subsequent

meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

SECTION 10. Uniform Rate of Assessment. The Annual Assessment shall be fixed at a uniform rate for all Lots however if the Association should undertake to maintain not only the front yards but also back yards the assessment for each lot shall be adjusted to take into consideration the different sizes of each lot. The Annual Assessment may be collected on a monthly basis.

SECTION 11. Commencement of Assessments. Assessments for each Lot shall commence upon the date of acceptance by an Owner of a deed from Declarant. Declarant shall not be required to pay Assessments until such time as Management and Control of the Association is turned over to the Board of Directors pursuant to Article VI above. In Lieu of payment of the Annual Assessment, the Declarant shall pay to the Association annually, in lieu of Assessments, the pro rata share of insurance premiums, utilities and ad valorem taxes on the Common Areas attributable to the number of Lots owned by Declarant, at the time the same become due.

SECTION 12. Effect Of Nonpayment of Assessments And Remedies Of The Association. Any Assessment or installment thereof not paid within thirty (30) days after the due date shall be in default and bear interest from the due date at the highest rate allowable by law. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the Owner's Lot. No Owner may waive or otherwise escape liability for 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.

SECTION 13. Subordination Of The Lien To Mortgage. The lien of the Assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Lot shall not affect the Assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such Assessments as to payments which became due prior to such sale or transfer and the delinquent assessment will be re-assessed as a common expense pro rata against all of the Lots including the Lot upon which the delinquent assessment was originally assessed. No sale or transfer shall relieve such Lot from liability for any Assessments thereafter becoming due or from the lien thereof.

ARTICLE VIII.

ARCHITECTURAL CONTROL/MAINTENANCE

SECTION 1. Developer's Rights. All duties and responsibilities conferred upon the Architectural Control 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 Declarant shall own any Lot within the Property or until the Board of Directors assumes Management and Control of the Association pursuant to Article VI above.

SECTION 2. Building and Site Improvements. No dwelling, wall or other structure shall be commenced, erected, or maintained upon any Lot, nor shall any exterior addition to or change in or alteration therein (including painting or repainting of exterior surfaces) be made until the plans and specifications showing the nature, kind, shape, heights, materials, colors and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Declarant, or its designee, or, after the sale of all Lots by Declarant, by the Board of Directors of the Association, or by an Architectural Control Committee composed of three (3) or more representatives appointed by the Board. In the event the Declarant, or its designee, or, if applicable, the Board, or the Architectural Control Committee, fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with. Refusal or approval of any such plans, location or specification may be based upon any ground, including purely aesthetic and environmental considerations, that in the sole and uncontrolled discretion of the Declarant, the Board, or Architectural Control Committee shall be deemed sufficient. One copy of all plans and related data shall be furnished to the Declarant, the Board, or Architectural Control Committee, as the case may be, for its records. Neither the Declarant, the Board, nor the Architectural Control Committee shall be responsible for any structural or other defects in plans and specifications submitted to it or any structure erected according to such plans and specifications.

SECTION 3. Approval of Plans.

A. No house plans will be approved unless the proposed house shall have a minimum of 2,000 square feet of enclosed, heated dwelling area. The term "enclosed, heated dwelling area" as used in the minimum requirements shall be the total enclosed area within a dwelling which is heated by a common heating system; provided, however, that such term does not include garages, terraces, decks, open porches, and like areas.

B. Since the establishment of inflexible building setback lines for location of houses on lots tends to force construction of houses directly to the side of other homes with detrimental effects on privacy, view, preservation of important trees and other vegetation, ecological and related considerations, no specific setback lines shall be established by this Declaration. In order to assure, however, that the foregoing considerations are given maximum effect, the site, location and orientation of any house or dwelling or other structure upon any lot shall be controlled by and must be approved absolutely by the Declarant, the Board, or the Architectural Control Committee, as the case may be.

C. The exterior of all houses and other structures must be completed within twelve (12) months after the construction of same shall have commenced, except where such completion is impossible or would result in great hardship to the Owner or builder, due to strikes, fires, national emergency or natural calamities.

D. No structure shall be erected, altered, placed or permitted to remain on any Lot, except one single family dwelling not to exceed two and a half stories in height, unless the Declarant, the Board, or the Architectural Control Committee, as the case may be, approves in writing a structure of more than two and one-half stories, and one or more small accessory buildings (which may include a detached private garage, or guest facilities) provided the use of such dwelling or accessory building does not in the opinion of the Declarant, the Board, or Architectural Control Committee overcrowd the site, and provided further, that such buildings are not used for any activity normally conducted as a business.

E. All service utilities, fuel tanks, and wood piles are to be enclosed within a wall or plant screen of a type and size approved by the Declarant, the Board or the Architectural Control Committee, so as to preclude the same from causing an unsightly view from any highway, street or way within the subdivision, or from any other residence within the subdivision. Mail boxes shall be furnished by the Declarant and conveyed with a lot. No fences shall at any time be placed or permitted to remain on any lot without approval of the Declarant, the Board, or the Architectural Control committee.

F. Off street parking for not less than four (4) passenger automobiles must be provided on each Lot prior to the occupancy of any dwelling constructed on said Lot which parking areas and the driveways thereto shall be constructed of concrete, brick, or turf stone, or any other material approved by Declarant, the Board or Architectural Control Committee.

SECTION 4. Maintenance By Association. The Association, at its expense, shall be responsible for maintaining, repairing and

replacing the landscaping easement areas and fences of the Association located within fence easements, over Lots adjacent to Holly Tree Road. In the event that maintenance, repair or replacement (other than such being caused by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, and smoke, as the foregoing are defined and explained in North Carolina Standard Fire and Extended Coverage Insurance Policies) is caused through the willful, or negligent act of the Owner, his family, guests or invitees, the cost of such maintenance, replacement, or repairs, shall be added to and become a part of the assessment to which such Owner's Lot is subject. The Association shall maintain all Common Areas, including roadways, plantings and shrubbery, or sidewalks, located thereon, and lighting fixtures and shall pay all costs of operation thereof including premiums associated with general liability insurance insuring the Association from liability arising from ownership and operation thereof.

ARTICLE IX.

USE RESTRICTIONS

SECTION 1. Land Use And Building Type. No Lot shall be used for any purpose except for residential purposes. All Lots are restricted for construction of single family dwellings only. Any building erected, altered, placed or permitted to remain on any Lot shall be subject to the provisions of Article VIII of this Declaration relating to architectural control.

SECTION 2. 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 or 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 Owners thereof. It shall be the responsibility of each Owner to prevent the development of any unclean, unsightly or unkept condition of buildings or grounds on the Owner's Lot which would tend to substantially decrease the beauty of the neighborhood as a whole or the specific area.

SECTION 3. Lot Maintenance. In the event that any Lot Owner shall fail or refuse to keep any portion of his Lot not maintained by the Association free from weeds, underbrush or refuse piles, or unsightly growth or objects, then, after thirty days notice from the Architectural Control Committee, the Association or its designee shall enter upon the lot and remove the same at the expense of the Owner, and such entrance shall not be deemed a trespass, and in the event of such removal a lien shall arise and be created in favor of the Association for the full amount of the cost thereof chargeable to such Lot, including collection costs and

such amounts shall be due and payable within thirty (30) days after the Owner is billed therefor. Such lien shall be enforceable by Court proceedings as provided by law for enforcement of liens.

SECTION 4. Temporary Structures. No structure of a temporary character, trailer, basement, tent, shack, garage, barn or other 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 Lot or in the Common Area until the construction of dwellings on all Lots is completed.

SECTION 5. Recreational Vehicles. No boat, motor boat, camper, trailer, motor or mobile homes, or similar type vehicle, shall be permitted to remain on any Lot or on any street at any time, without the written consent of the Association or its designee.

SECTION 6. Animals. No animals, livestock or 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.

SECTION 7. TV Satellite Dishes and Outside Antennas. No TV satellite signal receiving dishes will be permitted on any Lot and no outside radio or television antennas shall be erected on any Lot or dwelling unit unless and until permission for the same has been granted by the Board of Directors of the Association or its Architectural Control Committee.

SECTION 8. Window Coverings. All drapes, curtains or other similar materials hung at windows, or in any manner as to be visible from the outside of any building erected upon any lot shall be of a white or neutral background material.

SECTION 9. Exterior Lights. All light bulbs or other lights installed in any fixture located on the exterior of any building or any Lot shall be clear, white or non-frost lights or bulbs.

SECTION 10. Junk Vehicles and Tractor Trailers. No inoperable vehicle or vehicle without current registration and insurance, and no tractor-trailers will be permitted on any Lot, street, or Common Area. The Association shall have the right to have all such vehicles towed away at the owner's expense.

SECTION 11. Vehicle Repairs. No repairs to any vehicle may be made in driveways, but only in garages and not visible from the

street. No inoperable or immobile vehicle, whether or not containing current registration, shall be permitted to remain in any driveway or on any street.

SECTION 12. Water and Sewer Service. Each Lot Owner will be required to pay for any sewer connections, impact fees or any other charges imposed by any entity furnishing water or sewer service to the Lots.

SECTION 13. Signs. No "For Sale" signs or any other signs shall be permitted on any Lot or in the Common Areas without permission of the Board of Directors, except that a sign conforming to New Hanover County Sign Ordinance may be displayed by Declarant on any unsold Lot of Declarant.

SECTION 14. Alterations. No person shall undertake, cause, or allow any alteration of construction in or upon any portion of the Common Areas except at the direction or with the express written consent of the Association.

SECTION 15. Subdividing. 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. However, the Declarant hereby expressly reserves unto itself, its successors and assigns, the right to re-plat any two (2) or more Lots shown on the plat of any subdivision of the Property in order to create one or more modified Lots; to further subdivide tracts shown on any such subdivision plat into two or more Lots; to recombine one or more tracts or lots or a tract and Lots to create a larger tract; to eliminate from this Declaration Lots that are not otherwise buildable or are needed for access or are needed for use as private roads or access areas, and to take such steps as are reasonably necessary to make such re-platted Lots or tracts suitable and fit as a building site or access area or roadway, said steps to include, but not to be limited to the relocation of easements, walkways, and rights-of-way to conform to the new boundaries of the re-platted Lots.

ARTICLE X.

GENERAL PROVISIONS

SECTION 1. Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. 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 2. Subdivision Subject to Storm Water Runoff Regulations. The State of North Carolina and the City of Wilmington are hereby made beneficiaries of this Declaration to the extent necessary to enforce their stormwater runoff regulations as the same may be amended from time to time. The Teal Trace Homeowner's Association shall have responsibility for the maintenance of the drainage system within the boundaries of the property.

SECTION 3. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions which shall remain in full force and effect.

SECTION 4. Lots Subject to Declaration. 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 the Association, or the Owner of any lot, their respective legal representatives, heirs, successors and assigns, and shall run with and bind any person having at any time any interest or estate in any Lot, as though such provisions were made a part of each and every deed of conveyance or lease, 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 ten (10) years.

SECTION 5. Amendment of Declaration. Except as provided elsewhere herein, 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. In no event may the Declaration be amended so as to deprive the Declarant of any rights herein granted or reserved unto Declarant.

SECTION 6. Amendments by the Declarant. The following amendments may be effected by the Declarant, or the Board, as the case may be, without consent of the Members:

A. Prior to the sale of the first Lot, this Declaration may be amended by the Declarant.

B. The Declarant or the Board may amend this Declaration to correct any obvious error or inconsistency in drafting, typing or reproduction.