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DECLARATION OF COVENANTS
CONDITIONS AND RESTRICTIONS
FOR THE SANCTUARY AT HANOVER
RESERVE

RETURN TO Hanover Development Co.

Prepared By and Return To: Jerry A. Mannen, Jr, Yow, Fox & Mannen, LLP, 102 N. Fifth Avenue, Wilmington, NC 28401

THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF THE FLAG OF THE OF AMERICAN OR STATE OF NORTH CAROLINA AND THE DISPOLAYOF POLICAAL SIGNS. SEE ARTICLE VIII, SECTION 23

STATE OF NORTH CAROLINA

COUNTY OF NEW HANOVER

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR THE SANCTUARY AT HANOVER
RESERVE

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, made the 15th day of November, 2013 by **Hanover Development Company, Inc., a North Carolina corporation** hereinafter referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in New Hanover County, North Carolina known as "The Sanctuary at Hanover Reserve", and being more particularly shown and described on that certain map entitled The Sanctuary at Hanover Reserve, Section 1, recorded in **Map Book 58, Page 292** in the Office of the Register of Deeds of New Hanover County, reference to said plat being hereby specifically made which is more particularly described on Exhibit A attached hereto; and

WHEREAS, The Sanctuary at Hanover Reserve is being developed by Declarant as a planned community of single family homes (hereinafter sometimes referred to the "Community"; and,

WHEREAS, Declarant proposes to sell and convey certain lots or sections within the tracts above-described to be used for residential purposes and to develop said lots, and additional property which may be acquired by Declarant, into a planned community; and

WHEREAS, Declarant desires to impose upon such lots certain mutual and beneficial restrictions, covenants and conditions and charges (hereinafter collectively referred to as "Restrictions") for the benefit and complement of all of the lots in the Subdivision in order to promote the best interests and protect the investments of Declarant and each owner; and, Declarant has deemed it advisable to create an organization to own, maintain, and administer the Common Areas and to enforce

covenants and restrictions exclusively applicable to the Community and to collect and disburse the assessments and charges hereinafter created.

NOW THEREFORE, Declarant hereby declares that all of the properties described on Exhibit A shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

See Map Book 58, Page 292.

ARTICLE I

DEFINITIONS

Section 1. "Act" shall mean and refer to Chapter 47F of the North Carolina General Statutes known as the North Carolina Planned Community Act.

Section 2. "Association" shall mean and refer to The Sanctuary at Hanover Reserve Homeowners Association, Inc., its successors and assigns.

Section 3. "Board of Directors" or "Board" shall mean and refer to the Board of Directors of the Association elected or appointed to manage the affairs of the Association.

Section 4. "Bylaws" shall mean and refer to the Bylaws of the Association as may be amended from time to time.

Section 5. "Common Area" shall mean all real property (including the improvements thereto) owned by the Association, whether in fee or easement, for the common use and enjoyment of the Owners and specifically including, but without limitation, entrance, open spaces, or the like as shown upon the plat for The Sanctuary at Hanover Reserve together with the areas within any storm water or drainage easements, stormwater retention or detention ponds, and the facilities constructed thereon and which serve more than one (1) Lot and are not maintained by any governmental authority. Common Areas shall also include water and sewer lines which serve more than one (1) Lot and are not located within a public utility easement or public street right of way.

Section 6. "Common Expenses" means and includes actual and estimated expenses of maintaining and operating the Common Elements and Areas and operating the Association for general purposes, including any reasonable reserve and specifically including expenses associated with maintenance of the storm water and sewer systems

in the Development, all as may be found to be necessary and appropriate by the Board of Directors pursuant to these Protective Covenants, the By-laws and the Articles of Incorporation of the Association.

Section 7. "Declarant" shall mean and refer to Hanover Development Company, Inc., a North Carolina corporation, its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 8. "Declarant Control Period" shall mean and refer to the period of time during which the Declarant may appoint or remove members of the Board of Directors of the Association. The Declarant Control Period shall terminate upon the earlier of the following to occur:

(a) December 31, 2043;

(b) Relinquishment or transfer of all Special Declarant Rights as provided in Section 47F-3-104 of the Act; or,

(c) All lots have been improved.

Section 9. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

Section 10. "Member" shall mean and refer to every person or entity who holds membership in the Association and shall specifically mean and refer to an owner of a Lot which is subject to assessment.

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

Section 12. "Properties" shall mean and refer to that certain real property hereinbefore described, and such additions thereto, as may hereafter be brought within the jurisdiction of the Association.

ARTICLE II

PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment. Except as may be limited by these restrictions and any Rules and Regulations and the by-laws adopted the Association every Owner shall have a right and easement of enjoyment in and to the

Common Area 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 right to use of any recreational facilities (if any) by an Owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;

(b) the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members . However, no such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer is signed by the Members entitled to cast at least eighty (80%) percent of the votes of the entire membership of the Association has been recorded.

Section 2. Delegation of Use. Any Owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Area and facilities to the members of his family, his tenants, or contract purchasers who reside on the Property. Notwithstanding this provision, no Owner may utilize any Common Area for recreational purposes if his rights have been delegated to a tenant or other person residing on the Lot owned by Owner.

Section 3. Conveyance of Title to the Association. Declarant covenants, for itself, its successors and assigns that it will convey to the Association, prior to the expiration of the Declarant Control Period, title to those portions of the Common Areas, if any, owned in fee by the Declarant. The Association shall be obligated to accept such conveyance of the Common Areas in its then existing condition.

Section 4. Regulation and Maintenance of Common Area. It is the intent of Declarant that the Common Area (whether owned by the Association in fee or easement) be preserved for the perpetual benefit of the Owners of the Community. To that end, Declarant will, if necessary, prior to the conveyance of the first Lot in any phase or section of the Community to an Owner, reserve on a recorded plat or grant to the Association an easement over and across that portion of any Lot within such phase or section on which a Common Area easement lies for the purpose of enabling the Association to take action permitted by sections (b) and (c) of this Section 4.

(a) Rights and Responsibilities of the Lot Owners. Each Owner of a Lot upon which a Common Area easement lies shall pay all property taxes and other assessments levied against his Lot, including that portion of such tax or assessment as is attributable to such Common Area easement. Notwithstanding any other provision of this Declaration, no Owner or other person shall, without the prior written consent of the Association: (1) remove any trees or vegetation within any Common Area easement; (2) erect gates, fences, buildings or other structures on any Common Area easement; (3)

place any garbage receptacles on or in any Common Area easement; (4) fill or excavate any Common Area easement or any part thereof; or (5) plant any vegetation or otherwise restrict or interfere with the use, maintenance, and preservation of any Common Area easement.

It is the intent of the Declarant that a Common Area easement shall be maintained in the same state as when the Lot upon which such easement lies was conveyed to the Owner. If an Owner of a Lot on which a Common Area easement lie fails to maintain the easement area as provided herein, whether by act or omission, the Association shall have the right to enter upon such Owner's Lot for the purpose of maintaining same and shall have the right to charge such Owner with the costs of such maintenance together with a fifteen (15%) percent administrative charge, which costs, if not paid within thirty (30) days after demand for payment is made the Association, shall be collected in the same manner and shall incur the same late charges, interest and costs of collection as set forth in this Declaration.

(b) Rights and Responsibilities of the Association. The Association shall have the right and obligation to ensure that the Common Area is preserved to the perpetual benefit of the Owners and, to that end, shall: (1) maintain the Common Area in its natural or improved state, as appropriate, and keep it free of impediments to its free use by the Owners; (2) procure and maintain adequate liability insurance covering the Association and its Members against any loss or damage suffered by any person, including the Owner of the Lot upon which any Common Area easement lies, resulting from the use of the Common Area; and (3) pay all property taxes and other assessments levied against all Common Areas owned in fee by the Association.

(c) Association's Right of Entry for Maintenance of Common Area Easements. The Association and its employees, agents, contractors and subcontractors shall have a nonexclusive right and easement at all times to enter upon any portion of a Lot reserved or designated as a Common Area easement, and any other portion of the Lot to the extent necessary to gain access to the Common Area easement for the purposes of: (1) installing and maintaining entrance signage and other signage; (2) making such improvements to the Common Area easement as have been approved by the Association; and, (3) maintaining the Common Area easement in its natural or improved state, including without limitation removal of fallen trees and debris and, in general, keeping the easement area free from obstructions and impediments to its use. No such entry shall be deemed a trespass; and, to the extent practicable the Association shall give reasonable oral notice to the Owner or occupant of such Lot.

Section 5. Reservation of Easement. Declarant reserves an easement over and across the Common Areas so long as it owns any Lots within the Property for the purpose of constructing and improvements on the Common Areas as it deems necessary or advisable.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Every Owner of a Lot which is subject to assessment shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners, with the exception of the 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. In the event such joint owners cannot agree, the Board of Directors of the Association shall designate the member entitled to vote.

Class B. The Class B owner(s) shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B ownership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs, subject to Section 3 of this Article III:

(a) on December 31, 2043;

(b) relinquishment or transfer of all Special Declarant Rights as provided in Section 47F-3-104 of the Act; or,

(c) when all Lots have been improved.

Section 3. Notwithstanding the provisions of Article III, Section 2, there shall be no conversion of Class B ownership to Class A membership under Section 2(a) unless:

(a) The criteria stated above in Section 2(a) are met, and Declarant has recorded in the Office of the Register of Deeds of New Hanover County a statement terminating its rights to annex additional properties as allowed hereinafter.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so

expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided, and (3) supplemental assessments, as hereinafter described. The annual, special and supplemental 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 Lot against which each such Assessment is made. All assessments (hereinafter "Assessments"), 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 his successors in title unless expressly assumed by them; however, the unpaid Assessments and charges shall continue to be a lien upon the Lot against which the assessment or charge was made.

Section 2. Purpose of Assessments. The Assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Properties and for the improvement and maintenance of the Common Areas to the extent allowed by the provisions of these restrictive covenants. These allowed purposes include, but are not limited to, the maintenance and upkeep of all roads and roads rights-of-way, repair and maintenance of the Common Areas and improvements thereon including without limitation storm water drainage facilities and the cost of labor, equipment, materials, management and supervision thereof, payment of taxes and public assessments levied against the Common Areas, procurement and maintenance of insurance, payment of any use fees or charges imposed upon the Members of the Association for utilization of amenities or facilities located outside of the Community which are not a part of the Community, employment of attorneys, accountants, managers or management companies, and other persons or firms to represent the Association when necessary, payment of principal and interest on funds borrowed for Association purposes, and such other needs as may arise.

Section 3. Annual Assessment. The first Annual Assessment shall be determined by the Declarant prior to the sale of the first Lot. The Annual Assessment established above may be increased, effective January 1 of each calendar year, without vote of the membership as described in Section 6 below. All Assessments shall be paid in such manner and by such dates as the Board may establish in this Article III.

Section 4. Special Assessments. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that 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 Area, including fixtures and personal property related thereto, or for other purposes deemed appropriate by the Directors of the Association, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of the members who are voting in person or by proxy at a meeting duly called for this

purpose.

Section 5. 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 or 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 twenty percent (20%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

Section 6. Rate of Assessment. Lots shall be divided into two (2) classes or categories for purposes of payment of Assessments. These categories are as follows:

(A) Lots owned by Declarant until December 31, 2043, at which time this category shall terminate. This category shall be referred to as "Declarant Category." Each Lot within the Declarant Category shall not be required or responsible to pay dues or Assessments to the Association.

(B) All Lots not within the Declarant Category shall be considered within the "Unrestricted Category." Lots within the Unrestricted Category shall receive no reduction from the basic Lot Assessments and shall otherwise be responsible for any Lot Assessments.

Section 7. Date of Commencement of Annual and Supplemental Assessments: Due Dates. The annual and supplemental assessment provided for herein shall commence as to all Lots on the first day of the month following the conveyance of the Common Area. The first annual and supplemental assessments shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against the Lots at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. Supplemental assessments shall likewise be determined and noticed, subject to the provisions of Section 5 of this Article IV. 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 properly executed certificate of the Association as to the status of Assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 8. Effect of Nonpayment of Assessments: Remedies of the Association. Any Assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of eighteen (18%) percent per annum. The Association may bring an action at law against the Owner personally obligated to pay

the same, or foreclose the lien against the 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.

Section 9. Subordination of the Lien to Mortgages. 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 payment which became due prior to such sale or transfer, No sale or transfer shall relieve such Lot from liability for any Assessments thereafter becoming due or from the lien thereof.

Section 10. Exempt Property. All Declarant owned Lots, all Common Areas owned in fee by the Association, all property dedicated to and accepted by a public authority, and all property owned by a charitable or nonprofit organization shall be exempt from the assessments created herein. Notwithstanding the foregoing, no lands or improvements devoted to dwelling use shall be exempt from assessments.

Section 11. Working Capital Fund. At the time of Closing of the sale of each Lot a sum equal to Two Hundred and no/100 (\$200.00) Dollars of the annual assessment for the appropriate Class A Lot in effect at the time of such sale shall be collected from the purchaser of such Lot and transferred to the Association as part of its working capital. The purpose of the working capital fund is to ensure that the Association has sufficient cash funds available to meet unforeseen expenses and to acquire additional equipment or services deemed necessary by the Board of Directors. Amounts paid to the Association pursuant to this Section 11 shall not be considered as an advance payment of any regular assessment.

Section 12. Street Lighting. Declarant reserves the right to subject the Properties to a contract with Duke Energy Progress for the installation of street lighting, which requires a continuing monthly payment to Duke Energy Progress by each residential customer.

ARTICLE V

EASEMENTS

Section 1. Access and Utility Easements. Easements for the installation of maintenance of driveway, walkway, water line, gas line, telephone, cable television, electric power transmission lines, sanitary sewer, storm water drainage facilities, and for other public utility installations are reserved as shown on the recorded Plats of the Properties. Declarant, the Board, their Agents, or the Association may reserve and grant easements over the Common Areas as provided in this Declaration. Within any such easement herein provided, no structure, planting or other material shall be placed or

permitted to remain which may interfere with the installation or maintenance of the utilities installed thereon, or which may change the direction or flow of water through drainage pipes or channels constructed in such easements.

Declarant, the Board, or their agents reserves an easement and rights of ingress, egress and regress on, over and under the Properties for the purpose of fulfilling its obligations under this Declaration, the protective covenants and restrictions, and any other rules, laws, or ordinances which the Declarant is permitted or obligated to enforce. Such easement shall include, but not be limited to, the right to go on any Lot to correct, repair, or alleviate any condition which in the opinion of the Declarant creates or may create an imminent damage to the Properties, the Common Areas or improvements located thereon.

Declarant further reserves an easement and rights of ingress, egress and regress, on over and under the Properties to maintain and correct drainage or surface water runoff in order to maintain reasonable standards of health, safety and appearance. Such right expressly includes the right to cut any trees, bushes or shrubbery, make gradings of the soil, or take any other similar action that it deems reasonably necessary or appropriate. After such action has been completed, Declarant shall grade and seed the affected areas and restore the affected property to its original condition to the extent practicable, but shall not be obligated or required to replace any trees, bushes or shrubbery necessarily removed. The reservation contained herein shall not be deemed to obligate the Declarant to maintain, repair, or correct deficiencies in the stormwater drainage and collection systems within the Properties once such systems have been conveyed or transferred to the Association or to any governmental or quasi-governmental agency or entity.

Section 2. Easements for Governmental Access. An easement is hereby established over the Common Areas and every Lot for the benefit of applicable governmental agencies for installing, removing, and reading water meters, maintaining and replacing water, sewer, and drainage facilities; and, for acting for other purposes consistent with the public safety and welfare including, but without limitation, law enforcement, fire protection, garbage collection, and the delivery of mail.

Section 3. Easement and Right of Entry for Repair. If any part of a dwelling is located closer than five (5) feet from its Lot Line, the Owner thereof shall have a perpetual access easement over the adjoining Lot to the extent reasonably necessary to perform repair, maintenance, or reconstruction of such dwelling. Such work shall be done expeditiously and upon completion, the Owner shall restore the adjoining Lot to as nearly the same condition as that which prevailed prior to the commencement of work.

Section 4. Easement Over Common Areas. A perpetual, nonexclusive easement over the Common Areas is hereby granted to each Lot and its Owners, family members, tenants, guests and invitees of such Owners for the purpose of providing

access, ingress and egress to and from the Common Areas and for the use thereof.

Section 5. Easement for Encroachments. In the event that any structure erected on a Lot encroaches upon any other Lot or the Common Area, and such encroachment was not caused by the purposeful act or omission of the Owner of such Lot, then an easement appurtenant to such Lot shall exist for the continuance of such encroachment upon the Common Area or other Lot for so long as such encroachment shall naturally exist. In the event that any structure erected principally on the Common Area encroaches upon any Lot, than an easement shall exist for the continuance of such encroachment of such structure onto such Lot for so long as such encroachment shall naturally exist. The foregoing shall not be construed so as to allow any extension or enlargement of any existing encroachment or to permit the rebuilding or the encroaching structure, if destroyed, in a manner so as to continue such encroachment.

ARTICLE VI

ARCHITECTURAL CONTROL COMMITTEE PROCEDURES

Section 1. Architectural Control Committee. All duties and responsibilities conferred upon the Board or the Architectural control Committee by this Declaration or the Bylaws of the Association shall be exercised and performed by the Declarant or its designee, so long as Declarant shall own any lot in the Properties or any additions annexed thereto by Supplemental Declaration or Amendment of Declaration. The Architectural Control Committee shall consist of at least One (1) persons who need not be Lot Owners of the Association.

Section 2. Submittal of Plans. At least thirty (30) days prior to the anticipated commencement of any landscaping or construction of any structure or improvement on any Lot, the owner of such Lot (or his duly appointed agent) shall submit to the Chairman of the Architectural Control Committee ("Committee") a survey of the Lot, which survey shall show each Lot corner. There shall further be shown on said survey the proposed location of all proposed and existing structures or improvements, including driveways, patios, decks and walkways. There shall be further provided to the Committee sufficient building elevations and landscape plans, including a statement of exterior building materials and proposed exterior colors, to allow the Committee to appropriately and accurately evaluate what is proposed for construction on the Lot. The location of a proposed well (if any) shall also be delineated. The survey, building elevations and landscape plans, shall be of professional quality. There shall be submitted two copies of all information required to be submitted.

Section 3. Standards for Approval. Within thirty (30) days after receipt of all required information, the Committee shall notify in writing the owner of the Lot whether or not the requested improvements are approved. Unless a response is given by the Committee within said thirty (30) days, the plan shall be deemed approved. The response

of the Committee may be an approval, a denial, an approval with conditions or a request for additional information. A request for additional information shall be deemed a determination that the information submitted was inadequate, and the thirty (30) day time for response shall only commence upon receipt of the requested additional information. If approval with conditions is granted, and construction then begins, the construction shall be deemed approved by the owner of the Lot of the conditions imposed. No response shall be required from the Committee unless a submission contains, on its face, the information required to be submitted as more fully set out hereinbefore.

The Committee shall approve the plans as submitted, if all required information is submitted, and the following affirmative findings are made by the Committee:

(1) that the improvements sought to be constructed will not have negative economic impact on any other property within The Sanctuary at Hanover Reserve; and

(2) that all required specific building standards and other conditions contained within the Declaration of Covenants and other applicable documents have been met;

(3) that the improvements are architecturally compatible with other approved improvements on other properties within The Sanctuary at Hanover Reserve;

(4) that the natural features of the Lot have been retained to the maximum extent feasible; and

(5) that the impervious surface limitation coverage proposed on each Lot is consistent with the requirements of the Division of Environmental Management Coastal Stormwater Regulations as more fully set out hereinafter.

The Committee is further specifically authorized to publish particular construction standards, including features that are appropriate for inclusion in Living Units, which standards and features shall be made available to the owner of any Lot requesting the same.

Notwithstanding the procedures contained within this Article VI, review of proposed minor construction or proposed improvements to existing structures, or minor landscaping, may be delegated to a sub-committee and may be reviewed in accordance with abbreviated procedures adopted and published by the Committee from time to time.

Section 4. Contractor. Because of the desire of Declarant on behalf of all Owners to provide a uniform quality of construction, and because of the need to control lay down yards and other contractor facilities due to the limited availability of land, the

Committee reserves the right of approval of the general contractor selected by Owner to construct a primary residence on any Lot. The Committee shall maintain at all times a list of approved contractors available for construction on any Lot. Such information shall be made available to the Owner of any Lot upon request. Neither Declarant, the Association nor the Committee guarantee or warrant any work performed by any contractor approved by the Committee, the Association or Declarant. Each Owner shall submit with his application for approval a statement of said Owner's selected general contractor; if the general contractor is not selected at that time, the name of the general contractor shall be submitted prior to commencement of construction.

Section 5. Right of Appeal. Any owner disagreeing with the finding of the Committee may appeal the decision to the Board of Directors of the Association by giving written notice of appeal to the President of the Association within fifteen (15) days following receipt of notice of denial (or notice of imposition of conditions unacceptable to said owner). The Board of Directors of the Association shall then review the plans, giving the Chairman of the Committee the opportunity to present to the Board of Directors of the Association specific reasons why the plans were denied, in the presence of the owner or his agent, and the owner or his agent may present information challenging the findings of the Committee. The decision of the Committee shall only be overridden by unanimous vote of the Board of Directors of the Association.

Section 6. Notices. All notices required to be given herein shall be given in writing, hand-delivered or mailed postage prepaid, and the Committee shall be obligated to specify the particular grounds upon which denial of any application is founded. One set of plans, denoted as approved (or approved with specified conditions) shall be retained by the Committee and the other shall be returned to the applicant.

ARTICLE VII

RECREATION AMENITIES AREA

Section 1. Declarant in conjunction with The Sanctuary at Hanover Reserve may, but shall not be obligated to, build a recreation facilities area for the use of Lot Owners within The Sanctuary at Hanover Reserve. In the event that any such recreation facility is built, it and the portion of the property upon which it is built shall be a common area for the use and benefit of all Lot Owners within The Sanctuary at Hanover Reserve with the ownership, administration and management of the recreation facility being with The Sanctuary at Hanover Reserve Homeowners Association. If constructed, the recreation facility shall have rules and regulations as may be established by the Association with such dues and assessments to be established in amounts as determined by the Association. All Owners of Lots within The Sanctuary at Hanover Reserve shall have the right to use the recreation facilities by virtue of their ownership of such Lots subject to suspension of such right of use by the Association as provided herein in this Declaration.

ARTICLE VIII

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

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land. This Declaration may be amended during the first twenty (20) year period upon affirmative vote of not less than two-thirds (2/3) of all Lot Owners in The Sanctuary at Hanover Reserve. Any amendment must be recorded. During the Declarant Control Period, the Declarant may amend this Declaration, without the consent or joinder of the Owners or the Association for the purpose of conforming this Declaration to the requirements of any governmental law or regulation or for correcting clerical or typographical errors or for clarifying or correcting inconsistencies between this Declaration, the Articles of Incorporation, and Bylaws of the Association.

Section 4. Exterior Maintenance. In the event an Owner of any Lot in the Properties shall fail to maintain the improvements situated on said Lot in a manner reasonably satisfactory to the Board of Directors, the Association shall have the right, through its agents and employees, to enter upon said parcel and to repair, maintain, and restore the Lot and the exterior of the buildings and any other improvements directed thereon. The cost of such exterior maintenance together with a fifteen (15%) administrative charge shall be added to and become part of the Assessment to which such Lot is subject.

Section 5. Storm water Runoff. The State of North Carolina has adopted Storm Water Runoff Regulations applicable to the Properties. In accordance with such regulations, the total amount of impervious surface, or as defined by the Storm water regulations of the State of North Carolina, is limited on every Lot. The limitations are set out on Exhibit B attached hereto in addition to the other requirements for compliance with State Storm Water Management Permit Number **SW8130905**, as issued by the Division of Water Quality. Declarant, the Association and the State of North Carolina shall have specific authority to enforce the provisions of the North Carolina Storm water regulations, and each Owner shall be required to limit the amount of impervious surface