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Filed Book: 1451 Page: 46 Doc Id: 6075282
09/20/2002 09:06AM Receipt #: 61467
Doc Code: DECL
BARBARA M GRAY, REGISTER OF DEEDS DARE CO, NC

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**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
HATTERAS HARBOR**

on Hatteras Island in Dare County, North Carolina

This Declaration of Covenants, Conditions and Restrictions (hereinafter "Declaration") is made and entered into on the 19th day of September, 2002, by Hatteras Harbor, LLC, a North Carolina Limited Liability Company (hereinafter "Declarant"),

WITNESSETH:

WHEREAS Declarant is now or has been the owner of the real property described in Exhibit A which is attached hereto and incorporated herein by reference,

AND WHEREAS, the Declarant desires to create on the lands described in Exhibit A a community of residential uses (the "Community") together with streets, landscaping, entrances, drainage facilities, access easements and any common facilities for the benefit of the Community shown on any recorded plat of the Community or any part thereof (hereinafter "Facilities");

AND WHEREAS, the Declarant desires to provide for the preservation of the values and amenities in the Community and for the maintenance of the Facilities and, to accomplish that desires to subject the real property described in Exhibit A to the covenants, conditions, restrictions, easements, charges and liens hereafter set forth, all for the benefit of said real property and each owner of a portion thereof;

AND WHEREAS, the Declarant's intention is to develop the Community with residential homesites for the construction of homes of different styles, designs and construction which will be limited to single-family structures,

AND WHEREAS, the Declarant has deemed it necessary for the efficient preservation of the values and amenities in the Community, to create an agency to which should be delegated and assigned the powers of maintaining, administering, operating and replacing the community properties and Facilities, as appropriate, and administering and enforcing the covenants, conditions and restrictions, and collecting and disbursing the assessments and charges hereinafter created;

AND WHEREAS, Declarant has caused an unincorporated Association, known as Hatteras Harbor Homeowners Association, to be formed for the purpose of exercising the functions set out hereinabove;

NOW THEREFORE, the Declarant does hereby declare that the real property described in the attached Exhibit A is and shall hereinafter be held, transferred, sold, conveyed and occupied subject to the terms, conditions and provisions of this Declaration of Covenants, Conditions and Restrictions and any amendments thereto.



ARTICLE ONE. Definitions. The following words when used in this Declaration or any amended or Supplemental Declaration shall have the following meanings:

"A(a)ssessment(s)" or "Common Charges" shall mean and refer to the assessment(s) and charges levied by the Association against Members who are the Owners of homesites in the Properties and the word "assessment(s)" shall have the same meaning as Common Charges.

"Association" shall mean and refer to the Hatteras Harbor Homeowners Association and "Bylaws" shall mean and refer to the Bylaws of the Association and all amendments thereto.

"Board" shall mean and refer to the Board of Directors of the Association.

"Common Expenses" shall mean and refer to:

- (a) expenses of administration, operation, maintenance, repair or replacement of the Common Properties;
- (b) expenses declared to be Common Expenses by the provisions of this Declaration or the Bylaws;
- (c) expenses agreed upon from time to time as Common Expenses by the Association Board of Directors and lawfully assessed against Members who are Owners of residential Homesites or Dwelling Units in The Properties as applicable, in accordance with the Bylaws or this Declaration; and
- (d) any valid charge against the Association or against the Common Properties as a whole.

"Common Properties" shall mean and refer to those areas of land shown on any recorded plat of the Properties and labeled as "CP" or shown as street lights, roads or landscaping areas, which are a part of the Properties, and as such are intended to be devoted to the common use and enjoyment of the Members, subject to special use rights and limitations, if any, granted to or imposed on Owners of particular homesites.

"Declarant" shall mean and refer to Hatteras Harbor, LLC, a North Carolina Limited Liability Company, and any person or entity who is specifically assigned the rights and interests of Declarant hereunder.

"Dwelling Unit" shall mean any residential structure together with any approved appurtenances located on any homesite.

"Hatteras Harbor" shall mean and refer to that community within Hatteras Village in Dare County, North Carolina, consisting of the lands described in Exhibit A and those defined in "Common Properties".

"Homesite" shall mean and refer to any unimproved parcel of land within The Properties which is intended for use as a site for a single family detached dwelling as shown upon any recorded subdivision map or any part of the Properties, with the exception of Common Properties.

"Living area" shall mean and refer to those heated and/or air-conditioned areas within a Dwelling Unit which shall not include garages, carports, porches, patios, breeze ways, and terraces.

"Member" shall mean a member of the Association and shall refer to all homesite Owners in the Properties.

"Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any homesite situated upon the Properties, but notwithstanding any applicable theory of any lien or mortgage law, shall not mean or refer to any secured noteholder or trust beneficiary unless and until such secured

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noteholder or trust beneficiary has acquired title pursuant to foreclosure or any proceeding in lieu of foreclosure. (Note: the words Member and Owner are meant to describe all Hatteras Harbor owners interchangeably as semantics dictate throughout this Declaration.

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ARTICLE TWO. GENERAL PROVISIONS.

Section 1. Duration. The covenants and restrictions of this Declaration shall run with the land, and shall inure to the benefit of, and be enforceable by, the Association or any Owner, its and their respective legal representatives, heirs, successors and assigns, for a term of fifty years from the date this Declaration is recorded, after which time said covenants and restrictions shall be automatically extended for successive periods of ten (10) years, unless an instrument signed by two-thirds (2/3) of the Members of the Association has been recorded, agreeing to change said covenants and restrictions in whole or in part; provided, however, that no such agreement to change shall be effective unless written notice of the proposed agreement is mailed to every Member at least fifty (50) days in advance of any action taken.

Section 2. Notices. Any notice required to be sent to any Member or Owner, under the provisions of this Declaration, shall be deemed to have been properly sent when mailed, postage prepaid, first-class mail, or deposited with a courier (i.e. UPS) and addressed to the person or entity who appears as Member or Owner on the records of the Association at the time of such mailing. Notice to any one of the Owners, if more than one, shall constitute Notice to all.

ARTICLE THREE. Aesthetics Review

Section 1. Purposes. The Declarant desires to provide for the preservation of the values in the Properties with respect to any Dwelling Unit to be constructed on any homesite, and to that end will establish under the Association an Aesthetics Review Committee in order to provide, enforce and maintain certain standards as to harmony of exterior design, colors and location of the improvements on any homesite in relation to surrounding structures, natural features and topography.

Section 2. Aesthetics Review Generally. Unless expressly authorized in writing by the Aesthetics Review Committee (the "Committee"), no Dwelling Unit, fence, wall, driveway, patio, building or other structure or improvement whatsoever may be constructed, nor may any exterior addition or alteration to any Dwelling Unit, fence wall, driveway, patio, building, bulkhead, pier or other structure or improvement be started, nor may any clearing or site work be commenced or maintained upon any homesite, until plans and specifications therefor showing the shape, dimensions, materials, basic exterior finishes and colors, location on site ("footprint"), driveway, parking, landscape planting, floor plans and elevations therefor (all of which is collectively referred to as the "Plans"), shall have been submitted in triplicate to, surrounding structures, natural features and topography, by the Committee. The Committee shall have the absolute and exclusive right to refuse to approve any such Plans which are not suitable or desirable in the opinion of the Committee for any reason, including purely aesthetic reasons, provided that the Committee shall not refuse to approve any Plans which are substantially similar to any other plans and specifications which previously have been approved for any Dwelling Unit. The Committee, in the exercise of its discretion, shall not approve the location of any Dwelling Unit on any homesite within 25 feet of the front line of such homesite, within 10 feet of the side lines and within 30 feet of the rear line of such homesite. No improvements, including pools and wastewater systems, shall be



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located within the 30' easement area along the rear of lots 19 through 22 and rear lots of 24 through 29. Notwithstanding any of the foregoing provisions, in the application of setbacks, the Committee shall have complete authority to determine the appropriate building site and location for the Dwelling Unit on each and every homesite.

Section 3, Aesthetic Review Committee.

- (a) Membership. The Committee shall be composed of four (4) persons (who need not be Members) appointed by the initial Board and shall serve until all homesites are constructed and completed.

A majority of the Committee may designate a representative to act on behalf of the Committee. No compensation may be had by either the representative of the Committee or the Committee Members, unless otherwise approved by this Association. The Association shall maintain the names and addresses of the Committee Members and/or any representative designated by the Committee.

- (b) Procedure. Prior to the commencement of any construction, the Plans shall be submitted to the Committee. In addition, at that time the Owner shall also provide to the Committee a completed Residential Building Application and a Contractor/Builder Registration Form. The Owner shall include with the name of the contractor, the address and telephone number of two (2) owners of comparable properties previously constructed by such contractor, and a minimum of two financial references for the contractor.

- (c) Approval. Approval shall be subject to such architectural guidelines as may from time to time be promulgated by the Committee. The initial guidelines are attached to this Declaration as Exhibit B and are hereby incorporated by reference. After receipt of the Plans, the Committee shall notify the Owner within 60 days whether or not the Plans are approved; or, if more information is needed, the 60 day time frame shall run from the time the additional information is submitted. If approval with some conditions is granted, and construction begins, the conditions imposed shall be deemed accepted by the Owner and shall become a part of the approved Plans.

Further, the Committee shall also have the right to approve the Contractor selected by the Owner. A Contractor shall be approved if the contractor has the appropriate North Carolina General Contractor's license in good standing, meets the Committee standards for builders, is in good financial standing, has a good reputation in the community, and has constructed, to the satisfaction of the Committee, comparable structures on a regular and routine basis. In addition, prior to any ground disturbing activities commencing on any Homesite for construction of an approved Dwelling Unit thereon, the Committee, on behalf of the Association, will collect a \$2,500.00 Infrastructure Protection Fee, such fees to be pooled, held in an escrow account until construction is complete. If there is no damage to the Infrastructure by the contractor and/or his/her agents, then \$1,500.00 shall be returned. However, \$1,000.00 shall be retained by the Association to use in its unilateral discretion for any purpose, including the general benefit of the community. This



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Infrastructure Protection fee shall not be a waiver of nor limitation on liability for acts which damage Association property.

The Committee may also, in its sole discretion, require of any contractor a cash or insurance bond to guarantee final site clean up and/or extraordinary road repairs necessitated by the actions of the contractor and/or his workers and subcontractors during the construction of any improvements on the Properties

The Committee may adopt a schedule of reasonable fees for processing requests for approval. The fees shall be made payable to the Association. The initial processing fee shall be \$500.00. The payment of such fee, as well as other expenses of the Committee required to be paid, shall be deemed to be an individual assessment enforceable against the Owner of the Homesite or Dwelling Unit as provided hereinabove. The Committee expressly reserves the right and power, exercisable in its sole discretion, to procure the services of a consultant of its own choosing for purposes of assisting the Committee in its review of any Plans, and the cost of such consulting service(s) shall be paid by the Association.

- (d) Notices. All notices required to be given in this Section 3 shall be given in writing, hand-delivered or mailed postage pre-paid, certified or registered mail, return receipt requested or deposited with an overnight carrier (i.e. UPS), and the Committee shall be obligated to specify the particular grounds upon which denial of any application is based. One set of Plans denoted as approved (or approved with conditions) shall be retained by the Committee and the other two sets shall be returned to the applicant.
- (e) Application of this Article. This Article Three shall apply to any additions to the existing Property subsequently made subject to this Declaration and the terms and provisions of any Supplemental Declaration.

ARTICLE FOUR. MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. Every person or entity, except the Declarant, who is a record Owner of a fee simple interest in any homesite described in Exhibit A is subject by this Declaration to assessments by the Association; and every person or entity, including the Declarant, who is a record Owner of a fee simple interest in any homesite shall be a Member of the Association; provided, however, that any such person or entity holding such interest merely as security for the performance of an obligation shall not be a Member. Any homesites still owned by the Declarant, and theretofore not conveyed by it, after five years from the date of this Declaration shall be subject to assessment.

Section 2. Voting Rights. There shall be one vote for each Homesite. When more than one person or entity holds an interest in any homesite, all such persons shall be Members, and the vote for such homesite shall be exercised as they among themselves determine and such persons shall designate one (1) person to vote for its/their homesite, but in no event shall more than one (1) vote be cast with respect to any such homesite. If the owners cannot agree then the first person (present at the meeting) named as Grantee in their deed shall cast the vote.

ARTICLE FIVE. PROPERTY RIGHTS IN THE COMMON PROPERTIES



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Section 1. Members' Easements of Enjoyment. Subject to the provisions of Section 3 of this Article, every Member shall have a right and easement of enjoyment in and to the Common Properties and such easement shall be appurtenant to and shall pass with the title to every Homesite.

Section 2. Title to Common Properties. Prior to the date of any transfer of the roadway to the appropriate governmental agency or authority by the Association, said roadway shall be Common Properties and the expense of maintenance shall be borne by the Association.

Section 3. Extent of Members' Easements. The rights and easements of enjoyment created herein shall be subject to the following:

Except as limited above, the right of the Association to dedicate or transfer all or any part of the Common Properties to any public agency, authority or utility for such purposes, provided that no such dedication or transfer, determination as to purposes or as to the conditions thereof, shall be effective unless also approved by a minimum of a fifty-one percent (51%) vote at a Special or Regular meeting. If so approved, such dedication and transfer, shall specify the purpose and condition(s) thereof and shall be executed by the President of the Association with the same formalities of a deed and recorded in Dare County Public Registry.

ARTICLE SIX. COVENANT FOR PAYMENT OF ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation for Assessments. Each Owner of any Homesite, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, does hereby covenant and agree to all the covenants and restrictions of this Declaration and further promises to pay to the Association: (1) Annual assessments as herein provided; (2) Special assessments for capital improvements, such annual and special assessments to be fixed, established, and collected from time to time as herein provided; and (3) any liquidated damages or summary charges imposed under authority contained in these Covenants or the Bylaws, together with costs, fees and expenses (including reasonable attorneys' fees) incurred by the Association incidental to the enforcement of these Covenants or the Aesthetic Guidelines. The annual and special assessments and any liquidated damages or summary charges, together with such interest thereon and costs of collection thereof as herein provided shall be a charge on the land and shall be a continuing lien upon the Homesite against which each such Assessment is made. Each such Assessment, together with such interest thereon and cost of collection thereof as hereinafter provided shall also be the personal obligation of the person(s), jointly or severally, who is (are) the Owner(s) of such homesite at the time when the Assessment became due.

NOTWITHSTANDING the foregoing, homesites continuously owned by the Declarant shall not be subject to assessments or charges during the first five years, said five years shall begin from the date of this Declaration.

Section 2. Purpose of Assessments. The Assessments levied by the Association shall be used exclusively to promote the recreation, health, security, safety and welfare of the Members and in particular for:
(a) the improvements, landscaping, maintenance and replacements of the Common Properties; and
(b) establishment of replacement reserves.

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Section 3. Assessment of Uniform Rates. Both annual and special assessments shall be fixed at uniform rates for every homesite.

Section 4. Application of Minimum and Maximum Assessment. The minimum regular annual assessment as set forth above in the schedule hereinbelow, shall be levied by the Association unless the Board of the Association, by majority vote, determines that the important and essential functions of the Association, by majority vote, determines that the important and essential functions of the Association may be properly funded only by an assessment above the minimum but not more than the applicable maximum regular assessment, as set forth in the schedule below. If the Board of Directors shall levy the applicable minimum assessment, the Board, by unanimous decision, may levy a supplemental assessment but in no event shall the sum of the minimum and supplemental regular annual assessment for the year exceed the applicable maximum regular assessment.

Until the end of the calendar year in 2003, the prorata regular minimum annual assessment per homesite shall be \$500.00 per year. Until the end of the calendar year in 2003, the prorata regular maximum annual assessment shall be \$800.00. Thereafter, the minimum and maximum assessments shall be set by the Board of Directors from year to year and must be based on the cost to the Association, experienced or reasonably anticipated, of carrying out the purposes and functions set forth in Section 2 of this Article.

Section 5. Date of Commencement of Annual Assessments: Due Dates. The first annual assessments provided for in Section 4 of this article shall commence on January 1, 2003 and such assessment shall constitute the first regular annual assessment which shall be for the balance of the calendar year and shall become due and payable on the first day of the next succeeding month, after notices as to the amount of the regular annual assessment due from any Owner is mailed by postage-paid, first class mail from the Board. The assessments for any year shall become due and payable after thirty (30) days notice from the Association as to the amount of such regular annual assessment, which notice shall be mailed by postage-paid, first class mail prior to the first day of January of each year.

Section 6. Duties of the Board of Directors. The Board of Directors of the Association shall fix the amount of the assessment against each homesite for each assessment at least thirty (30) days in advance of such date or period and shall, at that time, prepare a roster of the homesites and assessments applicable thereto which shall be kept in the Office of the Association, or at any other place designated by the Board upon notice to the Members, and shall be open to inspection by any Owner. Written notice of the assessment or assessments thereupon shall be sent to every Owner subject thereto.

Section 7. Effect of Non-Payment; Personal Obligation of Owner ;the Lien, Remedies of Association. If the assessments are not paid on the date due, then such assessment shall become delinquent and shall, together with such interest thereon and cost of collection thereof as hereinafter provided, thereupon become a continuing lien on the homesite which shall bind such homesite in ownership by the then-Owner, and all his/her/its devisees, personal representatives, successors and assigns, and any other successors in title. The lien shall be enforceable against the homesite by whomsoever owned; however, the personal obligation of the then-Owner to pay such assessment shall remain his/her/its personal obligation for the statutory period and shall not pass to his successors in title unless expressly assumed by them.

If the assessment is not paid within thirty (30) days after the delinquency date, the assessment shall bear interest from the date of delinquency (the 31st day) at the rate of interest set by the Board which shall not be less than 8% nor more than 18%, per annum, but not to exceed the maximum rate allowed by law. Further, the Association may authorize appropriate civil action against the Owner personally obligated to pay the same or to foreclose the lien against any such Homesite and there shall be added to the amount of such assessment, the costs of such action together with reasonable attorney fees or other costs incurred by the officers of the Association pursuant to the authority of the Board. In the event a judgment is obtained against any Owner for such assessment, such



judgment shall include interest on the assessment as above provided and reasonable attorney fee set by the Court, together with the costs of the action.

Section 8. Subordination of the Lien to Mortgages or Deeds of Trusts. The lien of the assessments provided for herein shall be absolutely subordinated to the lien of any first mortgage or deed of trust now or hereafter placed upon any homesite subject to assessment. The subordination shall not relieve any homesite from liability for any assessment now or hereafter due and payable, but the lien thereby created shall be secondary and subordinate to any first mortgage or deed of trust as if said lien were a second mortgage, irrespective of when such first mortgage or deed of trust was executed and recorded.

Section 9. Exempt property. All common properties subject to this Declaration shall be exempted from the assessments, charges and liens created herein.

Notwithstanding any provisions of this Section, no homesites except those owned by the Developer as set out herein, shall be exempt from said assessments, charges or liens.

ARTICLE SEVEN. EXTERIOR MAINTENANCE AND INSURANCE

Section 1. Exterior Maintenance. Homesites and structures. In addition to maintenance on the Common Properties, and after thirty (30) days written notice to any Owner which notice shall specify the required maintenance, the Association shall have the right but not the obligation to provide maintenance upon any Homesite which is subject to assessment. Such maintenance may include paint, repair, replacement and care of roofs, gutters, down spouts, removal of signs in violation of this Declaration, and exterior improvements on any structure located on a homesite. Such maintenance as to a vacant homesite may include the mowing of grass and weeds, the trimming of shrubs, or the removal of trash and litter. Any maintenance on any homesite is subject to assessment as provided in Section 2 of this Article.

Section 2. Assessment of Cost on Exterior Maintenance. The cost of any such maintenance shall be assessed against the Homesite upon which such maintenance is done and shall be added to and become part of the regular annual assessment or charge to which such Homesite is subject, and as part of such regular annual assessment or charge, it shall be a lien against any such Homesite as heretofore defined and limited, and a personal obligation of the Owner and shall become due and payable in all respects as provided herein.

Section 3. Insurance on Dwelling Units. Each Owner of a Homesite on which a structure is built, by acceptance of a deed therefor, whether or not it shall be expressed in said deed or by exercise of any act of ownership, is deemed to covenant as follows:

- (a) To keep each structure insured against loss by fire or other casualty, with extended coverage insurance, in an amount equal to at least 100% of the replacement value of such structure.
- (b) To build, restore, or remove such structure in the event of damage thereof and to apply the full amount, to the extent necessary, of any insurance proceeds to the restoration, repair or removal of such structure; and
- (c) To keep the structure in good repair as required by this Declaration.

ARTICLE NINE. AMENDMENTS TO DECLARATION

Section 1. Declarant rights.

- (a) The Declarant reserves the right to add additional lands to the terms and conditions of this Declaration.
- (b) The Declarant reserves the right to make changes in this Declaration for one year from the recording hereof, in order to address any particular needs or clarifications which may not be known until after the registration hereof. However, the Declarant shall have no rights to amend voting rights or powers and duties of the Association.

Section 2. Association rights. Upon any Amendment to this Declaration being proposed by the Board of Directors or Members, such proposed Amendment shall be transmitted in writing to the President of the Association, or other officers in the absence of the President, who shall thereupon call a Special Meeting of the Members of the Association for a date not sooner than twenty (20) days nor later than sixty (60) days from receipt by the President of the proposed Amendment. It shall be the duty of the Secretary to give to each Member written notice of such Special Meeting, stating the time and place, and reciting the proposed Amendment in reasonably detailed form which notice shall be mailed not less than ten (10) days before the date set for such Special Meeting. When mailed, such notice shall be deemed proper when deposited in the United States mail, first class, postage prepaid. Any Member may waive notice if he/she/it so desires, and if waived, should be filed with the records of the Association, whether before or after the meeting; and such waiver shall be deemed equivalent to the giving of notice. At the meeting, the Amendment proposed must be approved by affirmative vote of sixty-six percent (66%) of the votes of Members entitled to vote in order for such Amendment to become effective. At any meeting held to consider such Amendment, the written vote of any Member of the Association shall be recognized if such Member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association prior to or at such meeting. In order for such Amendment to be binding upon all the holders of mortgages or deeds of trust against any Homesite or Dwelling Unit in The Properties, written consent must be obtained from the then existing (as of the date of the mailing of the notice) holders of First Lien Mortgages or Deeds of Trust encumbering fifty-one percent (51%) of the Homesites in The Properties. If such consent is so obtained, the Amendment shall be binding on all the holders of Mortgages or deeds of trust encumbering Homesites in The Properties. If so approved, such Amendment of this Declaration shall be transcribed and certified by the President and Secretary of the Association as having been duly adopted and approved by the requisite percentages of Members and Lenders. The original or an executed copy of such Amendment so certified and executed by valid officers with the same formalities as a deed, shall be recorded in the Dare County Public Registry, and no such Amendment shall be effective until so recorded. If any Amendment to the Declaration creates an inconsistency in the Bylaws, to the extent such inconsistency exists, the Declaration shall control.

ARTICLE TEN. CAPTIONS, INTRODUCTIONS AND GENDER

The captions and introductory material herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Declaration nor the intent of any provision hereof. The use of the masculine gender in this Declaration shall be deemed to refer to the feminine and neuter genders, and the use of the singular shall be deemed to refer to the plural, and the use of the plural shall be deemed to include the singular, whenever the context so requires.



IN TESTIMONY WHEREOF, the Declarant, Hatteras Harbor, LLC has caused this instrument to be executed in its name and behalf by its managing member, all as the act and deed of the Limited Liability Company, the day and year first above written.

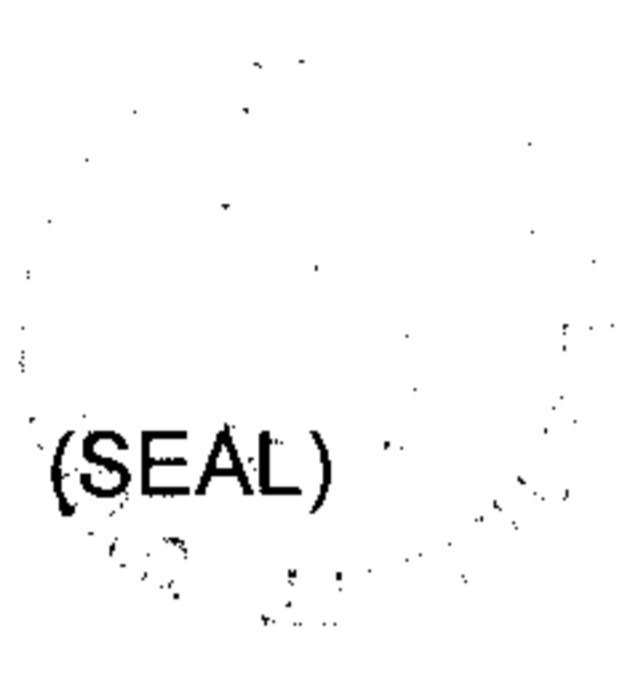
HATTERAS HARBOR, LLC

By: John W. Dixon (SEAL)
John W. Dixon, Manager

STATE OF NORTH CAROLINA
COUNTY OF DARE

I, Jacqueline J. Tillett, a Notary Public for said County and State, do hereby certify that **John W. Dixon, Manger of Hatteras Harbor, LLC** personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal, this the 19th day of September, 2002.



Jacqueline J. Tillett
Notary Public
My commission expires 11/3/2003

THE FOREGOING CERTIFICATE(S) of Jacqueline J. Tillett
a Notary Public Dare Co. NC

is/are certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

BARBARA M. GRAY

REGISTER OF DEEDS FOR DARE COUNTY

BY: Andruan Y Tillett DEPUTY/ASSISTANT REGISTER OF DEEDS

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EXHIBIT A

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TRACT ONE: Being Parcel designated as Number 4, as shown on map or plat for F. Wayne McLeskey, Jr., of property situated in Hatteras, Hatteras Township, Dare County, North Carolina; surveyed by Robert D. Kramer, Jr. and dated the 24th day of April, 1974; and recorded in Map Book 8, at Page 59. See also Parcel Number 1 as shown by boundary survey for F. Wayne McLeskey, Jr., by Triangle Engineering & Surveying, Inc., recorded in Plat Cabinet B, at Slide 45, Dare County Public Registry.

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TRACT TWO: Being all of Lots 1 through Lots 29, Hatteras Harbor Subdivision, as shown by plat entitled "Subdivision Plat of Hatteras Harbor," dated the 15th day of August, 2002, by Seaboard Surveying & Planning, Inc., and recorded in Plat Cabinet E, at Slide 79, Dare County Public Registry.

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EXHIBIT B

HATTERAS HARBOR HOMEOWNERS ASSOCIATION, INC.

Aesthetics Guidelines

I. Purpose

Hatteras Harbor is a community development in which care has been taken to preserve natural features of the environment and yet allow the creation of dwelling units. These Aesthetics Guidelines and later amendments are to assure appropriate development of Hatteras Harbor Units which will complement each other, promoting the enhancement of property values and the mutual enjoyment of the community.

II. Aesthetics Review Committee

In accordance with the Declaration of Covenants, Conditions and Restrictions to which these initial Aesthetics Guidelines are attached, this Committee has the purpose of providing, enforcing and maintaining certain standards as to harmony of exterior design colors and location of the improvements on any homesite in relation to surrounding structures, natural features and topography. The Committee will review all plans for structures or other improvements. The Committee is to ensure that each of the Dwelling Units reflects the overall objectives of the entire community and that the unique natural setting of the community is preserved and enhanced.

III. Inclusive (but not limited to) Areas of Regulation

Building Restrictions. These policies concern all new construction, additions, and/or modifications of existing Dwelling Units, structures and other improvements in the community:

1. Maximum height. No Dwelling Unit or other permitted structure on a homesite is to have an overall height more than that allowed by the Dare County Zoning Ordinance.
2. Minimum size. All Dwelling Units shall have a minimum of 2500 square feet of heated living area; Square footage shall be measured from exterior walls of the Dwelling Unit
3. Building setbacks. Minimum building setbacks shall be governed by Article 3, Section 2 of the Declaration of Covenants. Additionally the Committee may approve certain amenities (if allowed by the Dare county zoning ordinance) which are constructed low to the ground (such as pools, shuffleboard courts, etc.) within the rear yard and side yard setback areas.
4. Dwelling Unit site coverage. Maximum homesite coverage shall be as allowed by the Dare County zoning ordinance as to which there shall be no maximum except as may be determined in the discretion of the Aesthetics Review Committee as set out in Article Three of the Covenants.
5. Foundations, pilings and lattice. The foundation must receive the same careful attention to detail and finishes as the main body of the Dwelling Unit. Any concrete block foundation must be parged and finished in an approved color. Exposed pilings are not appropriate. The foundation may be fully enclosed or partially enclosed with lattice or siding or a combination of these treatments. Lattice may be installed in either of two ways or as otherwise approved by the Aesthetics Review Committee: (1) continuous horizontal strips of 1" x 4" boards with 2 1/2" spaces between each board to enclose the perimeter of the building, decks and stairs as a unit; or (2) criss-cross lattice installed vertically and horizontally and framed between pilings to enclose the perimeter of the building, decks and stairs as a unit. Horizontally installed board lattice shall be finished in a color that matches the Dwelling Unit's color. Criss-cross lattice may be finished in a color matching either the color of the Dwelling Unit, the color of the trim, or white. Any gates or doors installed in the



lattice shall be constructed of the same material as the lattice so that a continuous surface is maintained around the exterior of the Dwelling Unit.

6. Exterior wall materials. The Architectural Committee shall have absolute authority over exterior siding on each Unit. It is the intention of the Aesthetics Guidelines to achieve a harmonious environment and to achieve such goal only wood products or cementitious wood-design products or any similar product approved by the Aesthetics Review Committee will be allowed to be applied to the exterior wall surfaces. A variety of wood finishes may be permitted upon review of the Committee. Wood shingles, horizontal lapped siding, and board and batten sidings are appropriate. This authority applies to all structures on the homesite, without limitation. Aluminum fascia and vinyl soffitt will be considered for trim material in addition to wood. All windows and doors must be trimmed on all sides with wood trim or other approved trim a minimum of 4 inches in width.

7. Exterior Color. Color used on Dwelling Units is a dominant visual element and a major expression of the overall theme of the community. Sensitive, subtle color selections of grays, pale pastels or natural earth tone paints, stains and oils for the exterior body of the Dwelling Unit are the only acceptable finishes except as otherwise approved by the Aesthetics Review Committee. Each Dwelling Unit or other permitted structure on a homesite must be painted or stained in or with a color approved by the Committee. The Aesthetics Review Committee will offer a selection of permitted colors; other colors may be considered. Each Dwelling Unit should not use more than three primary exterior finish colors (body of Dwelling Unit, trim and exterior doors). Colors for all Dwelling Units, any other permitted structure, trim, roof materials, screens, railings, etc., are to be specified on the Aesthetics Review Form that is to be submitted to the Committee for review and, if satisfactory, approved.

8. Windows and Doors. Areas with major fenestration should be oriented to afford privacy while taking advantage of special views, such as open spaces, the ocean, sound and any ponds or creeks. Windows should be carefully proportioned and located to enhance the exterior appearance and interior light quality and views. Window and door frames may have anodized aluminum, vinyl or painted or stained finishes, in colors as approved by the Committee. Natural color aluminum finishes are not allowed. It is recommended that houses not have openings (doors and windows), which total more than 50% of the exterior wall area. In an effort to achieve adequate fenestration on each elevation of a Dwelling Unit, windows and/or doors should be provided for each level. All

Dwelling Unit must have a minimum of two entry doors which shall be hinged, either single or double entrance.

9. Roofs. Roofs for every Dwelling Unit and any other permitted structure should have a similarity of form, materials and color which will contribute to the desired homogenous character. The main roof should slope equally in each direction from the roof peak. Gable and hip roofs with slopes of a least 6/12 are recommended for the, main body of the Dwelling Unit. NOT permitted are flat roofs (which constitute more than 25% of the total roof area), A-frame roofs, dome roofs, "butterfly" roofs, or shed roofs composed of only one plane as an overall roof shape for the majority of the building. Permitted roofing materials are wood shingles, wood shakes, composition shingles, slate and standing-seam metal. Roofing material on all composite shingle roofing shall have a minimum weight of 305 pounds per square. The finished color of any roof material must be approved by the Committee. Shingle colors shall be in subdued grays or earth tones except as otherwise approved by the Aesthetics Review Committee. Copper may be permitted to weather to a natural patina. Other metal shall be finished in a color to match the Dwelling Unit's shingle color to be approved by the Committee. Covered porches and any other structures on the Dwelling Unit site should have the same roofing material and roof color as the Dwelling Unit. Overhangs should not exceed 30 inches unless approved by the Committee.

10. Roof Structures. Ornamental or functional elements, such as balustrades, widows walks, lantern towers, weather vanes and lightning rods attached to the roofs are allowed only when approved by the Aesthetics Review Committee. All roof accessories such as vent stacks and roof vents, shall be painted to match the roof and located away



from the street side elevation. All exposed flashing shall be copper which is allowed to weather to a natural patina or copper or aluminum painted to match or blend with the single color. All plumbing vents, exhaust fans, or similar protrusions through the roof shall be as low profile as possible and aligned where possible on the surfaces where more than one is required.

11. Chimneys. Chimneys must conform to the overall building height limitations adopted by Dare County while providing adequate draft. Exposed metal flues are not permitted, and all chimney caps should be finished in a complementary finish to the Dwelling Unit and trim colors. Cantilevered fireplaces on walls without any decking are not permitted.

12. Antennas. No antenna, satellite dish, radio receiver, sender or any other similar device shall be attached to or installed adjoining the exterior portion of any Dwelling Unit, any other structure or located on any homesite within the community except as approved by the Aesthetics Review Committee.

13. Decking. All decking shall be constructed of salt-treated wood for girders, decking material, handrails and pickets. Vertical salt treated pickets of 2 x 2 or architecturally designed balusters are permitted and other handrail details will be considered provided they conform to the North Carolina building Code and maintain the classic architectural feeling of the community. Handrails and pickets shall be painted or stained in a color to match the color of the Dwelling Unit or the trim of the Dwelling Unit. NOT permitted will be decks erected above the slope of any roof surface of the Dwelling Unit standing on or supported by exposed, open posts and beams or any decks higher than the highest interior floor level.

Decks located at second floor levels can present a significant design challenge from an aesthetic point of view. The perimeter of any deck above the first floor level must align vertically with the perimeter of any deck or other construction underneath it, except that on one side such a deck may be cantilevered beyond the perimeter below by no more than 30". Decks above the first floor level (not counting the ground floor) may not appear to be supported by piling running all the way to the ground and such construction or plans will not generally be approved. Such decks may be approved only if it is demonstrated to the Committee that the final appearance will be consistent with the architectural style which characterizes the community.

14. Stairs. All exterior stairs shall be constructed of the same materials as the adjacent decks and the handrails will match and conform to the approved handrails of the Dwelling Unit. All stairs between decks must be constructed within the perimeters of the decks. Cantilevered stairways will not generally be approved by the Committee. Stairs not visible from the street will be allowed to run from the first floor elevation to grade level outside the perimeter of the deck provided they are parallel to the deck. NO stair may be constructed above such a stair to provide access to an upper level deck.

15. House Numbers and Dwelling Unit Names. House numbers and Dwelling Unit names must be installed in an easily visible location near the front entrance of the Dwelling Unit and are to be made of antique brass, bronze, copper, or painted wood or as otherwise approved by the Committee. These numbers and signs are to NOT be more than 24" in height and 36" in width or cover a total area of not more than five square feet in area. The longer dimension shall be horizontal.

16. Other Structures. Any permitted other structure on a Dwelling Unit site such as pool houses must be compatible with the Dwelling Unit. It is recommended that any such structures be of the same material and colors as the Dwelling Unit. Carports and garages should be connected to the Dwelling Unit by an enclosed, covered passageway but are not encouraged.

17. Free Standing Structures. Structures that will not be permitted in the community or allowed on any of the homesites are as follows: fences (other than fences used for screening or in landscaping details), driveway gates or gate posts or any outbuilding or other structure not approved by the Committee.



18. Parking and Driveways. For each Dwelling Unit built on a Dwelling Unit site, a minimum of two off-street parking spaces must be provided and parking shall comply with the Dare County zoning ordinance. They may be provided in carports or garages. It is recommended that two off-street guest parking spaces also be provided. Driveways and exposed parking shall be constructed of the same material and color as used for the main entrance way in Hatteras Harbor. Garages, driveways and off-street parking should be screened with planting or fencing or be located away from the front of the Dwelling Unit where possible. All concrete driveways and parking areas must be finished in a color approved by the Committee..

19. Service Yards. The service yards are to be screened from view from roads and adjacent properties by a visual barrier at least six (6) feet in height, which may be a fencing material or vegetated buffer to be approved by the Committee. All HVAC equipment and other equipment stored outside the Dwelling Unit must also be screened from view. Fencing materials should be consistent with any lattice treatment of the foundation of the Dwelling Unit and must be consistent with color and materials used on the Dwelling Unit. Chain link fencing is not permitted. The location of all HVAC equipment and other equipment stored outside of a Dwelling Unit must appear on the foundation plan submitted to the Committee. All propane tanks are to be underground.

20. Landscaping. Plans for any landscaping, grading, excavation, or filling of Dwelling Unit sites must be approved by the Committee before site work can begin. These plans must show the ratio of the area to be covered by the Dwelling Unit, decks, patios, and other structures versus the area to be left in a natural state. Total impervious coverage of any homesite shall not exceed fifty percent (50%) of the total area of the homesite.

All landscaping plans, including (without limitation) terraces, walks, paths, outdoor lighting fixtures, fences, bulkheading, walls, pools, boardwalks and screens, are to be shown on the plans and are subject to approval by the Committee. All landscaping of Dwelling Unit sites must be completed before occupancy.

21. Lighting Fixtures. Incandescent lighting. The standard type of light for exterior lighting shall be incandescent (including all filament type lamps, e.g., tungsten-halogen). Directional lamps with built-in reflectors shall be clear or white. Lamps (light bulbs) for non-directional fixtures shall be white, inside frosted, and not exceeding 60 watts.

Directional Light. The concentrated brightness of the filaments of adjustable directional lights (spot lights, flood lights, etc.) Must not unreasonably interfere with use and enjoyment of adjacent properties.

Practically, if these lamps or fixtures are used, they shall be aimed so that the filaments are shielded from the view of windows and decks on adjacent properties.

Non-directional Lights. Non-directional light fixtures used for general lighting must have enclosures that conceal the shape of the lamp (light bulb). Enclosures should be translucent, not transparent. Ideally, positioning of exterior light fixtures to conceal the source of the light is preferable.

Light fixtures not attached to the building may not exceed a height of 24 inches above grade.

Smoke or dark colored glass for exterior lighting is recommended.

NOT PERMITTED: Mercury, metal halide, or sodium lamps in any fixture.

Lighting fixtures within twenty (20) feet of the property line on the street should be designed so that the source of light is not directly visible from such property line.

22. Final Inspection and compliance. A new Dwelling Unit may not be occupied until the Aesthetic Review Committee issues a certificate stating that the Unit has been completed in accordance with the Application and Plans approved by the Committee.