

STATE OF NORTH CAROLINA

DARE COUNTY

Prepared by and return to: Michael C. Casey, Esq., P.O. Box 28, Nags Head, NC 27959

**ASSIGNMENT OF DEVELOPMENT RIGHTS
AND
DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS OF CROATAN WOODS SUBDIVISION**

THIS ASSIGNMENT OF DEVELOPMENT RIGHTS AND DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR CROATAN WOODS SUBDIVISION (hereinafter the "Assignment" or "Declaration") is made and entered into this the 13th day of January, 2006, by and between FAMILY TRUST ESTABLISHED UNDER THE WILL OF WALLACE WATSON HARVEY, JR. dated August 9, 1994, by Margaret N. Harvey, Trustee, (hereinafter the "Trust" or "Assignor"); CROATAN WOODS DEVELOPMENT, LLC (hereinafter "Assignee", "Declarant" or "Developer") and PROSPECTIVE PURCHASERS of lots in CROATAN WOODS SUBDIVISION, Parties of the Second Part (hereinafter "Owners");

WITNESSETH:

Assignment of Development Rights

WHEREAS, the Trust is the owner of all of that tract of real property located on Roanoke Island, Nags Head Township, Dare County, North Carolina, and being more particularly shown and described in that certain map or plat entitled in part "Croatan

Woods Development, Inc.”, recorded in Plat Cabinet __, at Slide _____, in the office of the Register of Deeds of Dare County, reference to said plat being hereby specifically made (hereinafter the “Plat”);

AND WHEREAS, Croatan Woods Development, Inc., the party identified as Developer on the Plat, was converted to a limited liability company under the name of Croatan Woods Development, LLC upon the filing of Articles of Organization Including Articles of Conversion with the office of the Secretary of State of North Carolina on November 16, 2005;

AND WHEREAS, in order to promote the interest of the Trust, the Trust has no intention or desire to develop the Property and has elected to assign its rights to declare covenants, restrictions and conditions upon the use of the property described in the Plat to Croatan Woods Development, LLC.

NOW, THEREFORE, for good and valuable consideration, the sufficiency of which is hereby acknowledged, the Trust hereby assigns all of its rights to develop and place covenants, restrictions and conditions upon the use of the property described on the Plat to Croatan Woods Development, LLC and from hereinafter, Croatan Woods Development, LLC shall be the Declarant herein. The Trust, by execution of this Assignment of Development Rights and Declarations of Covenants, Conditions and Restrictions, hereby ratifies all of the covenants, conditions and restrictions set forth herein.

**DECLARATION OF COVENANTS AND CONDITIONS
AND
IMPOSITION OF RESTRICTIONS UPON THE
DEVELOPMENT AND USE OF
CROATAN WOODS SUBDIVISION**

WHEREAS, Declarant, assignee of development and declarant rights pursuant to the Assignment contained herein, desires to create a planned community, and to provide for the preservation of values and amenities of the said community, and to that end to impose certain restrictive covenants governing and regulating the use and occupancy of the same;

AND WHEREAS, it is the further purpose of these covenants to promote land use and architecture based on traditional styles appropriate to the unique Roanoke Island environment, to outline the procedures by which individual lot owners may obtain approval to build houses on the lots in Croatan Woods, to define the basic requirements governing the building of houses and the aesthetic and environmental considerations affecting the placement of houses on individual lots and to maintain the quality of the community.

AND WHEREAS, the Declarant intends to develop the property subject to these covenants according to a common scheme with the purpose that the restrictions herein imposed shall inure to the benefit of each and all of the purchasers of the lots shown on the aforementioned plats, to insure the best use and the most appropriate development and improvements of each building site thereon, to protect the owners of the building sites against improper uses of surrounding lots which would depreciate the value of their property, to preserve the natural beauty of the property and to guard against the erection of poorly designated structures built of improper or unsuitable materials.

NOW THEREFORE, Declarant hereby declares that the Property shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Property. These easements, covenants, restrictions and

conditions shall be real covenants running with the Property, and shall be binding on all parties having or acquiring any right, title or interest in the Property or any part thereof, and shall inure to the benefit of each owner thereof. The Trust, having assigned its development and Declarant rights to Declarant, hereby joins in this Declaration for the purpose of ratifying all the covenants, conditions and restrictions contained herein.

ARTICLE 1

DEFINITIONS

As used herein,

- A. "Articles" mean the Articles of the Incorporation of CROATAN WOODS HOMEOWNERS ASSOCIATION, INC.
- B. The "Board of Directors" or "Board" shall be the elected body governing the Association and managing the affairs of the Association.
- C. "Association" means CROATAN WOODS HOMEOWNERS ASSOCIATION, INC., a North Carolina non-profit Association. The "Board of Directors" or "Board" shall be the elected body governing the Association and managing the affairs of the Association.
- D. "By-Laws" means the by-laws of CROATAN WOODS HOMEOWNERS ASSOCIATION, INC.
- E. "Common Areas" means all real and personal property, together with those areas within the dedicated portions of the Development Area and the Subdivision, which may be deeded to or acquired by the Association for the common enjoyment of the members of the Association, as shown on the Plat.
- F. "Common Expenses" means and includes actual and estimated expenses of maintaining and operating the common area and reasonable reserve, all as may be found to be necessary and appropriate by the Board of Directors pursuant to this Declaration, the Bylaws and the Articles of Incorporation of the Association including, but not limited to (See also Article 5):

- i. Expenses of administration, maintenance, repair or replacement of the Common Areas and Amenities including the roadways of the Subdivision;
 - ii. Expenses declared to be common expenses by the provisions of this Declaration or the Bylaws;
 - iii. Premiums for hazard, liability or such other insurance as this Declaration or the Bylaws require the Association to purchase;
 - iv. Premiums for fidelity bonds that the Association is required to purchase under this Declaration;
 - v. *Ad valorem* taxes and public assessment charges lawfully levied against the Common Areas;
 - vi. Expenses agreed by the Members to be common expenses of the Association; and
 - vii. All expenditures made by or financial liabilities of the Association, together with any allocations to reserves.
- G. "Dedication" means the act of committing a portion of the Development Area or the Subdivision to the purposes of this Declaration.
- H. "Declarant" means Croatan Woods Development, LLC, its successors or assigns or any legal entity acquiring ownership of portions of the Development Area heretofore not dedicated with the intent and for the purpose of further development.
- I. "Declarant Control Period" shall mean the period of time beginning on the date this Declaration is recorded at the Register of Deeds of and ending upon the first to occur of the following: (i) When Declarant and/or the Trust no longer owns 75% of the lots of the Development; (ii) Seven (7) years after the date this Declaration is recorded at the Register of Deeds; or (iii) the recording at the Register of Deeds of a written instrument executed by the Declarant terminating the Declarant Control Period.
- J. "Development Area" or "Development" or "Property" shall mean that property shown on the Plat (with the exception of that parcel identified as "Parcel A").

- K. " Dwelling Unit" shall mean any improvement or portion thereof situated on a Lot intended for use and occupancy as one (1) single family detached dwelling, irrespective of the number of owners thereof (or the form of ownership). Where appropriate by context, the term shall include both the improvements and the real property on which the improvements are located.
- L. "Lot" means a separately numbered tract of land lying within the Subdivision or other dedicated portion of the Development Area and which, according to the plat of that portion recorded at the dedication thereof, may be conveyed by the Declarant as are consistent with this Declaration and the Restrictions shall become a "Lot" as that word is used herein.
- M. "Member" shall mean every person or entity who holds a membership in the Association.
- N. "Owner" shall mean the record owner, whether one or more persons or entities, of fee simple title to any Lot, including contract sellers, but excluding those having such interest merely as security for performance of an obligation.
- O. "Planned Community Act" shall mean the North Carolina Planned Community Act, Chapter 47F of the North Carolina General Statutes.
- P. "Subdivision" means Croatan Woods Subdivision, and any portion of the Development Area that has been dedicated pursuant to this Declaration.

ARTICLE 2
APPLICABILITY

These restrictions shall apply to all subdivided numbered Lots shown on the aforesaid plat or map, all property as shown on the Plat of Croatan Woods Subdivision.

ARTICLE 3
HOME OWNERS ASSOCIATION

- A. A corporation named CROATAN WOODS HOMEOWNERS ASSOCIATION, INC. has been or will be formed pursuant to the rules and requirements of the Nonprofit Association Act (Chapter 55A) of the General Statutes of North Carolina as an association of the Owners of Lots. Its purposes are to own, manage, maintain, and operate the Common Areas and facilities located upon the Common Area including all roadways within the Subdivision until such time as the roadways are turned over to the State of North Carolina for inclusion in the state highway system; to enforce the restrictions contained herein; and to make and enforce rules and regulations governing the Owners' use and occupation of Lots.
- B. Each Owner of each Lot within the Subdivision shall be a member of the Association. The Declarant, by this Declaration, and the Owners of individual Lots by their acceptance of individual Deeds thereto, covenant and agree with respect to the Association:
1. That for so long as each is an Owner of a Lot within the Subdivision, each will perform all acts necessary to remain in good and current standing as a member of the Association,
 2. That each shall be subject to the rules and regulations of the Association with regard to ownership of a Lot; and
 3. That any unpaid assessment, whether general or special, levied by the Association in accordance with these Restrictions, the Articles or the Bylaws shall be a lien upon the Lot upon which such assessment was levied; and shall be the personal obligation of the Owner of the Lot at the time the assessment fell due.
- C. Each membership in the Association shall relate to and have a unity of interest with an individual Lot, which may not be separated from ownership of said Lot.

ARTICLE 4
VOTING RIGHTS

A. Voting Classes. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners except Declarant. Class A members shall be entitled to one vote for each Lot in which they hold the interest required for membership. When more than one person holds such 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 vote be cast with respect to any Lot and no fractional vote may be cast with respect to any Lot.

Class B. The Class B member shall be Declarant. The Class B member shall be entitled to five (5) votes for each Lot in which Declarant holds the interest required for membership. The Class B membership shall cease and be converted to Class A membership upon the termination of the Declarant Control Period.

B. Suspension of Voting Rights. The right of any Member to vote may be suspended by the Association for just cause pursuant to its rules and regulations and in accordance with the procedures set forth in § 47F-3-107.1 of the Planned Community Act (or as amended).

ARTICLE 5
MANAGEMENT AND ADMINISTRATION

The management and administration of the affairs of the Common Areas of the Subdivision shall be the sole right and responsibility of the Association. The management shall be carried out in accordance with the terms of conditions of these

Restrictions, the Articles and the Bylaws of the Association but may be delegated or contracted to managers or management services.

ARTICLE 6

COMMON EXPENSES

The Common Expenses of the Subdivision include:

- A. All amounts expended by the Association in operation administering, managing, repairing, replacing and improving the Common Areas of the Subdivision, including all roadways within the Subdivision until such time, if at all, as the roadways are turned over to the State of North Carolina for inclusion in the state highway system; all amounts expended by the Association in insuring the Common Areas in the Subdivision; all amounts expended by the Association in legal, engineering, or architectural fees; all similar fees which may be incurred by the Association from time to time in performing and all amounts expended in any form by the Association in enforcing these Restrictions, the Articles or the Bylaws.
- B. All amounts expended by the Association in carrying out any duty or discretion as may be required or allowed by these Restrictions, the Articles or the Bylaws.
- C. All amounts declared to be Common Expenses in the Bylaws or in these Restrictions.
- D. All taxes and special assessments which may be levied from time to time by any governmental authority upon the Common Areas in the Subdivision.

ARTICLE 7

ANNUAL GENERAL ASSESSMENT

- A. Each owner of any Lot is deemed to covenant and agrees to pay to the Association an initiation fee and annual general assessments or charges as hereinafter provided. The annual general assessments, together with interest

costs and reasonable attorneys' fees, shall be a charge and a lien on the land and, subject to the provisions of Paragraph F of this Article, shall be a continuing lien upon the property against when each such assessment is made. Furthermore, each such assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the owner of obligation for delinquent assessments and shall not pass to a successor in title to a Lot unless expressly-assumed by them but, subject to the provisions of this Declaration, delinquent assessments shall continue to be a lien upon such Lot.

- B. When a new purchaser of a Lot acquires fee simple title to the Lot, such Owner shall contribute to the Association a sum equal to one-sixth (1/6) of the then annual assessment to the Association for such Lot, for the purpose of initiation into the Association.
- C. Until June 1st of the year immediately following the conveyance of the first Lot to an Owner, the Maximum annual general assessment shall be SEVEN HUNDRED AND FIFTY (\$750.00) DOLLARS per Lot.
 - 1. From and after June 1st of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual general assessment, the new member initiation fee, the architectural review fee and/or the refundable deposit charged by the Standards Committee may be increased each year by an amount not more than ten percent (10%) above the assessment for the previous year without a vote of the membership.
 - 2. From and after June 1st of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual general assessment, the new member initiation fee, the architectural review fee and/or the refundable deposit charged by the Standards Committee may be increased by an amount greater than ten percent (10%) of the assessment for the previous year provided the proposed increase is approved by a vote of two-thirds (2/3rds) of the members

who are voting in person or by a proxy at a meeting duly called for this purpose.

3. The Board of Directors may fix the annual general assessment at an amount not in excess of the maximum.
 4. Once the annual general assessment has been set, notice of the annual general assessment shall be given to all members. After the initial notice of the assessment, the assessment shall become due and payable as provided by the Board of Directors.
- D. Written notice of any meeting called for the purpose of taking any action authorized under Paragraph C2 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, if the presence of members or of proxies entitled to cast sixty percent (60%) of all the votes of each class 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) the required quorum at the preceding meeting. The subsequent meeting shall be held within sixty (60) days following the preceding meeting.
- E. The annual general assessments levied by the Association shall be used exclusively to improve, maintain and repair the Common Areas, to pay the expenses of the Association, to pay the cost of lighting the Common Areas, to pay the cost of any insurance the Association determines to purchase and to promote the recreation, health, safety and welfare of the members and to pay taxes levied upon the Common Areas. If any expense of the Association is caused by the negligence or misconduct of any Owner or occupant of a Lot, the Association shall assess that expense exclusively against the Owner of such Lot, and against any Lots owned by such Owner.
- F. 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 are due and owing; or to issue a certificate as to the status of assessments on a Lot; and once issued, the certificate shall be binding upon the Association as of the date of its issuance.

- G. 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 the foreclosure of a first mortgage to any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments that 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.

ARTICLE 8

SPECIAL ASSESSMENTS

Special assessments may be levied against Lots for such reasons as are provided in these Restrictions, the Articles or the Bylaws and on such terms as provided by the Board of Directors or the members. Either the Board of Directors or the Members may levy and impose special assessments upon a majority vote. The purposes for which special assessments may be levied include, but are not limited to, providing funds to pay Common Expenses which exceed the general assessment fund then on hand to pay same and providing a contingency fund for capital improvements and extraordinary expenses. Furthermore, special assessments may be assessed against specific Lots. In the event the Owner of a Lot fails to comply with the provisions of Article 13 hereof, the Association may perform such task or remedy such matter and levy the cost of such performance against the Owner of such Lot as a special assessment.

ARTICLE 9

LIEN FOR ASSESSMENTS

Any general or special assessment, if not paid within thirty (30) days after the date such assessment is due, together with interest at the rate of ten percent (10%) per annum, costs of collection, Court costs, and reasonable attorneys' fees shall constitute a lien against the Lot upon which such assessment is levied. The Association may record notice of the same in the Office of the Clerk of Superior Court of Dare County or file a suit to collect such delinquent assessments and charges. The Association may file

Notice of *Lis Pendens*, bring an action at law against the Owner personally obligated to pay the same and/or bring an action to foreclose the lien against the property. No Owner may waive or otherwise escape liability for the assessments provided for herein.

ARTICLE 10
**COMPLIANCE WITH THIS DECLARATION, THE ARTICLES AND
THE BYLAWS OF THE ASSOCIATION**

In the case of failure of a Lot Owner to comply with the terms and provisions contained in this Declaration, the Articles or the Bylaws of the Association, the following relief shall be available:

- A. The Association, an aggrieved Lot Owner or Owners within the Subdivision on behalf of the Association, or any Lot Owner on behalf of all the Lot Owners within the Subdivision shall have the right to bring an action and recover sums due, damages, injunction relief, and/or such other and further relief as may be just and appropriate.
- B. The Association shall have the right to remedy the violation and assess the costs of remedying same against the offending Lot Owner as a special assessment.
- C. If the violation is the nonpayment of any general or special assessment, the Association shall have the right to suspend the offending Owner's voting rights and the use by such Areas in the Subdivision for any period during which an assessment against the Lot remains unpaid.
- D. The remedies provided by this Article are cumulative and are in addition to any other remedies provided by law.
- E. The failure of the Association or any Person to enforce any restriction contained in these Restrictions, the Articles or the Bylaws shall not be deemed a waiver of the right to enforce such restrictions thereafter as to the same violation or subsequent violation of similar character.

- F. Prior to availing itself of the relief specified herein, the Association shall follow the hearing procedures as set forth in the Bylaws.

ARTICLE 11

PROPERTY RIGHTS OF LOT OWNERS, CROSS-EASEMENTS, AND EXCEPTIONS AND RESERVATIONS BY DECLARANT

- A. Every Owner of a Lot within the Subdivision, as an appurtenance to such Lot, shall have a perpetual easement over and upon the Common Areas within the Subdivision for each and every purpose or use to which such Common Areas generally are used. Such easements shall be appurtenant to and shall pass with the title to every Lot located within the Subdivision, whether or not specifically included in a Deed thereto, subject to the following provisions:
1. The Association shall have the right to make reasonable rules and regulations respecting the use of same.
 2. The Association shall have the right to suspend the voting rights of a Lot Owner and his right to use the Common Areas within the Subdivision for any period during which any due assessment against such Owner's Lot remains unpaid as is provided in Article 9 hereof, and for a period not to exceed sixty (60) days for any infraction of its published Rules and Regulations.
 3. The Association shall have the right to charge reasonable fees for the purpose of maintaining and improving any recreation facility situated upon the Common Areas.
- B. The Association hereinafter may grant easements for utility purposes for the benefit of the Subdivision and the Lots now or hereafter located thereon, over, under, along and through the Common Areas. Provided, however, that no such grant of easement shall have a material adverse effect on the use, enjoyment or value of any Lot.

- C. Any Owner may delegate, in accordance with the bylaws, his right of enjoyment to the Community Areas and facilities to the members of his family, his tenants, or contract purchasers who reside on the property.
- D. Easements and rights of way over and upon each Lot for drainage and the installation and maintenance of utilities and services are reserved exclusively to Declarant for such purposes as Declarant may deem incident and appropriate to its overall development plan, such easements and rights of way being shown or noted on the aforesaid recorded plat of the Subdivision, which plat is incorporated by reference and made a part hereof for a more particular description of such easements and rights of way. The easements and right of way areas reserved by Declarant on each Lot pursuant hereto shall be maintained continuously by the Owner, but no structures, plantings or other material shall be placed or permitted to remain upon such areas or other activities undertaken thereon which may damage or interfere with the installation or maintenance of utilities or other services, or which may retard, obstruct or reverse flow of water or which may damage or interfere with established slope ratios or create erosion problems. Improvements within such areas also shall be maintained by the respective Owner except those for which a public authority or utility company is responsible.
- E. An easement is hereby established over the Common Areas for the benefit of applicable governmental agencies, public utility companies and public service agencies as necessary for setting, removing and reading meters, replacing and maintaining water, sewer and drainage facilities, electrical, telephone, gas and television cable lines, fire fighting, garbage collection, postal delivery, emergency and rescue activities and law enforcement activities. In accordance with this Declaration, any Common Area stops being a Common Area for any reason, the easement established under this Section shall terminate with respect to such former Common Area.
- F. Declarant reserves any and all rights to the development of a marina or dock along those portions of the Common area adjacent to the shore of the Croatan Sound including, but not limited to, the right to apply for appropriate

permit or permits from the appropriate governmental entities; an in gross easement for the construction, operation and maintenance of a multi-slip dock or marina; and the right to transfer or convey portions of said in gross easement. Declarant, pursuant to this Declaration, further reserves the right to annex said dock or marina development into the Subdivision in accordance with terms and conditions contained herein.

- G. Declarant reserves the right (but shall be under no obligation) to add additional common areas and amenities such as additional boardwalks to the Subdivision and may connect such additional amenities to the then existing Common Area amenities of the Subdivision.

ARTICLE 12

ANNEXATION

- A. Annexation of additional property into the Development, except as provided in Section 11B, shall require the assent of the Class B Member, if any, and two-thirds (2/3) of the Class A Members, present in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all Members not less than 10 days nor more than 30 days in advance of the meeting setting forth the purposes of the meeting. The presence of Members or of proxies entitled to cast sixty percent (60%) of the votes of each class of membership shall constitute a quorum. If the required quorum is not present at any meeting, another meeting may be called subject to a notice requirement of a minimum of seven (7) days and a maximum of twenty-one (21) days and the required quorum shall be one-half (1/2) of the required quorum of the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting. In the event that the Class B Member or two-thirds (2/3) of the Class A Members are not present in person or by proxy, Members not present may give their written assent to the action taken at the meeting.

- B. If within thirty (30) years of the date this Declaration is recorded at the Register of Deeds, Declarant should develop additional land now or hereafter owned by Declarant, which land is contiguous to the boundaries of the Property, or to such other land as is contiguous to the Property and has been annexed into the Development, such land may be annexed by Declarant without the consent of the Members. In such event, without the consent of the Members, Declarant may record such amendments to this Declaration as are necessary to subject such additional lands to the terms of this Declaration and the jurisdiction of the Association.
- C. Annexation of additional lands shall be accomplished by recording at the Register of Deeds a Declaration of Annexation, duly executed by Declarant, if the Declarant has the right to annex pursuant to Article 12B, and by the Association if pursuant to Article 12A, describing the lands annexed and incorporating the provisions of this Declaration, either by reference or by fully setting out said provisions of this Declaration. The additional lands shall be deemed annexed to the Property on the date of recordation of the Declaration of Annexation, and in the case of an annexation by the Declarant, no action or consent on the part of Association or any other person or entity shall be necessary to accomplish the annexation except a local governmental authority if required by its ordinance.
- D. Subsequent to recordation of the Declaration of Annexation by the Declarant, the owners of the annexed land shall convey any Common Areas thereon to the Association in accordance with Article 15.
- E. The annexation of additional property into the Development may increase the maximum number of Lots within the Development, and therefore may alter the relative voting strength on the Members.

ARTICLE 13
ARCHITECTURAL STANDARDS COMMITTEE

Notwithstanding the following, Declarant shall, at its sole discretion, retain full authority over the Architectural Standards promulgated herein for the duration of the Declarant Control Period. Thereafter, the Standards Committee (hereinafter referred to as "Committee") shall be composed of five (5) members. The Board of Directors shall have the right to appoint and remove, at any time and without cause, three (3) members. The Declarant shall have the right to appoint and remove two (2) members of the Committee so long as the Declarant continues to own any portion of the Development Area. At such time as the Declarant no longer owns any portion of Development Area, or upon notification by the Declarant to the Board of Directors that it does not desire to continue to appoint two (2) members of the Committee, all five (5) members shall be appointed or removed, at any time and without cause, by the Board of Directors.

- A. No construction, which term shall include within its definition clearing, excavation, grading and other site work, shall take place except in strict compliance with this Article, until the requirements thereof have been fully met, and until the approval of the Committee has been obtained.
- B. The Committee shall have exclusive jurisdiction over all original construction on any Lot and later changes or additions after initial approval thereof, together with any modifications, additions or alterations subsequently to be constructed on any Lot or made to any improvements initially approved. The Committee shall prepare and, on behalf of the Board of Directors, shall promulgate architectural standard guidelines ("Guidelines") and application and review procedures ("Procedures"). The Guidelines and Procedures shall be those of the Association and the Committee shall have the sole and full authority to prepare and to amend the Guidelines and Procedures available to Owners who shall conduct their operations strictly in accordance therewith.
- C. A member contemplating the improvement of his Lot in any manner shall submit an application to the Standards Committee which application shall fully

comply with the Guidelines promulgated from time to time by the Standards Committee together with the following fees: a \$500.00 Review Fee, an Infrastructure Impact Fee in the amount of \$1,000.00 and a refundable Site Cleaning Deposit in the amount of \$500.00. The Infrastructure Impact Fee is imposed in order to offset the costs of repairing the extraordinary wear and tear caused by heavy construction equipment upon the Subdivision infrastructure. The Site Cleaning Deposit shall be fully refundable to the Member upon final inspection by the Standards Committee of a completed improvement and may only be charged against by the Committee in the event and to the extent of actual expenditures by the Committee to remove construction waste or debris from the Subdivision.

- D. The Committee shall have the absolute and exclusive right to disapprove any plans, specifications or details submitted to it in the event the same are not in accordance with any of the provisions of these Restrictions and the guidelines; of the proposed improvements are not in harmony with the general surroundings or adjacent structures; if the plans or specifications submitted are incomplete; or in the event the Committee deems the plans, specifications or details or any part thereof, to be contrary to the best interest, welfare or rights to all or any part of the real property subject to this Declaration or the Owners thereof.
- E. The Committee shall approve or disapprove plans, specifications and details submitted in accordance with its procedures within thirty (30) days from the receipt thereof and the decisions of the Committee shall be final and not subject to appeal or review. Provided, however, that plans, specifications and details revised in accordance with Committee recommendations may be resubmitted for determination by the Committee. In the event that the Committee fails to approve or disapprove plans, specifications and details within thirty (30) days after submission of the same to the Committee, approval, for the purposes of this Article, shall be deemed to have been given by the Committee.

- F. The Committee, or its agent, shall have the right to inspect all construction to ensure that it is performed in strict accordance with the approved plans, specifications and details. Upon completion of the construction in accordance with the approved plans, specifications and details, the Committee shall issue a certificate of completion to the Owner.
- G. Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his residence or permitted pertinent structures, or to paint the interior of the same any color desired.
- H. Neither the Declarant nor the Committee nor the Board of Directors or any architecture agent thereof shall be responsible in any way for any defects in plans, specifications or details submitted, revised or approved in accordance with the provisions contained herein or in the guidelines, nor for any structural or other defect in any construction.
- I. The requirements of this Article shall not constitute a lien or encumbrance on any Lot on which construction is completed, and any subsequent purchaser thereof for value without notice thereof is in no way affected by the failure of his predecessors in title to comply with the terms hereof.

ARTICLE 14

USE RESTRICTIONS

- A. Special Restriction on Lot 1. No improvements shall be located on the elongated portion of Lot 1.
- B. Residential Use Only. No structure shall be erected, altered or permitted to remain on any Lot other than one detached single family dwelling. No lot shall be used for any business activity or any trade or commercial purpose, or for any purpose other than residential use, except for (1) such home office use as may be permitted under the zoning applicable to the property; and (ii) those activities normal and incident to the initial construction of Dwelling Units and sale of Lots. No trade materials or inventories may be stored upon a Lot. No trade materials or inventories may be stored upon a lot. No Lot or building on such lot shall be leased or rented for a term of less than one year. In addition no unit of ownership

or ownership interest may be subdivided to allow "time sharing" or other "interval ownership."

- C. No Subdivision. No Lots shall be subdivided or recombined in any manner. However, more than one Lot may be used as a building site for a single dwelling Unit provided the provisions of this Section are complied with.
- D. Erosion Control. During site preparation and initial construction on any Lot, the owner of the Lot shall ensure that no erosion originating from site work or construction activities on the Lot results in sedimentation of any streams or impoundments or in erosion onto other Lots or Common Areas. The Owner shall take all actions as may be directed by the association to prevent such erosion and sedimentation. Each owner shall maintain his Lot in such manner as to prevent erosion onto other Lots or Common Areas. All driveways shall be properly culverted in order to maintain the master drainage and swale plan of the Subdivision.
- E. Maintenance of Lots. Each Owner shall prevent the development of any unclean, unsightly or unkempt condition on his Lot that tends substantially to decrease the beauty of the Development as a whole area surrounding the Lot. No inoperable automobiles, equipment used for commercial purposes, trade vehicles with a capacity of greater than two (2) tons, unused objects or apparatus, or any portion thereof, shall be permitted to remain on any Lot. All Lots shall be kept clean and free of garbage, junk, trash, debris or any substance that might contribute to a health hazard or to the breeding and habitation of snakes, rats, insects or other vermin. Each Owner shall mow the lawn on his Lot as needed, shall maintain the landscaping on his Lot to insure proper drainage and prevent soil erosion, and shall maintain and repair the Dwelling Unit and any other structures and improvements located on his Lot.
- F. Remediation by Association. If, in the opinion of the Association, an Owner fails to comply with any of the provisions this Section 14, then, after ten (10) days written to the Owner describing the failure, the Association may cause the required action to be taken, and the Owner shall be obligated to reimburse the Association for all costs thus incurred. Such costs shall be due upon written

notice to the Owner from the Association specifying the action taken and the amount due. Such costs shall be considered an assessment, and shall be enforceable by the association as set forth in Article 9. No notice shall be required prior to the Association remedying a condition that poses an immediate threat of danger to persons or property, or that poses an immediate threat of erosion leaving the Lot in question. The association shall have all necessary easements, including the right of ingress and egress upon the lot in question, as may be necessary to exercise its rights to remediate any condition resulting from noncompliance with this Section.

- G. Grading and Filling. No grading, filling or other alteration of the topography or elevation of any Lot shall be undertaken prior to or during initial construction without the prior written approval of the Standards Committee. Construction of improvements on any lot must be completed within one year after the initial clearing of such Lot.
- H. Removal of Trees. No trees or other vegetation, except weeds, deadwood, underbrush or grass, may be cut or removed from any Lot prior to or during initial construction without the prior written approval of the Association. Following initial construction of improvements on any Lot, no tree having trunk diameter exceeding six (6) inches (18 3/4 inches in circumference), four feet above ground level, shall be removed without the prior written approval of the Association unless the tree is dead or diseased or poses an imminent threat or danger to persons or property. A plan showing the areas and trees to be cleared and the shrubbery shall be submitted with the preliminary plans and specifications to the Standards Committee. The owner and builder shall take steps to insure that only those trees necessary to be removed for the construction of the building shall be removed from the lot. Under no circumstances shall an owner be allowed to clear cut his lot.
- I. Removal of Vegetation from Common Areas. No owner shall injure, cut or remove, or suffer or cause to be injured, cut or removed, shrubs, flowers or other vegetation from any Common Area without the prior written approval of the Association.

- J. Signs. No signs, billboards or posters of any nature shall be erected, placed, exhibited or maintained on any Lot without the prior written approval of the Association except identification signs not to exceed one (1) square foot in display area, and not illuminated, bearing only the address and/or names of the occupants of the Lot.
- K. Nuisances. No noxious or offensive activity shall be carried on upon any Lot, nor shall anything be done on a lot that is or may become an annoyance or nuisance to the surrounding Lots or common Areas.
- L. Temporary Buildings Prohibited. No trailer, tent, mobile home, manufactured or system built home or temporary structure of any kind shall be erected or placed or placed on any Lot except such buildings as are customary and incident to the initial construction of Dwelling Unit on the Lot. All construction must be "stick built" or constructed on-site with the exception of minor components.
- M. Pets and Other Animals. No animals or poultry of any kind shall be kept or maintained on any part of the property, other than dogs or cats confined within fenced areas and house pets kept in the Dwelling Unit. No animals or poultry of any kind shall be kept or maintained for commercial purposes.
- N. Fences. No fence, wall, hedge or mass planting shall be permitted on a Lot without prior written approval of the Association. Fences are allowed in the back yard of any structure however all such fences shall be compatible with the style, colors and design of the home. No chain link fences shall be allowed and no fences shall exceed six (6) in height. Fences in front yard are discouraged, however can be approved through the Standards Committee.
- O. Parking. Each improved Lot shall have a minimum number of parking spaces in accordance with the applicable Dare County zoning ordinance. No boats or recreational vehicles except automobiles shall be parked on any street in the development. No recreational vehicle may be connected to any electrical, water or sewer service of any dwelling unit in the development unless for temporary use. No more than one boat may be stored in a visible location on any lot.
- P. Exterior Appurtenances. No Lot shall have more than one television or radio antenna, which antenna must be attached to the Dwelling Unit. No television or

radio reception dish antennas may be placed on any Lot except a single television or radio reception dish antenna that is no greater than twenty-four (24) inches in diameter, and which must be attached to the Dwelling Unit in a location that is not visible from the street in front of the Dwelling Unit. No such antenna or satellite dish shall be placed on a Dwelling Unit until such time that the location and size of said antenna or dish has been approved by the Architectural Review Committee. No window air conditioning units shall be visible from any street in the direction in which they face. Each lot owner shall provide screening from public view for garbage stations, fuel tanks, air conditioning and heating units, water tanks, or any similar type appliances or devices.

- Q. Piling Enclosure. Main structure pilings shall be covered with a deterioration resistant lattice or 1 x 4 horizontal boards spaced 2 ½ inches apart and should be at the bottom of the siding of the house. Lattice shall be applied on the outside of main structure pilings.
- R. Utility Connections. All telephone, electric and other utility lines and connections between the main utility lines and Dwelling Unit or other structure on a Lot shall be concealed and located underground so as not to be visible.
- S. Driveways. Each improved Lot must have a driveway that is properly culverted. All driveway plans, additions or alterations must be approved by the Standards Committee.
- T. Building Envelope. Building setbacks must conform to the minimum setbacks promulgated by the appropriate governmental entity having zoning authority over the Subdivision. So as to minimize disputes regarding boundary lines, an accurate stake out of the lot shall be done showing the boundaries and locations of the improvements for the review of the Standards Committee. A member of the Standards Committee or its agent shall review the stake out to insure that the lot is accurately staked out and that the structure will be located according to approved plans and in accordance with the covenants and restrictions contained herein. No construction shall commence until such time that a review of the stake out has been conducted by the Standards Committee.

- U. Septic Tanks and Drainage Fields. The siting of any septic tank or drainage field shall be approved in writing by the Standards Committee, which approval shall be subject to the rules and regulations of the local health department.
- V. Garbage Areas. All building plans submitted for review by the Standards Committee shall contain a detail showing the location of a garbage station, which area shall be screened from public view. Garbage receptacles shall be kept by owners in said designated areas except for those days when garbage pick up is regularly scheduled.
- W. Occupancy. No home erected on any lot in Croatan Woods subdivision shall be occupied until a final inspection has been conducted by the Standards Committee and a certificate of authority has been issued by the appropriate governmental entity.
- X. Pools. All plans for pools shall be submitted for approval by the Standards Committee. No above-ground pools shall be permitted.

ARTICLE 15

FORMATION AND ENFORCEMENT OF THIS DECLARATION PENDING FORMATION OF THE ASSOCIATION

- A. The Common Areas shall be deeded to the Association upon the termination of the Declarant Control Period.
- B. Any Deed to the Association of a Common Area shall contain a perpetual right of easement for ingress, egress, regress and use by the Declarant, its heirs, successors or assigns.
- C. Pending the formation and incorporation of the Association, the Declarant shall have all the rights, privileges and duties associated with fee simple ownership, as well as all the rights and authority this document confers on the Association.

ARTICLE 16
ASSESSMENTS AND FACILITIES

Every park, recreation area, recreation facility, dedicated access and other amenities appurtenant to the Subdivision, whether or not shown and delineated on any recorded plat of the Subdivision, shall be considered private and for the sole and exclusive use of the Owners of Lots within the Subdivision. Neither Declarant's execution nor the recording of any plat nor any other act of Declarant with respect to such areas is, or is intended to be, or shall be construed as a dedication to the public of any such areas, facilities or amenities.

ARTICLE 17
WAIVER

No provision contained in these Restrictions, the Articles or the Bylaws shall be deemed to have been waived, abandoned or abrogated by reason of failure to enforce them on the part of any person as to the same or similar future violations, no matter how often the failure to enforce is repeated.

ARTICLE 18
VARIANCES

The Board of Directors in its discretion may allow reasonable variances and adjustments of these Restrictions in order to alleviate practical difficulties and hardship in their enforcement and operation. Any such variances shall not violate the spirit of the intent of this document to create a Subdivision of Lots owned in fee simple, by various persons with each such Owner having an easement upon areas owned by the Association. To be effective, a variance hereunder shall be recorded in the Dare County Register of Deeds Office; shall be executed on behalf of the Association; and shall refer specifically to this Declaration.

ARTICLE 19

DURATION, AMENDMENT AND TERMINATION

- A. The covenants and Restrictions contained in this Declaration shall run with and bind the land for a term of twenty (20) years from the date this Declaration is recorded. This Declaration shall automatically renew for additional twenty (20) year terms unless amended or withdrawn by Owners representing not less than seventy-five percent (75%) of the Lots within ninety (90) days of the expiration of each term. This Declaration may be amended in full or in part by Owners representing not less than seventy-five percent (75%) of the Lots provided that no amendment shall alter any obligation to pay Common Expenses to benefit the Common Areas, as herein provided, or affect any lien for the payment of same. To be effective any amendment must be recorded in the Office of the Register of Deeds of Dare County, North Carolina, and a marginal entry of same must be signified on the face of this document.
- B. Invalidation of any one (1) of these covenants or Restrictions by judgment or Court Order shall in no way affect any other provisions that shall remain in full force and effect.
- C. The following amendment may be effected by the Declarant without consent of the Members:
1. Prior to the sale of the first Lot, this Declaration may be amended by the Declarant.
 2. During the Declarant Control Period Declarant shall have the right to amend this Declaration to conform to the requirements of any law or governmental agency having legal jurisdiction over the Property or to qualify the Property or any Lots and improvements thereon for mortgage or improvement loans made, insured or guaranteed by a governmental agency or to comply with the requirement of law or regulations of any governmental agency belonging to, sponsored by, or under the substantial control of, the United States Government or the State of North Carolina, regarding purchase

or sale of such Lots and improvements, or mortgage interests therein, as well as any other law or regulation relating to the control of Property, including, without limitation, ecological controls and construction standards. A letter from an official of any such corporation or agency, including without limitation, the Veterans Administration, U.S. Department of Housing and Urban Development, the Federal Home Loan Mortgage Corporation, Government National Mortgage Corporation, the State of North Carolina or the County of Dare, requesting or suggesting an amendment necessary to comply with the requirements of such corporation or agency shall be sufficient evidence of the approval of such corporation or agency, provided that the changes made substantially conform to such request or suggestion.

3. During the Declarant Control Period Declarant, and thereafter the Board, may amend the Declaration as may be necessary, in its opinion, to qualify the Association or the Development, or any portion thereof, for tax exempt status.

4. During the Declarant Control Period Declarant may amend this Declaration to effect any platting change of the Property as permitted herein or to make amendments correcting minor typographical error or other similar clerical errors.

ARTICLE 20

CAPTIONS

The captions preceding the various Articles of these Restrictions are for the convenience of reference only, and shall not be used as an aid in interpretation or construction of these Restrictions. As used herein, the singular includes the plural and where there is more than one (1) Owner of a Lot, said Owners are jointly and severally liable for the obligations herein imposed. Throughout this Declaration, references to the masculine shall be deemed to include the feminine, the feminine to include the masculine and the neuter to include the masculine and feminine.

ARTICLE 21

NOTICE REGARDING ASSIGNABILITY OF RIGHTS AND LIABILITIES

Declarant shall have the right to sell, lease, transfer, assign, license and in any manner alienate or dispose of any rights, interests and liabilities retained, accruing or reserved to it by this Declaration. Following any such disposition, Declarant in no way shall be liable or responsible to any party with regard to any such right, interest or liability or any claim or claims arising out of same in any matter.

ARTICLE 22

LIBERAL CONSTRUCTION

The provisions of this Declaration shall be construed liberally to effectuate its purpose of creating a Subdivision of fee simple ownership of Lots and buildings governed and controlled by rules, regulations, restrictions, covenants, conditions, reservations and easements administered by an Owners' association with each Owner entitled to an burdened with the rights and easements equivalent to those of other Owners.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and affixed their seals this the day and year first above written.

FAMILY TRUST ESTABLISHED IN THE WILL OF WALLACE WATSON HARVEY, JR. DATED 8/9/1994

By: _____
Margaret N. Harvey, Trustee

CROATAN WOODS DEVELOPMENT, LLC

By: _____
Margaret N. Harvey, Manager

STATE OF NORTH CAROLINA, DARE COUNTY

I, Michael C. Casey, a Notary Public of the aforesaid State and County, do hereby certify that MARGARET N. HARVEY, TRUSTEE OF THE WALLACE WATSON HARVEY, JR. FAMILY TRUST, personally appeared before me this the ____ day of _____, 2006 and acknowledged the due execution of the foregoing document.

My Commission Expires: _____
Notary Public

STATE OF NORTH CAROLINA, DARE COUNTY

I, Michael C. Casey, a Notary Public of the aforesaid State and County, do hereby certify that MARGARET N. HARVEY, MANAGER OF CROATAN WOODS DEVELOPMENT, LLC, personally appeared before me this the ____ day of _____, 2006 and acknowledged the due execution of the foregoing document on behalf of the Company.

My Commission Expires: _____
Notary Public

NORTH CAROLINA, DARE COUNTY

The Foregoing Certificate(s) of

_____ 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.

_____ REGISTER OF DEEDS FOR
DARE COUNTY

By _____
Deputy/Assistant Register of Deeds