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STATE OF NORTH CAROLINA

COUNTY OF ONSLOW

DECLARATION OF MASTER COVENANTS,
CONDITIONS AND RESTRICTIONS FOR
ESCOBA BAY EQUESTIAN
AND
YACHTING COMMUNITY

THIS DECLARATION, made this 23rd day of December, 1987, by CEPCO, INC., a North Carolina corporation with its principal office and place of business in Onslow County, North Carolina, hereinafter referred to as the "Declarant";

W I T N E S S E T H:

WHEREAS, Declarant is the owner of certain property in Onslow County, North Carolina, all of which is more particularly described as:

SEE ATTACHED EXHIBIT "A"

AND WHEREAS, Declarant will convey the said properties subject to certain protective covenants, conditions, restrictions, reservations, and charges as hereinafter set forth; and

WHEREAS, Declarant desires to create thereon a planned community with a mix of housing types; and

WHEREAS, Declarant desires to provide for the preservation and enhancement of the property values, amenities and opportunities in said community and for the maintenance of the properties and improvements thereon, and to this end desires to subject the real property described in Exhibit A together with such additions as may hereafter be made thereto to the covenants, restrictions, easements, charges, and liens hereinafter set forth, all of which is and are for the benefit of said property and each owner thereof; and

WHEREAS, Declarant has deemed it desirable for the efficient preservation of the values and amenities in said community to create an agency to which should be delegated and assigned the powers of owning, maintaining and administering the community properties and facilities, administering and enforcing the covenants and restrictions, collecting and disbursing the assessments and charges hereinafter created, and promoting the recreation, health, safety, and welfare of the residents; and

WHEREAS, Declarant has incorporated under the laws of the State of North Carolina the Escoba Bay Homeowner's Association as a non-profit corporation for the purpose of exercising the functions, aforesaid, among others;

NOW THEREFORE, Declarant and other persons and/or entities joined herein hereby declare all of the property described herein in the attached Exhibit "A" to be held, sold, and conveyed subject to the following easements, restrictions, covenants, and conditions, all of which shall run with the real property, shall be binding on all parties having or acquiring any right, title, or interest in the described properties or any part thereof, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

Section 1. The "Association" shall mean and refer to Escoba Bay Homeowner's Association, a North Carolina non-profit corporation, its successors and assigns.

Section 2. "Escoba Bay" shall mean and refer to that certain real property subject to this Declaration and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Area" shall mean and refer to all real property within Escoba Bay owned by the Association for the common use and enjoyment of all Members of the Association.

Section 4. "Limited Common Area" shall mean those lands not owned by the Association that serve only a limited number of Dwelling units and which may include, but specifically are not limited to, driveways and walkways serving townhouse sites, parking spaces, buildings or areas serving only specified Dwelling Units, and such other similar areas as may be designated by the Association. Limited Common Areas shall be maintained at the expense of the Owners of Dwelling Units served thereby and not at the expense of the Association.

Section 5. "Site" or "Lot" shall mean any plot of land regardless of size as shown on a recorded subdivision map of Escoba Bay which has been approved by Declarant as required by this Declaration. A Site may provide for or contain one or more Dwelling Units.

Section 6. "Undeveloped Site" shall mean a site or an area of Escoba Bay yet undeveloped but intended to contain one or more residential units as provided in the general plan for Escoba Bay.

Section 7. "Dwelling Unit" shall mean a residence containing sleeping facilities for one or more persons and a kitchen. A Dwelling Unit may be attached to other Dwelling Units, or may be separated from other Dwelling Units and includes condominiums.

Section 8. "Member" shall mean and refer to every person or entity entitled to membership in the Association as provided in this Declaration.

Section 9. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Dwelling Unit or Site which is a part of Escoba Bay including contract sellers, but excluding those having an interest merely as security for the performance of an obligation.

Section 10. "Declarant" shall mean and refer to CEPCO, INC. as well as its successors and assigns, if such successors or assigns should acquire more than one Undeveloped Site from the Declarant for the purpose of development.

Section 11. "Board of Directors" or "Board" means those persons elected or appointed to act collectively as the directors of the Association.

Section 12. "Book of Resolutions" shall mean and refer to the document containing rules and regulations and policies adopted by the Board of Directors.

Section 13. "Bylaws" shall mean the bylaws of the Association as they now or hereafter exist.

ARTICLE II

COMMON AREA OWNERSHIP AND MAINTENANCE

Section 1. Owner's Easements of Enjoyment: Every Owner shall have a right of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Site or Dwelling Unit.

Section 2. Delegation of Use: Any Owner may delegate his right of enjoyment of the Common Area to the members of his family, his tenants, contract purchasers who reside on the property, or his guests.

Section 3. Rules and Regulations: The Board of Directors shall have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Common Area. Such rules and regulations, along with all policy resolutions and policy actions taken by the Board of Directors, shall be recorded in a Book of Resolutions, which shall be maintained in a place reasonably convenient to the Members and available to them for inspections during normal business hours.

Section 4. Title to the Common Area. The Declarant covenants for itself, its successors and assigns, that it shall convey by fee simple deed to the Association, at no cost to the Association, those parcels of land and facilities described in Section 6 of of this Article II, when the Declarant has completed improvements thereon, if such be required, such that the facility is functionally complete. ~~X~~ The Association shall immediately become responsible for all maintenance and operation. It is the purpose of this provision to provide that the Association shall be responsible for all maintenance of the Common Area upon which all improvements required to be made by the Declarant have been completed. The Declarant covenants for itself, its successors and assigns, that it shall convey by fee simple deed to the Association all such properties immediately after written notification to the Association of its intents to convey such properties. Such notification will not normally give a metes and bounds description and, in any event, the metes and bounds as shown on the recorded plat and deed to the Association shall govern. All said parcels of land may be conveyed to the Association subject to all easements, rights-of-way and restrictive covenants of record at the time of conveyance. Notwithstanding the foregoing, however, all said parcels of land shall be conveyed to the Association free and clear of all mortgages and/or deeds of trust.

Section 5. Extent of Members' Easements: The rights and easements of enjoyment created hereby shall be subject to the following:

(a) The right of the Association, in accordance with its Bylaws, to borrow money from the Declarant or any lender for the purpose of improving and/or maintaining the Common Area, and providing services authorized herein and in aid thereof to mortgage the Common Area, provided, however, that the execution of such mortgage shall require the same approval of members which is required for special assessments for capital improvements as set forth in Article VII, Section 5 of this Declaration.

(b) The right of the Association to take such steps as are reasonably necessary to protect the Common Area against foreclosure.

(c) The right of the Association to suspend the rights and easements of enjoyment of any Member or tenant or guest of any Member for any period during which the payment of any Assessment against property owned by such Member remains delinquent and for any period not to exceed sixty (60) days for any infraction of its published rules and regulations, it being understood that any suspension for either non-payment of any Assessment or a breach of the rules

and regulations of the Association shall not constitute a waiver or discharge of the Member's obligation to pay the Assessment, and provided that the Association shall not suspend the right to use any roads belonging to the Association, subject to the rules, regulations and fees, if any, established by the Association for such use.

(d) The right of the Association to charge reasonable admission and other fees for the use of the Common Area, and facilities included therein, provided, however, that such rights of the Association shall not be construed to impair or qualify an Owner's rights of ingress and egress to his property.

(e) The Board of Directors of the Association shall further have the power to place any reasonable restrictions upon the use of the Association's roadways, subject to an Owner's right of ingress and egress, including, but not limited to, the types and sizes of vehicles permitted to use said roads, the maximum and minimum speeds of vehicles using said roads. The fact that such restrictions on the use of the roads shall be more restrictive than the laws of the State of North Carolina or the local government having jurisdiction over the property shall not make such restriction unreasonable.

(f) The right of the Declarant or the Association by its Board of Directors to dedicate or transfer to any public or private entity drainage and utility easements on any part of the Common Area.

(g) The right of the Association to give or sell all or any part of the Common Area, including leasehold interests, to any public agency, authority, public service district, utility or private concern for such purposes and subject to such conditions as may be agreed to by the Members, provided that no such gift or sale or determination as to the purposes or conditions thereof shall be effective unless such dedication, transfer and determination shall be authorized by the affirmative vote of three-fourths (3/4) of the votes cast at a duly called meeting of the Association, subject to the quorum requirements established by the Bylaws of the Association and unless written notice of the meeting and of the proposed agreement and action thereunder is sent to every Member of the Association at least thirty (30) days prior to such meeting. A true copy of such resolution, together with a certificate of the results of the vote taken thereof, shall be made and acknowledged by the President or Vice President and Secretary or Assistant Secretary of the Association and such certificate shall be annexed to any instrument of dedication or transfer affecting the Common Area prior to the recording thereof. Such certificates shall be conclusive evidence of authorization by the membership.

Section 6. Conveyance of the Common Area by Declarant: The Declarant covenants for itself, its successors and assigns, that, prior to December 31, 1997, it shall convey to the Association by fee simple deed, and the Association shall accept, those properties designated on the Master Development Plan as "Common Area," including the properties listed below. Such conveyance shall be subject to all restrictions and limitations of the various Articles of this Declaration and any other restrictions and limitations of record and shall include the following:

(1) Any private community roads and rights-of-way thereof within Escoba Bay which connect Dwelling Units or Sites to public roads or highways; and

(2) Open space designated as such on the Master Development Plan or subdivision plats recorded in the Office of the Register of Deeds of Onslow County, North Carolina.

Notwithstanding the foregoing, however, all said Common Areas shall be conveyed to the Association free and clear of all mortgages and/or deeds of trust.

ARTICLE III

INSURANCE AND BONDS

Section 1. Hazard Insurance. The Association shall obtain and maintain a policy of property insurance in a sufficient amount to cover One Hundred (100%) percent of the replacement costs of all the common areas, except for those that are normally excluded from coverage, such as land, excavation, etc., with the premiums of said insurance being paid as a common expense.

Section 2. Liability Insurance. The Association shall obtain and maintain a comprehensive General Liability Insurance policy covering all common areas, public ways and other areas that are under its supervision. The policy shall provide coverage of at least \$1,000,000.00 for bodily injury and property damage for any single occurrence. The premium for said policy shall be paid by the Association.

Section 3. Flood Insurance. The Association shall obtain and maintain a Flood Insurance policy to cover any common area buildings or any other common area property which shall lie in a Special Flood Hazard area as defined by the Federal Emergency Management Agency. The amount of insurance should be least the lesser of One Hundred (100%) percent of the current replacement cost of all buildings and other insurable property located in the flood hazard area or the maximum coverage available for the property under the

National Flood Insurance Program. The premium for said insurance shall be paid as a common expense. In addition, Flood Insurance shall be obtained and maintained by any Lot Owner whose dwelling site shall lie in a special flood hazard area in an amount at least the lesser of One Hundred (100%) percent of the current replacement cost of all improvements and other insurable property totaled in the flood hazard area or the maximum coverage available for the property under the National Flood Insurance Program.

Section 4. Fidelity Bond. The Association shall have Fidelity Bonds for anyone who either handles or is responsible for funds held or administered by the Association, whether or not they receive compensation for their services. A management agent that handles funds for the Association shall be covered by its own Fidelity Bond.

Except for Fidelity Bonds that a management agent obtains for its personnel, all other bonds shall name the Association as an obligee and their premiums shall be paid by the Association as a common expense.

The Fidelity Bonds shall be in a sufficient amount to cover the aggregate of the following:

- (a) The maximum funds that will be in the custody of the Association or its management agent at any time while the bond is in force,
- (b) The sum of three (3) months assessments on all amounts in the project, and
- (c) All reserve funds of the Association.

Section 5. Notice to Association and Mortgagors. All insurance policies and bonds must include a provision that calls for ten (10) days written notice to the Association and each holder of a first mortgage before the bond or insurance can be cancelled or substantially modified for any reason.

ARTICLE IV

LAND USE

Section 1. Restrictions: Each Dwelling Unit or Site and the facilities on the Common Area shall be subject to both the restrictions herein and those set forth in the Bylaws.

Section 2. Designated Residential Property Restrictions: All property designated for residential use shall be used, improved and devoted exclusively to residential use.

Section 3. Common Area Restriction: All Common Areas shall be used, improved and devoted exclusively to the benefit and enjoyment of the Owners.

Section 4. Common Area Offensive Use: No immoral, improper, offensive or unlawful use shall be made of Escoba Bay. Any Dwelling ordinances, and regulations of all governmental agencies having jurisdiction thereof shall be observed.

Section 5. Common Area Construction or Alteration: No person shall undertake, cause, or allow any alteration or construction in or upon any portion of the Common Area except at the direction of and with the express written consent of the Association.

Section 6. Nuisance or Annoying Activity: No noxious or offensive activity shall be carried on, in or upon Escoba Bay, nor shall anything be done which may be or may become a nuisance or annoyance to any resident within Escoba Bay. In addition, no Owner of a Dwelling Unit or Site shall store or keep a trailbike, motorcycle, motorized tri-wheel bike, tractor, truck, or other such motorized riding vehicle on the premises except one operational pick-up truck and one or more operational automobiles without specific written approval of the Association. In granting such approval, the Association may attach specific conditions which shall be binding on the Owner and occupants of the Dwelling Unit or Site.

Section 7. Parking and Antennas: The Association may regulate the parking of boats, campers, trailers, and the placing of tents and other such items on the Common Area or on a Site (including the provision of special facilities for which a reasonable charge may be made). Automobiles, trucks, tractors, boats, campers and trailers shall be parked only in designated areas. The erection of antennas on Dwelling Units is expressly prohibited.

Section 8. Occupancy: No private dwelling house erected upon any lot shall be occupied in any manner while in the course of construction, nor at any time prior to its being fully completed, as herein required. Nor shall any residence, when completed, be in any manner occupied until made to comply with the approved plans, the requirements herein, and all other covenants, conditions, reservations, and restrictions herein set forth. No temporary house, temporary dwelling, temporary garage, temporary outbuilding, trailer home, or other temporary structure shall be placed or erected upon any lot unless approved by the Declarant.

Section 9. Dwelling Size and Location: No single family dwelling unit shall be located on the premises with less than 1200 square feet of living space. No dwelling, outbuilding, or other appurtenance of any nature shall be

located closer than thirty-five (35) feet to the street nor closer than twenty-five (25) feet to the side street, in the case of any corner lot, nor closer than ten (10) feet to any side lot line. Declarant or the Association may waive minor encroachments by written consent.

Section 10. Letter and Delivery Boxes: The Declarant shall determine the location, color, size, design, lettering, and all other particulars of all main or paper delivery boxes, and standards and brackets and name signs for such boxes in order that the area be strictly uniform in appearance with respect thereto.

Section 11. Commercial Vehicles and Boats: No commercial vehicles, tractor-trailers, construction or like equipment or mobile or stationary trailers of any kind shall be permitted on any lot of the subdivision unless first approved by the Declarant. No boat may be stored on any lot for more than 72 hours without the prior consent of the Declarant.

Section 12. Division of Lots: No lot shall be resubdivided except as approved by the Declarant.

Section 13. Signs: No billboards or advertising signs of any character shall be erected, placed, permitted, or maintained on any lot or improvement thereon except as herein expressly permitted. A name and address sign, the design of which shall be furnished to the lot owner on request by the Declarant, shall be permitted. No other sign of any kind or design shall be allowed. The provisions of this paragraph may be waived by the Declarant, only when its discretion the same is necessary to promote the sale of property in and the development of the subdivision area. Nothing herein shall be construed to prevent the Declarant from erecting, placing, or maintaining sign structures and offices as may be deemed necessary by it for the operation of the subdivision.

Section 14. Tanks: No elevated tanks of any kind shall be erected, placed, or permitted on any part of any site, provided that nothing herein shall prevent the Declarant, its successors and assigns from erecting, placing, or permitting the placing of tanks and other water system apparatus on such site. Any tanks for use in connection with any residence constructed on such site, including tanks for the storage of fuels, must be buried or walled sufficiently to conceal them from the view of neighboring lots, roads or streets. All clotheslines, garbage cans, equipment, coolers, wood piles or storage piles shall be walled in to conceal them from the view of neighboring lots, roads or streets. Plans for all enclosures of this nature must be approved by the Declarant prior to construction.

Section 15. Native Growth: The native growth of Escoba Bay shall not be permitted to be destroyed or removed except as approved in writing by the Declarant herein. In the event such growth is removed, the Declarant may require the replanting or replacement of same, the cost thereof to be borne by the Owner.

Section 16. Horses and Pets: No horses shall be kept or stabled on any of such lot. No more than two pets of the customary household variety (including birds) may be kept at any homesite, except upon the express written permission of the Declarant; provided, however, that the provisions hereof shall not be deemed to permit the keeping of domestic fowl. Any domestic pets kept on any lot shall be kept on a leash; no pets shall be allowed to roam at large.

ARTICLE V

ARCHITECTURAL CONTROL

Section 1. Architectural Committee: An Architectural Committee consisting of three (3) persons shall be appointed at or prior to the sale and transfer of title to the first Site by the Declarant. At such time as the Class B Membership expires, the Architectural Committee shall be appointed by the Board of Directors of the Association. CEPCO, INC. shall be entitled to control the selection of one of this three (3) person architectural committee and that person so selected shall have the right to control the vote of such committee on all decisions relating to any property within Escoba Bay which is owned by CEPCO, INC. This right and power shall continue until January 1, 1994 or until four months after the Declarant has sold seventy-five (75%) percent of all properties in its name and shown on the general plan of development of Escoba Bay, whichever occurs first.

Section 2. Plan or Design Approval: No site preparation or initial construction, erection, or installation of any improvements, including, but not limited to, Dwelling Units, outbuildings, fences, walls, signs, antennas, clotheslines, and other structures, excavation, or changes in grade shall be undertaken upon any Site unless the plans and specifications therefor, showing the nature, kind, shape, height, materials and location of the proposed improvements shall have been submitted to the Architectural Committee and expressly approved in writing. No subsequent alteration or modification of any existing improvements or construction, erection or installation of additional improvements may be undertaken or allowed to remain on any of the Sites without the review and express written approval of the Architectural Committee.

Section 3. Effect of Failure to Approve or Disapprove: In the event that the Architectural Committee fails to approve or disapprove the design of any proposed improvements within thirty (30) days after the plans and specifications therefor have been submitted and received, approval will not be required, and the requirements of this Article will be deemed to have been fully satisfied; provided, that the plans and specifications required to be submitted shall not be deemed to have been received by the Architectural Committee if they contain erroneous data or fail to present adequate information upon which the Architectural Committee can arrive at a decision.

Section 4. Right of Inspection: The Architectural Committee shall have the right, at its election, to enter upon any of the Sites in Escoba Bay during preparation, construction, erection, or installation of any improvements to determine that such work is being performed in conformity with the approved plans and specifications.

Section 5. Exterior Maintenance: The exterior maintenance of Dwelling Units, Sites, and improvements constructed thereon shall be the duty of the owners of such Dwelling Units or Sites (except where specifically provided otherwise) and shall not normally be interfered with by the Association or any person. If, however, in the opinion of the Association any Owner shall fail to maintain any Dwelling Unit or Site in a manner which is reasonably neat and orderly or shall fail to discharge his repair, maintenance or upkeep responsibilities in a reasonable and prudent manner to a standard harmonious with that of other Sites or Dwelling Units in Escoba Bay, the Association at its discretion, and following ten (10) days written notice to the Owner, may enter upon and make or cause to be made repairs to such improvement and perform such maintenance on the Dwelling Unit or Site such as, but not limited to, painting the exterior of Dwelling Units, repairing window frames, paving driveways, the removal of trash, cutting of grass, pruning of shrubbery, and seeding for erosion control. The Association, or its agents, shall have an easement for the purpose of accomplishing the foregoing. The costs incurred by the Association in rendering all such services plus a service charge of twenty (20%) percent of such costs, shall be added to and become a part of such other assessments to which such Dwelling Unit or Site is subject.