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RECORDED AND VERIFIED
MARY SUE OOTS
REGISTER OF DEEDS
NEW HANOVER CO. NC

STATE OF NORTH CAROLINA

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
HEADWATER COVE AT BRADLEY CREEK
PHASE I

COUNTY OF NEW HANOVER

THIS DECLARATION, made the 22nd day of July, 1997, by GTC PROPERTIES, LLC, a North Carolina limited liability company (hereinafter called "DECLARANT");

WITNESSETH:

Whereas, Declarant is the owner of certain real property in Harnett Township, New Hanover County, North Carolina, (hereinafter referred to as the "Properties") which is more particularly described as follows:

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Being all of Lots 1 through 9 and Lots 20 through 34, inclusive, in Phase I and Phase II of HEADWATER COVE AT BRADLEY CREEK, as shown on the plats thereof recorded or to be recorded in the Office of the Register of Deeds of New Hanover County, North Carolina, to which plats reference is hereby made for a more particular description.

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

ARTICLE I.

DEFINITIONS

SECTION 1. Association shall mean and refer to HEADWATER COVE AT BRADLEY CREEK HOA, Inc. a North Carolina non-profit corporation, its successors and assigns, the owners association organized for the mutual benefit and protection of the Properties. All property owners of lots in HEADWATER COVE AT BRADLEY CREEK and any adjoining areas hereafter developed and subjected to this Declaration, if any, shall be members of the Association, which membership shall be appurtenant to and may not be separated from the ownership of any lot in the subdivision.

SECTION 2. Owner shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

SECTION 3. Properties shall mean and refer to all of HEADWATER COVE AT BRADLEY CREEK Subdivision as shown upon the recorded plat described above, and any of the additional properties described in Exhibit A hereto attached that may hereafter be brought within the jurisdiction of the Association as herein provided.

SECTION 4. Additional Properties shall mean and refer to any lands adjoining the Properties, including, without limitation, the real estate described upon Exhibit A hereto attached, which are now owned or may be hereafter acquired or developed by Declarant and annexed to and made a part of the Properties by the Declarant and subjected to this Declaration without the assent or vote of the Owners of lots as

hereinafter provided. The annexation of such Additional Properties shall become effective by the recording by the Declarant of a supplemental declaration for each new section annexed.

SECTION 5. Common Area shall mean and refer to all real property now or hereafter shown as "Common Area" on any recorded subdivision plat of the Properties or hereafter deeded to the Association and intended to be devoted to the common use and enjoyment of the Owners of the Properties. The Common Area to be owned by the Association at the time of the conveyance of the first lot shall be all the area designated as "Common Area" on the recorded plat of Headwater Cove at Bradley Creek, if any.

SECTION 6. Lot shall mean and refer to any numbered lot shown upon the recorded plat of any section of Headwater Cove at Bradley Creek.

SECTION 7. Declarant shall be used interchangeably with Developer (which designations shall include singular, plural, masculine and neuter as required by the context) to mean and refer to GTC Properties, LLC, its successors and assigns, if such successors or assigns should acquire undeveloped property from the Declarant for the purpose of development.

SECTION 8. Declaration shall mean this Instrument as it may be from time to time amended or supplemented.

SECTION 9. Membership shall mean and refer to the rights, privileges, benefits, duties and obligations, which shall inure to the benefit of and burden each member of the Association.

SECTION 10. Member shall mean and refer to every person or entity who has a membership in the Association.

ARTICLE II.

PROPERTY RIGHTS

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

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

B. The right of the Association to mortgage or convey the Common Areas, or to dedicate or transfer all or part of the Common Area, if any, to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective until approved by vote of at least two-thirds (2/3) of the members, excluding the developer, as indicated in an instrument executed by the corporation and recorded in the New Hanover County Registry.

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

D. The right of the Association to charge reasonable fees for the use of the common areas and facilities by non-members of the Association.

ARTICLE III.

EASEMENTS

SECTION 1. Perpetual, alienable easements are reserved as necessary in the Properties and the Common Areas thereof for the installation and maintenance of underground utilities and drainage facilities.

SECTION 2. Declarant hereby reserves unto itself, its successors and assigns, perpetual, alienable easements over all streets and common areas as necessary to provide drainage, access, ingress and egress, to the property adjoining Headwater Cove at Bradley Creek to the North, East, South or West, in the event the Declarant, its successors or assigns should acquire or develop any property adjoining Headwater Cove at Bradley Creek, whether or not such adjoining property is annexed to this development as herein provided. The rights reserved by Declarant under this paragraph, shall include also, but are not limited to the right to use any retention ponds for drainage of such adjoining lands.

SECTION 3. An easement is hereby granted to all police, fire protection, ambulance and all similar persons, companies or agencies performing emergency services to enter upon the Lots and common area in the performance of their duties.

SECTION 4. In case of any emergency or in case of any violation of these restrictions originating in or threatening any Lot or the common areas, regardless whether any Lot Owner is present at the time of such emergency or violation, the Board of Directors or any other person authorized by it, shall have the right to enter any Lot for the purpose of enforcing these restrictions, remedying or abating any nuisance or the causes of such emergency or violation, and making any necessary repairs not performed by the Lot Owners. Such right of entry shall be immediate, and shall not be deemed a trespass, but shall be without liability to the Association or its authorized representative, except for acts of gross negligence.

SECTION 5. The Declarant reserves unto itself, its successors and assigns, a perpetual, alienable and releasable easement and right, on, over and under the ground with men and equipment to erect, maintain, inspect, repair and use electric and telephone poles, wires, cables, conduits, sewers, water mains and other suitable equipment for the conveyance and use of electricity, telephone equipment, gas, sewer, water or other public conveniences or utilities on, in or over each lot and such other areas as are shown on the plat of the Properties recorded or to be recorded in the office of the Register of Deeds of New Hanover County; provided further, that the Declarant may cut drainways for surface water whenever such action may appear to the Developer to be necessary in order to maintain reasonable standards of health, safety and appearance. These easements and rights expressly include the right to cut any trees, bushes or shrubbery, make any grading of the soil, or to take any other similar action reasonably necessary to provide economical and safe utility installation and to maintain reasonable standards of health, safety and appearance. It further reserves the right to locate wells, pumping stations, and tanks within residential areas on any walkway, or on any residential lot now or subsequently designated for such use or to locate same upon any lot with the permission of the owner of such lot. Such rights may be exercised by any licensee of the Declarant, but this reservation shall not be considered an obligation of the Declarant to provide or maintain any such utility or service.

SECTION 6. The Declarant reserves unto itself, its successors and assigns, the right to subject the real property in this Subdivision to a contract with Carolina Power and Light Company for the installation of street lighting, which contract requires a continuing monthly payment to Carolina Power and Light Company by each residential customer for street lighting service.

SECTION 7. All easements and rights described herein are easements appurtenant, running with the land, and shall inure to the benefit of and be binding on the undersigned, its heirs and assigns, and any Owner, purchaser, mortgagee and other person having an interest in said land, or any part or portion thereof, regardless of whether or not reference to said easement is made in the respective deeds of conveyance, or in any mortgage or trust deed or other evidence of obligation, to the easements and rights described in this Declaration.

ARTICLE IV.

UTILITIES

SECTION 1. Water Service. Water service for Headwater Cove at Bradley Creek shall be provided by Cape Fear Utilities, its successors, or assigns. No lot owner may drill or otherwise construct a water well on any lot in Headwater Cove at Bradley Creek, or use any other source of water supply for household use, except for irrigation purposes, and then only with the consent of the Cape Fear Utilities, its successors or assigns.

SECTION 2. Sewer Service. Each lot will be tied into the New Hanover County sewer system which will provide sewer service to the Subdivision.

ARTICLE V.

MEMBERSHIP AND VOTING RIGHTS

SECTION 1. Every Owner of a lot in the Properties shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any lot.

SECTION 2. Each member shall be entitled to one vote in the affairs of the Association for each lot owned. When more than one person holds an interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any lot.

ARTICLE VI.

MANAGEMENT AND CONTROL

Management of the affairs of the Association shall be the right and responsibility of its Board of Directors in accordance with the Declaration and the By-Laws; PROVIDED, HOWEVER, that all of the powers and duties of the Board of Directors may be exercised by the Declarant until such time as 90% of the lots in Headwater Cove at Bradley Creek and 90% of the undeveloped property in adjoining sections owned by Declarant have been sold and conveyed by the Declarant to purchasers or until December 31, 2007, whichever occurs first. Management and control may be transferred to the lot owners at any time but in all events, no later than 120 days after the happening of the earlier of the above events.

ARTICLE VII.

COVENANTS FOR ASSESSMENTS

SECTION 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each lot owned within the Properties, hereby covenants, and each Owner of any lot by acceptance of a deed therefrom, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association:

- A. Annual assessments or charges;
- B. Special assessments for capital improvements, such assessments to be established and collected as hereinafter provided;
- C. Insurance assessments; and
- D. To the appropriate governing taxing authority, a pro rata share of ad valorem taxes levied against the Common Area, if any.
- E. Working Capital Assessment.

The annual, special and insurance assessments, together with interest, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

SECTION 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents in the Properties and for the improvement and maintenance of the Common Areas and all easements and utilities serving the Properties, whether or not located on the Properties, and any amenities located on the Properties, any drainage ditches or retention ponds not located on the Properties but which serve the Properties. The funds arising from said assessments or charges, may be used for any of foregoing, including, without limitation, the following purposes: Maintenance and improvements of the common areas, streets, roads, drives, drainage and utility easements and rights of way, drainage systems including drainage ditches and retention ponds serving the Properties; and enforcing these restrictions; and, in addition, doing any other things necessary or desirable in the opinion of the Association to keep the property in neat and good order and to provide for the health, welfare and safety of Owners and residents of Headwater Cove at Bradley Creek.

SECTION 3. Annual Assessments. Annual assessments shall be in an amount to be fixed from year to year by the Board of Directors which may establish different rates from year to year as it may deem necessary for the purposes set forth in Section 2 above. The amount of the annual assessment against each lot for any given year shall be fixed at least 30 days in advance of the annual assessment period; provided, however, that the first annual assessment shall be set prior to the conveyance of the first lot to an Owner and written notice to the Owners to be subjected thereto shall be delivered to the Owners at or prior to the closing of their lots. Written notice of each annual assessment thereafter shall be sent to every Owner subject thereto. The due date shall be established by the Board of Directors and the Board of Directors shall have the authority to require the assessments to be paid in pro rata monthly installments. The Association shall, upon demand, and for a reasonable charge furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified lot have been paid.

- A. From and after January 1 of the year immediately following the conveyance of the first lot to an Owner, the maximum annual assessment may be increased each year not more than five percent (5%) above the maximum assessment for the previous year without a vote of the membership, except as herein provided.
- B. From and after January 1 of the year immediately following the conveyance of the first lot to an Owner, the maximum annual assessment may be increased above five percent (5%) by a vote of two-thirds (2/3) of the members who are voting in person or by proxy at a meeting duly called for this purpose.

- C. The Board of Directors may fix the annual assessment at an amount not in excess of the maximum; provided that the Board of Directors may increase the amount of the annual assessment to a maximum of Three Hundred Dollars (\$300.00) per lot notwithstanding the provisions of subparagraphs A and B above, and thereafter the limitations set forth in said subparagraph shall apply to any annual increase.

SECTION 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to the year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the members who are voting in person or by proxy at a meeting duly called for this purpose.

SECTION 5. Insurance. The Board of Directors on behalf of the Association, as a common expense, shall at all times keep the Properties (except personal property contents within the buildings on individual lots) and the property of the Association, if any, insured against loss or damage by fire or other hazards and other such risks, including, but not limited to directors' liability and public liability insurance, upon such terms and for such amounts as may be reasonably necessary from time to time to protect the Properties and Common Area, which insurance shall be payable in case of loss to the Association for all members. The Association shall have the sole authority to deal with the insurer in the settlement of claims. Such insurance shall be obtained without prejudice to the right of each member to insure his personal property for his own benefit at his own expense. In no event shall the insurance coverage obtained by the Association be brought into contribution with insurance purchased by members or their mortgagees.

A. **Insurance Provisions.** The Board of Directors shall make diligent efforts to ensure that said insurance policies provide for the following:

(1) A waiver of subrogation by the insurer as to any claims against the Association, any officer, director, agent or employee of the Association, the unit owners and their employees, agents, tenants and invitees.

(2) A waiver by the insurer of its right to repair and reconstruct instead of paying cash.

(3) Coverage may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least thirty days' prior written notice to the named insured and all mortgagees.

(4) Coverage will not be prejudiced by act or neglect of the unit owners when said act or neglect is not within the control of the Association or by any failure of the Association to comply with any warranty or condition regarding any portion of the property over which the Association has no control.

(5) The master policy on the property cannot be cancelled, invalidated or suspended on account of the conduct of any one or more individual unit owners.

(6) The master policy on the property cannot be cancelled, invalidated or suspended on account of the conduct of any officer or employee of the Board of Directors without prior demand in writing that the Board of Directors cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured by the Association, any unit owner or any mortgagee.

B. **Policies.** All insurance policies shall be written for the benefit of the Board of Directors and the Lot owners and their mortgagees as their respective

interests may appear, and shall provide that all proceeds thereof shall be payable to the Board of Directors as insurance trustee. The originals of all such policies and the endorsements thereto shall be deposited with the Board of Directors and duplicates of said policies and endorsements and all renewals thereof, or certificates thereof, together with proof of payment of premiums, shall be delivered to the Lot owners at least ten days prior to the expiration date with respect to the then current policies. Duplicates shall also be obtained and issued by the Association to each mortgagee, if any, upon request of such mortgagee at any time.

C. Distribution of Insurance Proceeds. Proceeds of insurance policies shall be distributed to or for the benefit of the beneficial owners in the following manner:

(1) **Expense of Trust.** All reasonable expenses of the insurance trustee shall be first paid or provision made therefor.

(2) **Reconstruction or Repair.** If the damage for which the proceeds are paid is to be repaired or reconstructed, the remaining proceeds shall be paid to defray the cost thereof as provided in Paragraph D below. Any proceeds remaining after defraying such cost shall be distributed to the beneficial owners, including lienholders of record, or retained by the Association for such common expenses or purposes as the Board shall determine.

(3) **Failure to Reconstruct or Repair.** If it is determined, as herein provided, that the damage for which the proceeds are paid shall not be reconstructed or repaired, the remaining proceeds shall be distributed to the beneficial owners, including lienholders of record.

D. Damage and Destruction. Except as hereinafter provided, damage to or destruction of the insured properties shall be promptly repaired and restored by the Board using the proceeds of any insurance available for those purposes, and the Lot owners of all units shall be liable for assessment of any deficiency in the same proportion as their liability for annual assessments. **PROVIDED, HOWEVER,** if more than two-thirds of the buildings comprised of Lots in all phases be destroyed by fire or other casualty and the owners of 80% of the Lots including 100% of the units not to be rebuilt or 100% of the owners assigned to limited common elements not to be rebuilt resolve not to proceed with reconstruction or restoration, then in that event, the property shall be disposed of as the Association by vote of 80% of the members, shall determine. Any reconstruction or repair shall be substantially in accordance with the plans and specifications of the original building and improvements, unless other plans and specifications are approved by the Board and by eligible holders holding mortgages on units which have at least 51% of the votes of units subject to eligible holder mortgages.

SECTION 6. Insurance Assessments. All insurance policy premiums on the Common Areas for the benefit of the Association purchased by the Board of Directors or its designee and any deductibles payable by the Association upon loss shall be a common expense, and the Association shall levy against the Owners equally as an additional annual assessment, (herein called "Insurance Assessment") which shall be in addition to the amounts provided for under Section 3 above, an amount sufficient to pay the annual cost of all such insurance premiums.

SECTION 7. Notice And Quorum For Any Action Authorized Under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 and 4 shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast sixty percent (60%) of all the votes of the membership shall constitute a quorum. The required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

SECTION 8. Uniform Rate Of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis.

SECTION 9. Commencement of Assessments. Assessments for each Lot shall commence upon the date of acceptance by an Owner of a deed from Declarant. Declarant shall not be required to pay maintenance assessments on unsold Lots retained by the Declarant. Provided, however, that Declarant shall pay to the Association annually, in lieu of assessments, the pro rata share of insurance assessments, utilities and ad valorem taxes on the Common Areas attributable to the number of Lots owned by Declarant, as the same become due.

SECTION 10. Effect Of Nonpayment Of Assessments And Remedies Of The Association. Any assessment, if not paid within thirty (30) days after such assessment is due, together with interest at the rate of ten percent (10%) per annum, cost 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 New Hanover 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 by non-use of the Common Area or abandonment of his Lot. The remedies provided for in this Declaration are not exclusive, and the Association may enforce any other remedies to collect delinquent assessments as may be provided by law.

SECTION 11. Subordination Of The Lien To Mortgage. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

SECTION 12. Certificate of Assessments. The Association shall upon demand at any time furnish to any Owner liable for assessments a certificate setting forth whether said assessments have been paid or the amount outstanding, which certificate shall be conclusive evidence of the status of said assessments. A reasonable charge may be made for such service.

SECTION 13. Working Capital Assessment. At the time title is conveyed to an owner by the Declarant, each owner shall contribute to the Association as a working capital reserve an amount equal to two months' estimated annual assessment. Such funds shall be used for initial operating and capital expenses of the Association, including, without limitation, prepaid insurance, supplies and the common areas furnishings and equipment, etc. Amounts paid into the working capital fund are not to be considered as advance payment of regular assessments. Any working capital funds remaining at the end of the first full operating year shall be transferred to and become part of the general funds of the Association, in the discretion of the Board of Directors.

ARCHITECTURAL CONTROL

SECTION 1. Developer's Rights. All duties and responsibilities conferred upon the Architectural Control Committee by this Declaration or the By-laws of the Association shall be exercised and performed by the Declarant or its Designee, so long as Declarant shall own any lot in the Properties or any additions annexed thereto by Supplemental Declaration or Amendment to this Declaration.

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

SECTION 3. Maintenance By Association. The Association, at its expense, shall be responsible for maintaining, repairing and replacing the planting easement areas, the subdivision entrance signage, the islands within the street rights of way, the irrigation system for planting areas, the storm water drainage system, including detention ponds, if required by governmental authorities, all drainage lines, pipes and ditches which are located on the properties, or which drain from the properties through other private or public drainage ditches to a public drainage system, except those constructed by individual lot owners and located within individual lots. The Association shall have the right to go onto the lots at reasonable times for the purpose of maintaining, repairing and replacing all utility and drainage lines and pipes which might be located on such lots; and each Owner hereby grants permission to the Association to enter his lot for such purposes.

The Association shall maintain all common areas, including plantings and shrubbery, walkways, located thereon, and lighting fixtures and entrance signage and shall pay all costs of operation thereof including all utility bills pertaining to signage and planting areas, and including premiums associated with general liability insurance insuring the Association from liability arising from ownership and operation thereof.

In addition to the foregoing maintenance, the Association shall provide exterior maintenance for the building on each Lot subject to assessment hereunder, including the performance of the following, as needed: Paint, repair, replace and care of roofs, exterior building surfaces, trees, shrubs, walks, and other exterior improvements. Such exterior maintenance shall not include glass surfaces.

In the event that the need for maintenance, repair, or replacement is caused through the willful or negligent act of an owner, his family, guests, invitees, or tenants, the cost of such maintenance, replacement, or repairs shall be added to and become a part of the assessment to which such Lot is subject.

ARTICLE IX

PARTY WALLS

SECTION 1: Each wall which is built as a part of the original construction of a building on the Lots and placed on the dividing line between adjoining Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

SECTION 2: The cost of reasonable repair and maintenance of a party wall shall be shared by the owners who make use of the wall in proportion to such use.

SECTION 3: Notwithstanding any other provisions of this Article, an owner who by his negligent or willful act causes a party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

SECTION 4: The right of any owner to contribution from any other owner under this Article shall be appurtenant to the land and shall pass to such owner's successors in title.

SECTION 5: If any owner desires to sell his Lot, such owner may, in order to assure a prospective purchaser that no adjoining Lot owner has a right of contribution as provided in this Article IX, request of the adjoining Lot owner a certification that no right of contribution exists, whereupon it shall be the duty of the adjoining Lot owner to make such certification immediately upon request and without charges; provided, however, that where the adjoining Lot owner claims a right of contribution, the certification shall contain a recital of the amount claimed.

SECTION 6: In the event of any dispute arising concerning a party wall, or under the provisions of this Article, such dispute shall be settled by arbitration as provided by the laws of North Carolina as then existing.

ARTICLE X.

USE RESTRICTIONS

SECTION 1. Land Use And Building Type. No lot in Headwater Cove at Bradley Creek shall be used for any purposes except for residential purposes other than the "Common Area" which may be used for recreational purposes. Provided, however, so long as Declarant shall retain ownership of any lots, it may utilize any such lot or lots for sales or rentals, offices, models or other usage for the purpose of selling or leasing lots and the clubhouse within said project. The Declarant may assign this limited commercial usage right to any other persons or entities as it may choose, but all such rights of Declarant under this paragraph shall terminate when all rights are sold. The Declarant reserves the right to change the design of buildings and establish different land use restrictions and architectural control guide lines for adjoining properties which may hereafter be annexed into the Association by supplemental declaration.

SECTION 2. Nuisances. No noxious or offensive activity shall be carried on upon any Lot, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. There shall not be maintained any plants or animals, nor device or thing of any sort whose normal activities or existence are in any way noxious, dangerous, unsightly, unpleasant or other nature as may diminish or destroy the enjoyment of other property in the neighborhood by the owners thereof. It shall be the responsibility of each lot owner to prevent the development of any unclean, unsightly or unkept condition of buildings or grounds on such lot which

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unclean, unsightly or unkept condition of buildings or grounds on such lot which would tend to substantially decrease the beauty of the neighborhood as a whole or the specific area.

SECTION 3. Temporary Structures. No structure of a temporary character, trailer, basement, tent, shack, garage, barn or other outbuilding shall be used on any lot any time as a residence either temporarily or permanently without the written consent of the Association or its designee. Provided, however, that this shall not prevent the Declarant, its designees or assigns from maintaining a construction trailer or office on any lot or in the common area until the construction of dwellings on all lots in the project is completed.

SECTION 4. Fences. No fences shall at any time be placed or permitted to remain on any lot without approval of the Declarant or the Architectural Control Committee.

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

SECTION 6. Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and provided further that they are not allowed to run free and are at all times properly leashed. If any pet shall be determined by the Board of Directors to be a nuisance, the Board shall have full authority to have such pet permanently expelled from the Properties.

SECTION 7. TV Satellite Dishes And Outside Antennas. TV satellite signal receiving dishes and outside radio or television antennas to be erected on any lot or dwelling unit within the Properties must comply with Rules and Regulations to be established by the Board of Directors of the Association or its Architectural Control Committee. An application or request for installation of such equipment shall be deemed to have been approved if not acted upon within thirty (30) days after being submitted to the Board of Directors or its designee.

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

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

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

SECTION 11. Vehicle Repairs. No repairs to any vehicle may be made in driveways, only in garages and not visible from the street. No inoperable or immobile vehicle, whether or not containing current registrations, shall be permitted to remain in any driveway or on any street.

SECTION 12. Signs. No "For Sale" signs or any other signs shall be permitted on any Lot or in the common areas without permission of the Board of Directors, which permission may be denied by the Board of Directors for any reason; Provided, however, that a sign conforming to New Hanover County Sign Ordinance may be displayed by Declarant on any unsold Lot so long as Declarant owns any Lot in the Properties.

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SECTION 13. Alterations. No person shall undertake, cause, or allow any alteration or construction in or upon any portion of the Common Areas except at the direction or with the express written consent of the Association.

SECTION 14. Subdividing. No lot shall be subdivided, or its boundary lines changed except with the prior written consent of the Declarant during the period of Declarant control of the Association and thereafter by the Board. However, the Declarant hereby expressly reserves unto itself, its successors and assigns, the right to replat any two (2) or more lots shown on the plat of any subdivision of the Property in order to create one or more modified lots; to further subdivide tracts shown on any such subdivision plat into two or more lots; to recombine one or more tracts or lots or a tract and lots to create a larger tract; to eliminate from this Declaration lots that are not otherwise buildable or are needed for access to any area of the Property or are needed for use as private roads or access areas, and to take such steps as are reasonably necessary to make such replatted lots or tracts suitable and fit as a building site or access area or roadway, said steps to include, but not to be limited to the relocation of easements, walkways, and rights-of-way to conform to the new boundaries of the said replatted lots.

SECTION 15. Water and Sewer Service. All lot owners shall be required to use water and sewer supplied by the entities and municipalities servicing the Properties for all household uses; a separate water system for the purpose of watering lawns, gardens and other outdoor uses shall not be permitted without the consent of the Declarant, its successors and assigns, or the Association.

SECTION 16. Uniform Standards. The Declarant during the period of Declarant Control, may impose, or the Association may thereafter adopt, uniform standards for mail collection facilities (which may be a central facility or individual receptacles), waste disposal containers, newspaper boxes and such other common features typically installed on the exterior of a living unit or on the common areas. The owner of each Lot shall comply fully with all such standards so imposed or adopted.

ARTICLE XI.

RIGHTS OF INSTITUTIONAL LENDERS

SECTION 1. "Institutional Lender" or "Institutional Lenders", as the terms are used herein, shall mean and refer to banks, savings and loan associations, savings banks, insurance companies, Veterans Administration, Federal Housing Authority, Federal National Mortgage Association and other reputable mortgage lenders and guarantors and insurers of such first mortgages. So long as any Institutional Lender or Institutional Lenders shall hold any mortgage upon any lot, or shall be the owner of any lot, such Institutional Lender or Institutional Lenders shall have the following rights:

- A. To be furnished with at least one copy of the Annual Financial Statement and Report of the Association, including a detailed statement of annual carrying charges or income collected and operating expenses, such financial statement and report to be furnished by April 15 of each calendar year.
- B. To be given notice by the Association of the call of any meeting of the membership to be held for the purpose of considering any proposed Amendment to the Declaration, or the Articles of Incorporation and By-laws of the Association, which notice shall state the nature of the amendment being proposed, and to be given permission to designate a representative to attend all such meetings.

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- C. To be given notice of default in the payment of assessments by any owner of a lot encumbered by a mortgage held by the Institutional Lender or Institutional Lenders, such notice to be given in writing and to be sent to the principal office of such Institutional Lender or Institutional Lenders, or to the place which it or they may designate in writing to the Association.
- D. To inspect the books and records of the Association and the Declaration, By-laws and any Rules and Regulations during normal business hours, and to obtain copies thereof.
- E. To be given notice by the Association of any substantial damage to any part of the Common Areas.
- F. To be given notice by the Association if any portion of the Common Areas is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority.

SECTION 2. Whenever any Institutional Lender, guarantor or insurer desires the benefits of the provisions of this section requiring notice to be given or to be furnished a financial statement, such lender shall serve written notice of such fact upon the Association by registered mail or certified mail addressed to the Association and sent to its address stated herein, or to the address of the property, identifying the lot upon which any such Institutional Lender or Institutional Lenders hold any mortgage or mortgages, or identifying any lot owned by them, or any of them, together with sufficient pertinent facts to identify any mortgage or mortgages which may be held by it or them, and which notice shall designate the place to which notices are to be given by the Association to such Institutional Lender.

ARTICLE XII.

ANNEXATION OF ADDITIONAL PROPERTIES

SECTION 1. Except as provided in SECTION 2 below, annexation of additional property shall require the assent of two-thirds (2/3) of the members at a meeting called for this purpose, written notice of which shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting.

SECTION 2. If the Declarant, its successors or assigns, shall develop any Additional Properties, said Additional Properties or any portion thereof may be annexed to said Properties without the assent of the members. Annexation provided for in this section shall become effective upon the filing by the Declarant of a supplemental or amended declaration in the Office of the Register of Deeds of New Hanover County.

ARTICLE XIII.

GENERAL PROVISIONS

SECTION 1. Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by an Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

SECTION 2. Rules and Regulations. The Association may adopt and enforce reasonable rules and regulations not in conflict with the declaration, to govern the use and enjoyment of the common areas and facilities. The Association shall have the right to suspend the voting rights and right of use of any recreational facilities situated upon the common areas by any owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed 60 days for any infraction of its published rules and regulations;

SECTION 3. Enforcement by Owner. Upon notice to the Association of a violation hereunder and a failure of the Association to take action upon said violation within 90 days, any lot owner may undertake the enforcement of the provisions of the Declaration at his own expense.

SECTION 4. Enforcement Of Storm Water Runoff Regulations. The State of North Carolina is hereby made a beneficiary of this Declaration to the extent necessary to enforce its storm water runoff regulations as the same may be amended from time to time.

SECTION 5. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions which shall remain in full force and effect.

SECTION 6. Lots Subject To Declaration. All present and future owners, tenants and occupants of Lots and their guests or invitees, shall be subject to, and shall comply with the provisions of the Declaration, and as the Declaration may be amended from time to time. The acceptance of a deed of conveyance or the entering into of a lease or the entering into occupancy of any lot shall constitute an agreement that the provisions of the Declaration are accepted and ratified by such owner, tenant or occupant.

SECTION 7. Duration. The covenants and restrictions of this Declaration shall inure to the benefit of and be enforceable by the Association, or the Owner of any lot, their respective legal representatives, heirs, successors and assigns, and shall run with and bind the land and shall bind any person having at any time any interest or estate in any lot, as though such provisions were made a part of each and every deed of conveyance or lease, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless sooner amended as elsewhere provided herein, or unless an instrument signed by the then Owners of two-thirds of the Lots in the Properties, agreeing to change the Declaration in whole or in part, is recorded in the New Hanover County Registry.

SECTION 8. Amendment of Declaration. Except as provided in Article XII, SECTION 2, above, SECTION 9 below, and elsewhere herein, the covenants and restrictions of this Declaration may be amended only by an instrument duly recorded in the Office of the Register of Deeds of New Hanover County executed by the duly authorized officers of the Association upon the vote of not less than two-thirds (2/3) of the Lot Owners; provided that no amendment shall alter any obligation to pay ad valorem taxes or assessments for public improvements, as herein provided, or affect any lien for the payment thereof established herein. In no event may the Declaration be amended so as to deprive the Declarant of any rights herein granted or reserved unto Declarant.

SECTION 9. Amendments by the Declarant. The following amendments may be effected by the Declarant, or the Board, as the case may be, without consent of the members:

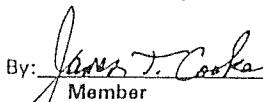
- A. Prior to the sale of the first lot, this Declaration may be amended by the Declarant.

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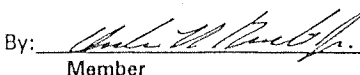
- B. Declarant may amend this Declaration upon annexation of additional lands as specified in Article XII, SECTION 2 herein.
- C. The Declarant or the Board may amend this Declaration to correct any obvious error or inconsistency in drafting, typing or reproduction.
- D. The Declarant, so long as it shall retain control of the Association, 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 requirements of law or regulations of any corporation or 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, construction standards, aesthetics, and matters affecting the public health, safety and general welfare. 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, or the Federal National Mortgage Association, 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.
- E. The Declarant, for so long as it shall retain control of the Association, and, thereafter, the Board of Directors, may amend this Declaration as shall be necessary, in its opinion, and without the consent of any owner, to qualify the Association or the Property, or any portion thereof, for tax-exempt status.
- F. The Declarant for so long as it shall have control of the Board may amend this Declaration to include any platting change of the Property as permitted herein.
- G. The Declarant for so long as it shall have control of the Board, or the Association, may incorporate the Association.

IN WITNESS WHEREOF, the Declarant has caused this Declaration to be duly executed by its members who have set their hands and seals all as of the day and year first above written.

GTC PROPERTIES, LLC

By:  (SEAL)
Member

By:  (SEAL)
Member

By:  (SEAL)
Member

STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

I, I.E. BLEVIN, a Notary Public of the aforesaid County and State, hereby certify that JAMES T. COOKE, D. WETSTER TRASK AND CHARLES W. CARLETT, JR., being all of the Members of GTC PROPERTIES, LLC, a North Carolina Limited Liability Company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument for and as the act and deed of said limited liability company.

Witness my hand and notarial seal, this the 22 day of July, 1997.

I.E. Blevin

Notary Public

My Commission Expires:

MY COMMISSION EXPIRES
MAY 11, 1999



STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

The foregoing certificate of I.E. Blevin **Notary Public** is 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.

MARY SUE OOTS
REGISTER OF DEEDS - NEW HANOVER COUNTY

BY: Patricia Barnes

Deputy/Assistant