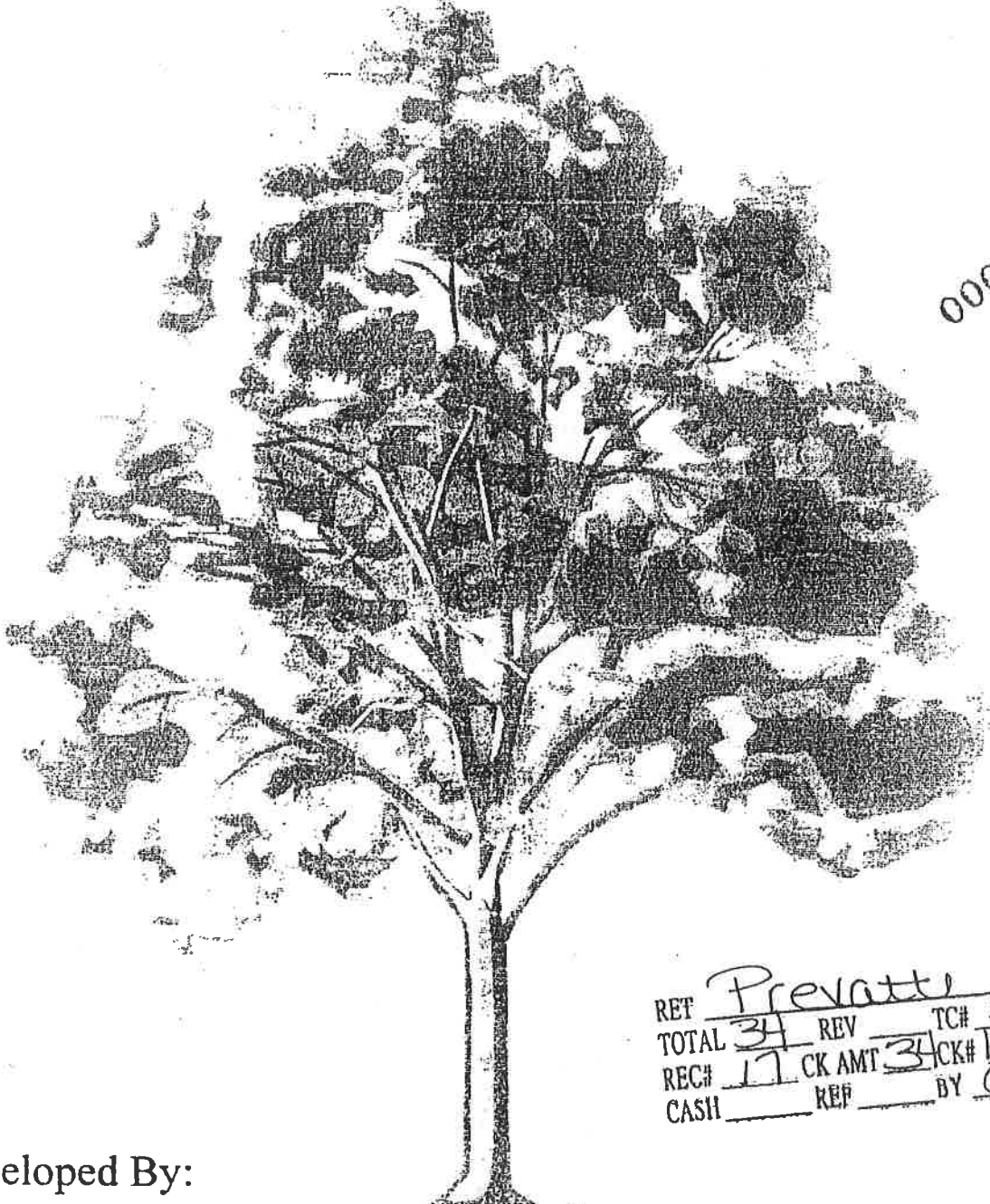


DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS OF
HARBOR OAKS SUBDIVISION
SECTION ONE

FILED FOR REGISTRATION



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| RET | Prevatt | | TC# | 39403 |
| TOTAL | 34 | REV | CK# | 1355 |
| REC# | 17 | CK AMT | 34 | BY |
| CASH | | REF | | GR |

Developed By:
Harbor Oaks Development Corporation
a North Carolina corporation

1-13

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STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS FOR
HARBOR OAKS SUBDIVISION

KNOW ALL PERSONS BY THESE PRESENTS THAT, Harbor Oaks Development Corporation, a North Carolina Corporation, is the owner and developer of certain real property located in Smithville Township, Brunswick County, North Carolina, as described in deed, recorded in Deed Book 1171 at Page 800 of the Brunswick County Registry, and in that certain map titled "Section One Harbor Oaks Subdivision", and recorded in Map Book 19 at Page 337 of the Brunswick County Registry. Harbor Oaks Development Corp., has established a general plan for improvement and development of the real property, and in connection with its general plan for the improvement and development of the property, Harbor Oaks Development Corp., desires to establish and place certain covenants, conditions, and reservations and restrictions upon which and subject to which all portions and parts of the real property, including the residential lots located therein, shall be held, and improved, sold or conveyed by it as owner thereof, and upon the use and occupancy of said residential lots, or portions thereof, which may be sold by the owner from time to time in any part of said subdivision.

NOW THEREFORE, Harbor Oaks Development Corp., by this declaration does hereby place upon said real property and all lots sold by it in the subdivision after this date the following covenants, conditions, reservations and restrictions:

DEFINITIONS: As used in this Declaration of Covenants, Conditions, and Restrictions, the following terms shall mean:

- (a) "Harbor Oaks Development Corp.", hereinafter referred to as HODC, means the developer and the developer's successors and assigns.
- (b) "Property" generally means the real property identified above and known as Harbor Oaks Subdivision, located in Smithville Township, Brunswick County, North Carolina.

(c) "Lot or residential lots" shall mean those portions of the real property specifically platted and/or recorded as lots for sale and use as single family residences or any recorded map or maps of Harbor Oaks Subdivision.

(d) "Restrictions" shall mean the covenants, conditions, reservations and restrictions set forth in this declaration and any and all subsequent amendments to this declaration which are duly recorded in the Brunswick County Registry.

(e) "Owner or lot owner" shall refer to the purchaser of a lot or lots in Harbor Oaks Subdivision, or an interest therein.

(f) "Association" shall mean and refer to Harbor Oaks Property Owners Association, Inc., a North Carolina non-profit corporation its successors and assigns.

1. APPLICABILITY: These restrictions shall apply to all lots in Section One, Harbor Oaks Subdivision, as recorded in Brunswick County Registry Map book 19, Page 337.

2. RESIDENTIAL USE: All lots are to be used for single family residential purposes only and shall not be used for other than residential use. No structure of a temporary nature, trailer, tent, shack, barn or other similar structures shall be permitted on any lot either temporarily or permanently at any time; provided, however, that this prohibition shall not apply to shelters used by contractors during the construction of approved structures on a lot, it being clearly understood that these latter temporary shelters may not, at any time, be used as residences or be permitted to remain on the lot after completion of construction of approved structures. No structure on any lot other than a fully completed residence shall be occupied as a residence.

3. SUBDIVIDING: No lot shall be subdivided or its boundary lines changed except with the prior written consent of HODC. However, HODC hereby expressly reserves to itself, its successors or assigns, the right to re-plat at any time two or more lots shown on the recorded plat of the subdivision in order to create a modified building lot or lots; and to take such steps as are reasonably necessary to make such re-platted lots suitable and fit as a building site, said steps to include, but not limited to, the relocation of easements,

walkways and rights of way to conform to the new boundaries of the said re-platted lots, provided that no lot originally shown on the recorded plat is reduced by more than twenty percent of its original size, and provided further that this provision shall be subject to section 4 of these restrictions.

4. RESERVATIONS: HODC reserves the right absolutely to change, alter, or redesignate the allocated, planned, platted, or recorded use or designation of any property (so long as HODC retains title to said property) on any of the lands known as Harbor Oaks Subdivision, including but not limited to, the right to change, alter, or redesignate roads, utility and drainage facilities, and to change, alter or redesignate such other present and proposed amenities or facilities as may in the sole judgement of HODC be necessary, desirable or required by the planning and subdivision regulations of the City of Southport, and the County of Brunswick, North Carolina.

5. BUILDING AND SITE IMPROVEMENTS: No building, fence, wall or other structure shall be erected, placed or altered on any lot, nor shall the grade or elevation or physical characteristics of any lot, or portion thereof; be altered in any way whatsoever, until the proposed building plans, specifications, exterior design, colors and finishes, site and grading plan (which must show the proposed location of all buildings, driveways, parking areas and proposed alterations to the grade, elevation or physical characteristics of the site), and the construction schedule have been approved in writing by the Architectural Review Board (ARB). If a garage is to be attached to the main dwelling, the garage opening, whenever possible, should face either a side yard or the rear yard of the main dwelling. Refusal or approval of any such plans, location or specifications may be based by ARB upon any ground, including purely aesthetic and environmental considerations that in the sole and uncontrolled discretion of ARB shall seem sufficient. Harbor Oaks Development Corporation and/or the ARB shall not be responsible for any structural or other defects in plans or specifications submitted to it, or in any structure erected according to such plans and specifications. The exterior of all houses and other structures must be completed within nine months after the construction of same shall be commenced, except where such completion is impossible or would result in great hardship to the owner or builder due to strikes, fires, national emergency or natural calamities. Failing completion as

above set forth, HODC shall have the option of repurchase of the lot concerned at the original selling price, which option of repurchase, however, shall be subject and subordinate to the lien of all mortgages, deeds of trust and similar security instruments of record, in behalf of institutional lenders which instruments encumber the subject lot.

6. APPROVAL OF PLANS: In addition to the requirements of Section 5, no house plans will be approved unless the proposed structure will contain a minimum of 1600 square feet of enclosed, heated living area. The square footage of enclosed, heated living area shall be determined without inclusion of the porches, garages, decks, or patios. All houses must have an enclosed garage able to accommodate two parked cars. This garage may be attached to the main dwelling, or may be detached from the main structure. If the garage is detached, the main dwelling shall have no less than 1800 square feet, of which 1600 sq. ft., shall be heated living area. The balance of the 1800 sq. ft., may be porches, storage rooms, or sunrooms. After building plans and specifications have been approved by HODC, no changes or deviations in or from such plans or specifications as approved shall be made without the written consent of HODC. No alterations in the exterior appearance of any building or structure or in the grade elevation, or physical characteristics of any lot shall be made without like approval by HODC.

7. RESTRICTION OF BUILT-UPON AREA: No more than 6500 square feet of any lot in the Subdivision shall be covered by structures and/or paved surfaces, including walkways, driveways or patios of brick, stone, slate or similar materials, all of which constitutes effective impervious cover which is controlled by North Carolina Coastal Stormwater Regulations. Harbor Oaks Development Corp. reserves the absolute right to re-calculate the maximum

8. SET BACK REQUIREMENTS: Since the establishment of standard, inflexible building set back lines for location of houses and accessory structures on lots within the subdivision may tend to force construction of other homes with detrimental effects upon privacy, view, preservation of important trees and other native vegetation, ecological and related considerations, no specific set back lines are established by these

Restrictive Covenants. In order to assure, however, that these considerations are given maximum effect, HODC reserves the right to control and approve absolutely the site and location of all structures to be built upon any lot in the subdivision so that, at a minimum, no structures will interfere with the use of easements reserved by HODC and that no structure will be in violation of applicable zoning requirements of the City of Southport, North Carolina.

9. RESERVATION OF EASEMENTS: HODC reserves unto itself and its successors or assigns a perpetual, alienable and assignable easement and right of ingress and egress on, over and under the ground to erect, maintain, and use electric and telephone poles, wires, cables, conduits, sewers, water mains and other suitable equipment for the conveyance and use of electricity, telephones, television cables, gas, sewer, water or other public conveniences or utilities on, over or in the rear ten (10) feet of each lot, the front ten (10) feet of each lot, and ten (10) feet along at least one side of each lot, and such other areas as are shown on the recorded subdivision plat as easement areas. These easement rights specifically include the right to cut any trees, shrubs or bushes necessary in the opinion of HODC to install utilities or to maintain utilities in the rights-of-way reserved.

10. LIMITS ON LAND USE AND IMPROVEMENT:

(a) Each lot owner shall provide receptacles for garbage and household trash in a screened area which is not visible from the roadway.

(b) Each lot owner shall provide space for off-street parking for not less than three automobiles prior to the occupancy of any dwelling constructed on a lot. Driveways and parking areas shall be so constructed as to be durable and to provide room for maneuvering automobiles. The surface of driveways and parking areas shall be of concrete, asphalt, brick, or other suitable paving materials. Gravel and crushed stone driveways are not permitted. No walkways shall be surfaced with asphalt.

(c) No trees exceeding three inches in diameter measured one foot above ground level, bushes, shrubs or other native vegetation may be removed from any lot without the prior written approval of HODC based upon a site plan and landscaping plan submitted to HODC.

(d) No structure shall exceed two and one half (2-1/2) stories in height, and no garage shall accommodate more than three automobiles. No business or commercial activity, including the rental of apartment space, may be conducted in a garage, and no garage may be constcted before construction of the main dwelling.

(e) No animals shall be kept on any lot in the subdivision other than usual household pets.

(f) No fuel tanks or similar storage receptacles may be exposed to view. Any such receptacles may only be placed within the main dwelling, within a garage, or underground. All water wells shall be located in the rear yard of the main dwelling, and the pumping machinery and storage tanks must be enclosed in a structure that is built of the same materials as the exterior of the main dwelling.

(g) No signs of any type shall be displayed on any lot other than contractors and subcontractors' work notices during construction, temporary "for sale" signs, or address and property owner identification signs not exceeding two (2) square feet in area.

(h) No wire, chain link or metal fence shall be erected on any lot. An exception to this rule shall be if a lot owner erects a wooden fence of a split rail or 1" x 4" style; he may tack wire fencing (not chain link) behind the rails of the fence on the side of the fence facing his lot. The wire shall not extend above the top rail of the wooden fence. Fences or walls of wood, brick or stucco are permitted, but shall not be erected nearer to the street than the rear line of the main dwelling. With the proper written consent of HODC walls or fences may be erected in the front yard or side yard of the main dwelling.

(i) Any structure constructed on a lot shall have its exterior surfaces built of wood, brick, or stucco, and certain approved synthetic exteriors as determined by the Architectural Review Board Concrete block is acceptable as a building material only if its exterior surface is covered with brick veneer or with masonry stucco at least one half (1/2) inch in thickness.

(j) It shall be the responsibility of each lot owner to prevent the development or continuance of any unclean, unsighily or unkempt conditions of buildings or grounds on a lot which could or might tend to substantially decrease the beauty of the neighborhood as a whole or as to a specific area. Each lot owner shall do nothing to interfere with the drainage of his own or adjoining lands in the subdivision or divert or increase the flow of drainage presently existing, and it shall be the responsibility of each lot owner to properly

maintain any drainage ways or easements located upon his lot.

(k) No noxious or offensive activity shall be carried on upon any lot, nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance, or nuisance to the neighborhood. There shall not be maintained plants, animals or other devices or things of any sort whose normal activities or existence are in any way noxious, dangerous, unsightly, unpleasant or of a nature that may diminish or destroy the enjoyment of other property in the neighborhood by the owners thereof.

(1) Each lot owner shall from time to time prior to commencement of construction cut, or cause to be cut, and keep out, or cause to be kept out, all weeds and brush on such lot and shall remove any resulting debris to comply with the provisions of paragraph 10 (j) hereof. Should such owner fail to do so after a reasonable effort has been made to notify owner, HODC may do so and the reasonable expenses thereof shall be paid by such owner to HODC within 30 days thereafter. In the event of a failure of such owner to pay HODC as above provided, HODC shall have the right to file a notice of lien in the office of the Clerk of Superior Court of Brunswick, North Carolina, and from and after the filing of such notice of lien, HODC shall have a lien on such lot for the payment of such sum, with interest at the rate of 8% per annum, all in like manner as if HODC had performed such work at the instnce and request of such owner. Any such lien, however, shall be subordinate and inferior to any mortgage or deed of trust then or thereafter encumbering such lot.

(m) No boat, camper, recreational vehicle or satellite dish shall be stored on a lot so that it may be viewed from the road.

(n) No vehicle traffic of any kind shall enter lots from Yaupon Avenue, Moore Street, or Leonard Street. All driveways and access shall be from subdivision streets.

11. STORM WATER MANAGEMENT:

(a) The allowable built-upon area per lot is 6,500 square feet, inclusive of that portion of the right-of-way between the front lot line and the edge of the pavement, structures, pavement, walkways of brick, stone, slate, but not including wood decking.

(b) The covenants pertaining to storm water regulations may not be changed or deleted

without concurrence of the Division of Water Quality.

(c) Filling in or piping of any vegetative conveyances (ditches, swales, etc.) Associated with the development except for average driveway crossings, is strictly prohibited by any persons.

(d) Lots within CAMA's Area of Environmental Concern may have the permitted built-upon area reduced due to CAMA jurisdiction within the ABC.

12. COVENANTS RUN WITH THE LAND: All Covenants, Conditions, Restrictions and Affirmative Obligations set forth herein shall run with the land and shall be binding on all persons acquiring any interest in any real property located within the subdivision, including, but not limited to, the successors and assigns, if any, of HODC, for a period of twenty (20) years from the date hereof, and after expiration of that time all of these Covenants, Conditions, Restrictions and Affirmative Obligations shall be automatically extended for successive periods of ten (10) years, unless a majority of the then lot owners (not including mortgagees or trustees under deeds of trust) in the subdivision agree in writing to amend or to rescind the Restrictive Covenants and that a written instrument is duly recorded in the Office of the Register of Deeds of Brunswick County, North Carolina. Provided, however, that the provisions of Paragraph 7, RESTRICTONS OF BUILT-UPON AREA, shall run with the land and shall remain binding upon all parties and enforceable by all parties in interest to Harbor Oaks Subdivision, including the State of North Carolina, in order to insure continued compliance with storm water runoff rules adopted by the State of North Carolina.

13. ENFORCEMENT - VIOLATIONS: In the event of a violation or breach of any of these covenants, conditions, restrictions or reservations by any lot owner, or agent of such owner, HODC, Harbor Oaks Property Owners Association, or an owner of any other property in the subdivision, or any of them jointly or severally, shall have the right to proceed at law or equity to compel compliance with the terms hereof or to prevent the violation or breach. In addition, HODC shall have the rights, at its option, whenever there shall have been built on any lot any structure which is in violation of these restrictions, to enter upon such property where such violation exists, and summarily abate or remove the same at the expense of the lot owner, if after thirty (30) days written notice to the lot owner such violation shall not have been corrected by that owner. Any

such entry, abatement or removal shall not be deemed a trespass. The failure to enforce any covenants, restrictions, reservations or conditions contained in this instrument, however long continued, shall not be deemed a waiver of the right to do so hereafter as to the same breach, or as to a breach occurring prior or subsequent thereto and shall not bar or affect its enforcement.

14. COST OF ENFORCEMENT: Should HODC, Harbor Oaks Property Owners Association, or any lot owner employ legal counsel to enforce any of the foregoing restrictive covenants and affirmative obligations of lot owners, or to effect re-entry to abate a violation or breach thereof, all costs incurred in such enforcement, including reasonable counsel fees, shall be paid by the owner of such lot or lots in violation, and HODC, Harbor Oaks Property Owners Association or the lot owner attempting to enforce these restrictive covenants have a lien upon such lot or lots in violation to secure payment of all such sums.

15. INVALIDATION: The invalidation by any court, agency, or legislation of any provision of these restrictive covenants shall not in any way effect the validity of any other provisions of these covenants which shall remain in full force and effect.

16. AMENDMENTS - MODIFICATIONS: HODC specifically reserves the right to amend or change any part or all of these restrictive covenants and conditions by the filing in the Office of the Register of Deeds of Brunswick County, North Carolina, a declaration of amended restrictive covenants which shall be made applicable only to lots conveyed after the recording of such amended declaration. Additional amendments may be accomplished with the joinder of owners of 75% of all lots in the subdivision.

17. SUCCESSORS IN INTEREST TO DEVELOPER: If HODC shall transfer or assign the development of the subdivision or if it shall be succeeded by another in the development of the subdivision, then such transferee, assignee, or successor in title shall be vested with the several rights, powers, privileges or authorities given to HODC by any part or paragraph of this instrument.

18. ADDITIONAL COVENANTS IN DEEDS: HODC may include in any contract or deed hereafter made any additional covenants, restrictions, or obligations that are not inconsistent with and which do not lower the standards of the covenants and restrictions set forth herein, which additional covenants, restrictions, or obligations may include the obligation of a lot purchaser to construct an approved dwelling on his lot within a stated period of time.

19. STATEMENT OF PURPOSE AND INTENT: The provisions of this Declaration of Covenants, Conditions and Restrictions are applicable to Harbor Oaks as are the terms and provisions, conditions and authorization contained in the Articles of Incorporation and which may be contained in the By-Laws, which will be recorded in the Public Records of Brunswick County, North Carolina. The terms and provisions of said Articles of Incorporation, The Declaration of Covenants, Conditions and Restrictions and the By-Laws shall collectively govern the development of Harbor Oaks.

IN TESTIMONY WHEREOF, the said Harbor Oaks Development Corporation has caused this declaration to be executed in its name by its officers, this the 18 day of February, 1998.



(CORPORATE SEAL)

HARBOR OAKS DEVELOPMENT CORPORATION,
A North Carolina corporation

By: [Signature]
Title: Pres.

ATTEST:

[Signature]

Secretary

STATE OF NORTH CAROLINA

COUNTY OF ~~BRUNSWICK~~ New Hanover

I, Judy N. Weatherford a Notary Public of the County and State aforesaid, certify that, Michael P. Teer, Jr personally appeared before me this day and acknowledged that he ~~she~~ is the ass't Secretary of Branch Banking and Trust, a North Carolina Corporation, and that by the authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal and attested by him as its ass't Secretary.

Witness my hand and official stamp or seal, this 18th day of February, 1998.

Judy N. Weatherford
Notary Public

My Commission Expires:

7-05-98



STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

The Foregoing (or annexed) Certificate(s) of Tina Young Causey
Jody N. Weatherford

Notary(ies) Public is (are) Certified to be Correct.

This Instrument was filed for Registration on this 20 Day of February, 1998,
in the Book and Page shown on the First Page hereof.

Robert J. Robinson, Jr
ROBERT J. ROBINSON, Register of Deeds

STATE OF NORTH CAROLINA

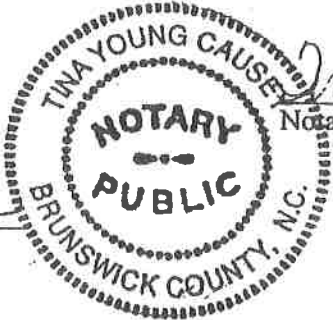
COUNTY OF BRUNSWICK

I, Tina Young Causey a Notary Public of the County and State aforesaid, certify that, Arveline S Young personally appeared before me this day and acknowledged that he/she is the _____ Secretary of Harbor Oaks Development, Corporation, a North Carolina Corporation, and that by the authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its _____ President, sealed with its corporate seal and attested by Arveline S Young as its _____ Secretary.

Witness my hand and official stamp or seal, this 19th day of February, 1998.

My Commission Expires:

June 30, 192002



Tina Young Causey
Notary Public

BRANCH BANKING & TRUST, as holder of a promissory note secured by a deed of trust and security agreemnt on the property described in this Declaration of Covenants, Conditions and Restrictions, and Jerone C. Herring, as Trustee under said deed of trust joins in the execution of this instrument to facilitate the applicability of its provisions. The deed of trust and security agreement are recorded in Book 1140, Page 1270, Brunswick County Registry.

BRANCH BANKING & TRUST

By: [Signature]

Title: Vice President

(CORPORATE SEAL)

ATTEST:

[Signature]
Secretary