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Alamance County, NC
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Muriel W Tarpley, Register of Deeds

**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
OF
TRAILS CROSSING TOWNHOMES OF BURLINGTON**

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THIS DECLARATION, made on this the ____ day of January, 2002, by KBK of North Carolina, LLC, a North Carolina limited liability company, hereinafter referred to as "Declarant";

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in Burlington Township, Alamance County, North Carolina, which is more particularly described on Exhibit A, attached hereto and made a part hereof by reference;

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 shall 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 Trails Crossing Townhomes of Burlington Owners' Association, Inc., its successors and assigns.

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, but excluding those having such interest merely as security for the performance of an obligation.

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Section 3. "Properties" shall mean and refer to that certain real property hereinabove described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 4. "Common Area" shall mean all of the Properties except Lots and dedicated streets, and shall refer to all real property owned by the Association for the common use and enjoyment of the Owners, including easements and rights of way. The Common Area to be owned by the Association at the time of the conveyance of the first lot is described as follows:

All that land shown in the plat entitled Trails Crossing Townhomes, Phase _____ which appears of record in the Office of the Register of Deeds for Alamance County, North Carolina, in Plat Book 606 at Page 336, except for Lots as hereinafter defined and dedicated streets, together with easements appurtenant to the Common Area over and upon the portion of each Lot shown on the recorded plat, which areas may be used for the common benefit of the Owners of all Lots for parking, walkways, ingress, egress and as otherwise determined by the Board of Directors of the Association.

Section 5. "Lot" shall mean and refer to any plot of land designated by letter or number (for example "1") shown upon any recorded subdivision map of the Properties.

Section 6. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 7. "Declarant" shall mean and refer to KBK of North Carolina, LLC, its successors and assigns.

Section 8. "Living Unit" shall mean and refer to any portion of a building situated upon the Properties designed and intended for use and occupancy as a residence by a single family.

ARTICLE II PROPERTY RIGHTS

Section 1 - Owner's Easement and Enjoyment. Every owner shall have a right and easement of enjoyment in and to the Common Area 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 rights to use of the recreational facilities of 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 its published rules and regulations;

b) The right of the Association to dedicate or transfer all or any part of the Common Area 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 unless an instrument signed by at least two thirds (2/3) of each class of members agreeing to such dedication or transfer has been recorded;

c) The right of the Association to mortgage, pledge, deed in trust or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

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

Section 2 - Delegation of Use. Any Owner may delegate, in accordance with the Bylaws, his right of enjoyment of the Common Area and facilities to the members of his family, his tenants or contract purchasers who reside on the property.

ARTICLE III MEMBERSHIP AND VOTING RIGHTS

Section 1 - Membership.

Every person who is the record owner of a fee simple or undivided fee simple interest in a Lot shall be deemed to have a membership interest in the Association. Membership shall be appurtenant to and may not be separated from ownership of a Lot. Ownership of a Lot shall be the sole qualification for membership in the Association. The foregoing is not intended to include mortgagees or any other persons who hold an interest merely as security for the performance of an obligation, and the granting of a security interest shall not terminate or otherwise affect an Owner's membership in the Association. No Owner, regardless of whether title to a Lot is vested in more than one Owner, shall have more than one membership or more than one vote per Lot.

Section 2 - Voting Rights.

Each lot shall be entitled to one vote to be cast by the Owner thereof. When any Lot is owned by two or more persons or entities, whether fiduciaries, joint tenants, tenants in common, tenants in partnership, or any other manner of joint or common ownership, or, if two or more persons or entities have the same fiduciary relationship respecting the same Lot, or, if a Lot is owned by a corporation, then such Owners shall file with the Secretary of the Association an instrument in writing signed by all such Owners designating one Owner (or in the case of a Corporation, one of its officers) to cast the vote which is attributable to such Lot. This section shall also apply, insofar as possible, to execution of proxies, waivers, consents, or objections and for the purpose of ascertaining the presence of a quorum.

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Section 3 – Government Body.

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The Association shall be governed by a Board of Directors consisting of not less than three (3) nor more than five (5) Members. Subject to the provisions of Article III, Section 6, the election of directors shall be by the Members as provided in the Bylaws.

Section 4 – Quorum Required for any Action Authorized at Regular or Special Meetings of the Association.

The quorum required for any action which is subject to a vote of the Members at a meeting of the Association shall be as follows:

Section 5 – Proxies.

All Members of the Association may vote and transact business at any meeting of the Association by Proxy authorized in writing.

Section 6 – Control by Declarant.

NOTWITHSTANDING ANY OTHER LANGUAGE OR PROVISION TO THE CONTRARY IN THE DECLARATION, IN THE ARTICLES OF INCORPORATION, OR IN THE BYLAWS OF THE ASSOCIATION, Declarant hereby retains the right to appoint and remove any Member or Members of the Board of Directors of the Association and any officer or officers of the Association until such time as the first of the following events shall have occurred: (i) the expiration of seven (7) years from the date of the recording of this Declaration; (ii) the sale of the last Townhome which Declarant elects to build, or (iii) the surrender of such right by Declarant evidenced by an express amendment hereto recorded on the public records of Alamance County, North Carolina. Every grantee of any interest in the property, by acceptance of a deed or other conveyance of such interest, agrees that Declarant shall have the authority to appoint and remove directors and officers of the Association in accordance with the foregoing. Upon the expiration of the period of Declarant's right to appoint and remove directors and officers of the Association, such right shall automatically pass to the Owners including Declarant if Declarant then owns one or more lots. A special meeting of the Association shall be called at such time. At such meeting the Owners shall elect a new Board of Directors which shall undertake the responsibilities of the Board of Directors, and Declarant shall deliver all books, accounts, and records, if any, which Declarant has kept on behalf of the Association and any agreements or contracts executed by or on behalf of the Association during such period and which Declarant has in its possession. Any management contract or any other contract or lease executed by or on behalf of the Association during the period of Declarant's right to control the Association shall be subject to cancellation and termination at any time during the twelve (12) months next immediately following the expiration of such period of Declarant's control. Cancellation or termination of such contract or lease may be accomplished by the affirmative vote of the Owners to whom a majority of the votes in the Association appertain, unless the Owners by a like majority shall have expressly ratified and approved the contract or lease.

ARTICLE IV COVENANTS FOR MAINTENANCE AND ASSESSMENTS

Section 1 - Creation of the Lien and Personal Obligation of Assessments.

Declarant covenants and each Owner of any Lot, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to all the terms and provisions of this Declaration and to pay to the Association: (1) regular annual assessment or charges; and (2) special assessments or charges for the purposes set forth in this Article. Regular annual assessments and special assessments are to be fixed, established and collected from time to time as hereinafter provided. All assessments, together with interest thereon and all costs of collection, shall be a continuing charge upon the Lots against which the assessments are made. Each such assessment, together with interest thereon and all costs of collection, as hereinafter provided, shall also be the personal obligation of the Owner of such Lot at the time when the assessment first becomes due and payable. In the case of co-ownership of a Lot, all of such co-owners shall be jointly and severally liable for the entire amount of the assessment. No Owner may waive or otherwise escape liability of the assessments provided for herein by non-use of Common Property or abandonment of his Lot and Townhome.

Section 2 - Date of Commencement of Annual Assessments.

The annual assessments provided for herein shall, as to each Lot, commence on the first day of the month following the conveyance of the Lot to an Owner by Declarant. The first annual assessment shall be adjusted according to the number of months then remaining in that fiscal year. Declarant shall pay the annual assessment for all Lots owned by Declarant and containing an occupied Townhome; provided, however, that Declarant shall not be responsible for assessment on Lots which do not contain an occupied Townhome.

Section 3 - Purpose of Regular Annual Assessment.

The regular annual assessment shall be levied by the Board of Directors of the Association, shall be payable monthly and shall be used exclusively for the improvement, maintenance, and repair and enhancement of the Common Property, and to provide the required services as set forth in Article IV, Section 1 hereof and to provide so many of the discretionary services set forth in Article XIII, Section 1 as the Board of Directors may elect to provide.

Section 4 - Special Assessments.

In addition to the annual regular assessments authorized by Section 3, the Board of Directors of the Association may levy special assessments against Lots to:

- (a) Repair, replace or expand any paved areas of the Common Property; and
- (b) Repair, replace and maintain the walls and landscaping on the Common Property; and
- (c) Provide for the necessary facilities and equipment to offer the services authorized herein; and
- (d) Repay any loan made to the Association to enable it to perform the duties and functions authorized herein; and
- (e) Repair and maintain the exterior surfaces, excluding roofs, of each Townhome constructed on a Lot.

Before any special assessment is levied by the Association, it must receive the approval of a simple majority of votes cast at a duly held meeting of the Association at which a quorum is present. The notice of the meeting of the Association at which a special assessment will be considered shall include a statement from those Directors favoring the special assessment (if any), containing the reasons for those Directors' support and a statement from those Directors who oppose the assessment and the reason for their opposition. Neither statement shall exceed two (2) pages in length.

In the event any Owner shall fail to fulfill his/her/its obligations under Article IV hereof, and the Association shall fulfill any of such obligations for such Owner, the Association shall be entitled to specially assess such Owner, without requirement of a vote, for all costs incurred by the Association in performing such services.

Section 5 – Reserve Funds.

The Association may establish reserve funds from its regular annual assessments to be held in reserve in an interest-bearing account or investments as a reserve for (a) a major rehabilitation, repairs, or maintenance; and (b) for emergency and other repairs required as a result of storm, flood, wind, natural disaster or other casualty loss.

Section 6 – Certificate of Payment.

The Association shall upon demand at any time furnish to any Owner a certificate in writing, signed by an officer of the Association, setting forth whether such Owner's assessment(s) has been paid. Such certificates shall be conclusive evidence against all but the Owner of payment of any assessment therein stated to have been paid.

Section 7 – Effect of Non-Payment of Assessment; The Personal Obligation of the Owner; the Lien; Remedies of Association.

If the regular annual assessment or any special assessment is not paid by an Owner before the assessment becomes delinquent, then the delinquent assessment shall bear interest from the past due date until paid at the lesser of (i) 1.5% per month (18% per annual, or (ii) the highest rate permitted by law, and shall automatically and immediately (together with interest thereon as provided herein, and all costs of collection,

including attorney's fees) become a charge and continuing lien on the Lot and Townhome, against which each such delinquent assessment is made, and shall also constitute the personal obligation and debt of the Owner, his heirs, devisees, personal representatives, successors and assigns.

If the assessment is not paid within thirty (30) days after the past-due date, the Association may, at its election, bring an action to foreclose its lien on the property or bring the action at law against the Owner personally. If a delinquent assessment is put in the hands of an attorney-at-law for collection, there shall be added to the amount of such assessment all costs of collection, including, but not limited to, fifteen percent (15%) of the amount of the delinquent assessment and all interest thereon as reasonable attorney's fees. Additionally, the Association may discontinue water service to the Townhome of the Owner (or any tenant of the Owner) by closing and securing the valve controlling the domestic water to the Townhome. Opening the valve without the consent of the Association shall be considered a continuing trespass upon the property of the Association. Upon payment of all delinquent accounts by the Owner and payment of a reinstatement fee determined from time to time by the Association, the domestic water service will be reestablished by the Association. The Owner agrees to hold the Association and its Board of Directors harmless for any damages, either direct or consequential, resulting from the discontinuation of domestic water by the Association.

Section 8 – Subordination of the Lien to Deeds to Secure Debt.

The lien of the assessments provided for in this Article shall be subordinate to the lien of any mortgage or deed to secure debt now or hereafter placed upon any Lot and Townhome which, except for the lien for assessments, would constitute a first lien on the Lot and Townhome. Sums collected by foreclosure of such mortgage or deed to secure debt shall be applied first to the indebtedness secured thereby and all costs of collection, and second to the past due assessments, interest thereon and costs of collection.

Section 9 – Annual Statements.

The president, treasurer or such other officers as may have custody of the funds of the Association shall annually, within ninety (90) days after the close of the fiscal year of the Association, prepare and execute under oath a general itemized statement showing the actual assets and liabilities of the Association at the end of each fiscal year, and a statement of revenues, costs and expenses. It shall be necessary to set out in the statement the name of any creditor of the Association whose claims exceed \$250.00. Such officer shall furnish to each Member of the Association who may request, in writing, a copy of such statement within thirty (30) days after receipt of such a request. Such copy may be furnished to the Member either in person or by mail.

Section 10 – Annual Budget.

The Board of Directors shall prepare and make available to all Members, at least sixty (60) days prior to the first day of each fiscal year, a budget outlining anticipated

receipts and expenses for the upcoming year. The financial records of the Association shall be available for inspection by all Members at all reasonable times.

Section 11 – Uniform Assessment.

All assessments made under this Declaration shall be equal among Lots, except for the reduction permitted by Section 2 of Article IV in the regular annual assessment of unoccupied Townhomes owned by the Developer.

Section 12 – Working Capital Fund.

In order to insure that the Association will have cash necessary to fund the operation of the Association, a reserve and working capital fund will be established. Funding of the working capital fund will come from (i) the initial Owners who will pay at the closing of every Lot the sum of \$100.00 to the Association, (ii) all successive purchasers of the Lots thereafter who will pay \$100.00 to the Association, and (iii) the Developer which shall pay \$100.00 for each Lot at the time the Developer conveys each Lot to the initial Owner. Amounts paid into the working capital fund shall not be considered to be advance payment of assessments.

ARTICLE V ARCHITECTURAL CONTROL

A. Purpose. The primary purpose of this Declaration and the foremost consideration in the origin of same has been the creation of a fee simple townhome development which is aesthetically pleasing and functionally convenient.

B. Residential Use. Each Lot and Townhome shall be used exclusively for single-family residential purposes. No business or commercial activity of any nature shall be maintained or conducted in any Townhome, including by way of illustration and not by way of limitation, telephone answering services, manufacturers' representatives, interior decorating services, and such other activities as do not directly constitute or necessitate the transfer of goods or merchandise from, in or about a Townhome. However, until such time as Declarant has sold all of the lots in Trails Crossing Townhomes, it may use any Townhome which it owns as a model unit or as a sales office.

C. Permitted Structures. No structure shall be erected, placed or permitted to remain on any Lot other than:

1. One single-family Townhome to be used as a Family Dwelling Unit;
2. Landscaping structures of the type compatible with the Townhomes built in Trails Crossing Townhomes of Burlington including, but not limited to, garden walls, walks, fences, driveways, and parking areas; and

3. A roof or gable mounted satellite dish not exceeding 18" in diameter and not being visible from any private street owned by this Association.

D. Architectural Approvals.

1. **Alterations to Townhomes.** No Owner shall make modifications or alterations to a Townhome which affect the structural integrity or soundness of the improvements located on the Lot or Property without previously obtaining the written approval of the Association. No screen enclosures of outside balconies, ground terraces, or patios shall be permitted on any Lot without the written approval of the Association. Changes to the interior of a Townhome which do not affect the structural integrity or soundness of the improvements located on the Property may be made without the approval of the Association.

2. **Landscaping Alternations.** No Owner shall make alternations, modifications, or changes to the landscaping including, but not limited to, the removing, planting or placing of trees, shrubbery, bushes, grass or ground cover, or the construction or removal of walls, fences, foundations, pools, ponds, streams, gardens, decks, or patios without first obtaining the written consent of the Association; provided, however, if trees or shrubbery located on a Lot should die, the Owner shall be responsible for its removal, and the Owner shall, at his expense, replace dead trees or shrubbery with reasonably similar trees or shrubbery; provided, however, that any such replacements may be of a lesser age or maturity.

3. **Procedure for Seeking Consent of Association.** In order to obtain the consent of the Association required by this Article V, an Owner shall submit to the President of the Association a written request describing the modification, alteration, or change which the Owner desires to make. Such request shall be accompanied by full and complete plans and specifications, a site plan, a work schedule and list of those who will be performing the work for the alteration, modification or change which the Owner desires to make. The Association shall, in writing, grant or deny a request for its consent within sixty (60) days after receiving a written request from the Owner. If the consent requested is not granted or denied in writing within the sixty (60) day period, then the Association shall be deemed to have given its written consent as requested by the Owner.

4. **Discretion of Association in Granting Consent.** The Association may grant or deny its consent hereunder upon any ground including purely aesthetic considerations, which, the Association, in its discretion deems sufficient.

E. Antennas, Air Conditioning Units and Other Objects Located Outside of Townhomes. No Owner shall install or permit to be installed television or radio antennae, window or roof-top air conditioning units or similar machines or objects outside of the Owner's Townhome or which protrude through the walls or roof of a Townhome.

1. The provisions of this paragraph shall not prohibit the Declarant from installing or having installed equipment necessary for a master antenna system or Community Antenna Television (CATV) or other similar systems; and

2. Should CATV services be unavailable and good television reception not be otherwise available, an Owner may make written application to the Declarant for permission to install a television antenna and such permission shall not be unreasonable withheld.

F. No Signs. Except for the rights given Declarant under the Declaration of Covenants, etc. no signs, advertisements, or notices shall be erected, exhibited, maintained, inscribed, painted or affixed on any portion of a Lot or on any Townhome by anyone including, but not limited to, an Owner, a Realtor, a contractor, or subcontractor, except with the prior written consent of the Association or except as may be required by legal proceedings. If such consent is granted, the Association shall have the right to restrict the size, color and content of such signs. One sign of not more than five (5) square feet advertising a Lot for sale may be exhibited or maintained during the period that the Lot is for sale without consent of the Association.

G. No Burning. No outside burning of wood, leaves, trash, garbage or other refuse shall be permitted on any Lot.

H. Pets. Except as permitted in this section, no animals, livestock or poultry of any kind shall be kept, raised or bred on any Lot; provided, however, the Owner may be permitted to keep no more than two (2) domestic household pets (i.e. dogs or cats) on a Lot. In the event that pets are kept on a Lot, pets shall not be kept, maintained or bred for any commercial purposes and must be secured by a leash or lead at any time they are permitted outside a Townhouse. In no event shall an Owner maintain on a Lot any pet which constitutes a nuisance or causes distress to other Owners by barking, howling, whining, biting, scratching or damaging property.

I. No Outbuildings or Temporary Structures. No mobile home, tent, barn, shed, pet pen, pet house, green house, or other similar outbuilding or structure shall be placed on any Lot at any time, either temporarily or permanently. No structure of a temporary character shall be placed upon any Lot at any time.

J. Parking of Vehicles. No vehicle of any type (including, but not limited to, boats, trailers, trucks, buses, motor homes, recreational vehicles, motor scooters, go carts, motor bikes and campers) other than conventional automobiles and pick-up trucks shall be parked or maintained on any Lot or other portion of the Property except as the Association shall permit in an area specifically designated for such purpose. None of the aforesaid vehicles shall be used as a living area while located on the Property nor shall any of the aforesaid vehicles be repaired or serviced on any portion of the Property. Each lot shall include no less than two (2) assigned parking spaces.

K. Activities Causing Disorderly Conditions. The pursuit of hobbies or other activities which might lead to disorderly, unsightly or unkempt conditions shall not be pursued or undertaken on any Lot.

L. Disturbing Others. Each Owner shall be responsible for and shall regulate the occupancy and use of the Owner's Lot and Townhome so as to not unreasonably disturb other residents of Trails Crossing Townhomes or to interfere unreasonably with the peace and enjoyment of the other Lots and Townhomes by the Owners thereof. No noxious or offensive activity shall be carried on upon any Lot nor shall anything be done on a Lot which creates an annoyance or nuisance to the Owners or residents within Trails Crossing Townhomes. No Owner shall allow any disturbing noises on such Owner's Lot or interfere with the rights, comforts, or conveniences of other Owners. No Owner shall permit any musical instrument to be played or any phonograph, television, radio or other sound-making equipment to be operated on such Owner's Lot at a volume which disturbs or annoys other residents of Trails Crossing Townhomes.

M. Rubbish and Trash. No portion of a Lot shall be used or maintained as a dumping ground for rubbish, trash or garbage. Trash, garbage or other waste shall be stored only temporarily awaiting pickup and must be kept in adequate sanitary containers. All equipment for the storage or disposal of trash, garbage or other waste shall be kept in a clear and sanitary condition.

N. Maintenance of Townhome Exterior and Landscaping. Each Owner shall maintain in good condition the exterior and roof of his Townhome and the landscaping of his Lot.

O. Interior Window Coverings. All interior window coverings as viewed from the exterior shall be white or off-white in color.

P. Mailboxes. No mailbox shall be erected or installed on any Lot unless the Owner shall have received prior written consent from the Declarant as to the design, style and location of the mailbox.

ARTICLE VI PARTY WALLS

Section 1 - General Rules of Law to Apply. Each wall which is built as a part of the original construction of the homes upon the Properties and placed on the dividing line between 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 - Sharing of Repair and Maintenance. 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 - Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice; subject, however, to the right of any of such Owners to call for a larger contribution from the others under any rules of law regarding liability for negligent or willful acts or omissions.

Section 4 - Weatherproofing. Notwithstanding any other provisions of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 5 - Right to Contribution Runs with Land. 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.

ARTICLE VII MAINTENANCE

Section 1 - Owner's Responsibility.

Unless specifically identified herein as being the responsibility of the Association, all maintenance and repair of a Lot, together with all portions of the Townhome, and other improvements thereon shall be the responsibility of the Owner of such Lot. The responsibility of each Owner shall include maintenance, repair and replacement of the roof, all fixtures, equipment and appliances (including, without limitations, the heat and air conditioning system for his Townhome) and all chutes, flues, ducts, conduits, wires, pipes, plumbing, or other apparatus which are deemed to be part of his Lot. The responsibility of the Owner shall also include the maintenance, repair, and replacement of all glass, lights and light fixtures (exterior and interior), awnings, window boxes, window screens, and all screened or glass-enclosed porches, balconies, or decks which are part of the Townhome. Each Owner shall maintain and keep the exterior of his Townhome and grounds of his Lot in good, neat, clean and sanitary condition, including the maintenance and care of all lawns, trees, shrubs, hedges, grass, and other landscaping contained within such Lots. Each Owner shall also be obligated to pay the costs incurred by the Association for repairing, replacing, maintaining, or cleaning any portion of the Lot or Townhome which is the responsibility of the Owner, and which such Owner fails or refuses to discharge; the Association may specially assess such Owner for any amounts expended by the Association to discharge the responsibility of the Owner defined herein. In the event of any such assessment as herein provided and the non-payment by the Owner within thirty (30) days after notice and demand from the Association, the Association shall have the rights set forth in Article IV, Section 7, hereof.

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ARTICLE VIII ADDITIONAL RESTRICTIONS TO IMPLEMENT

In order to protect the natural beauty of the vegetation, topography, and other natural features of the Property, the following environmental controls are hereby established:

A. Topographic and vegetation characteristics of the Property shall not be altered by removal, reductions, cutting, excavation or any other means without the prior written approval of the Declarant. Written approval will be granted only after a plan designed to prevent erosion, or other unsightly or destructive processes from occurring has been submitted to and accepted by the Declarant. Written approval will be granted for the minimum amount of each movement and vegetation reduction required in the plans and specifications approved pursuant to the provisions of paragraph D of Article V of this Declaration.

B. No trees, shrubs, ground cover, or other vegetation may be removed from any Lot without written approval of the Declarant. Approval for the removal of trees located within ten (10) feet of a Townhome will be granted unless such removal will substantially decrease the beauty of the Property.

C. In order to implement effective and adequate erosion control and protect the purity and beauty of the Property, the Declarant, its successors and assigns, and its agents shall have the right to enter upon any portion of the Property for the purpose of performing any grading work or constructing and maintaining erosion prevention devices. Such entries shall, however, be made only after construction of improvements has commenced on such Property or the soil thereof has been graded. Provided, however, that for the purpose of performing any grading work or constructing or maintaining erosion prevention devices, the Declarant, its successors and assigns, shall give the Owner of that portion of the Property the opportunity to take any corrective action required by giving said Owner notice indicating what type of corrective action must be taken by the Owner. If said Owner fails to take the specified corrective action immediately, the Declarant shall then exercise its right to enter upon that portion of the Property and take the necessary corrective action. The cost of such erosion prevention measures when performed by the Declarant shall be kept as low as reasonably possible. The cost of such work, when performed by the Declarant, its successors and assigns, shall be paid by the Owner of that portion of the Property on which the work is performed. The provisions of this paragraph shall not be construed as an obligation on the part of the Declarant to perform grading work or to construct or maintain erosion prevention devices.

D. In order to implement effective insect, reptile, wildlife and woods fire control, the Declarant and its agents have the right to enter upon any portion of the Property on which no landscaping plan has been implemented, for the purpose of moving, removing, clearing, cutting or pruning underbrush or weeds or other growth which, in the opinion of the Declarant, detracts from the overall beauty or safety of Trails Crossing

Townhomes. The cost of vegetation control shall be kept as low as reasonably possible and shall be paid by the Owner of the Property on which the work is performed. The Declarant and its agents may likewise enter upon such portions of the Property and remove any trash which has collected. Such entry shall not be made until thirty (30) days after the Owner of the Property has been notified in writing of the need of such work, and unless such Owner fails to perform the work within said thirty (30) day period. The provisions in this paragraph shall not be construed as an obligation on the part of the Declarant to mow, clear, cut, maintain or prune the Property, to provide garbage or trash removal services, or to provide water pollution control on any Lot.

E. In addition, the Declarant reserves unto itself, its successors and assigns, a perpetual, alienable and releasable easement and right on, over and under any portion of the Property to dispense pesticides and take other action which in the opinion of the Declarant is necessary or desirable to control insects and vermin.

F. Reconstruction or Repair of Damaged Townhomes. If any Townhome shall be damaged by casualty, the Owner of such Townhome shall promptly reconstruct or repair it so as to restore such Townhome as nearly as possible to its condition prior to suffering the damage. All such reconstruction and repair work shall be done in accordance with the plans and specifications approved by the Association. Encroachments upon or in favor of Townhomes or Lots, which may be necessary for or created as a result of such construction or repair, shall not constitute a claim or basis of a proceeding or action by the Owner on whose Townhome or Lot such encroachment exists, provided that such reconstruction or repair is done substantially in accordance with the plans and specifications approved by the Association or as the building was originally constructed. A number of Townhomes constructed on the Lots appear from the exterior to have a common party wall with the Townhome or Townhomes constructed on contiguous Lots. However, all Townhomes have been constructed with separate exterior stud walls where there appears to be a party wall. The boundary line between these Lots run along the air space between such Townhomes. This air space has been concealed on the exterior by covering it with the fascia boards which are common to both Townhomes. The exterior of the two walls on either side of this small air space are unfinished so that if one of the townhomes is destroyed and not rebuilt, an unsightly condition will exist. Therefore, if a structure is destroyed in whole or in part, and the Owner thereof elects not to rebuilt, such Owner shall be responsible for the cost of finishing the exterior of those walls on contiguous Townhomes which are unfinished and which are exposed to view as the result of such destruction. The finish placed on these exterior walls shall be subject to the approval of the Declarant and shall be compatible with the finish of the other visible exterior walls of the structure. In addition, the Owner of the damaged or destroyed structure shall be responsible for the cost of immediately weatherproofing the exposed unfinished walls of contiguous Townhomes if that is necessary.

G. Decision Not to Reconstruct. An Owner shall not be required to reconstruct a damaged townhome if 60% or more of the Townhomes in Trails Crossing Townhomes of Burlington are rendered uninhabitable by such damage.

ARTICLE IX USE RESTRICTIONS

Section 1 - Land Use and Building Type. No Lot shall be used except for residential purposes.

Section 2 - Nuisance. No noxious or offensive activity shall be conducted upon any Lot nor shall anything be done thereon which may become an annoyance or nuisance to the neighborhood.

Section 3 - Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any Lot or in any dwelling except that not more than two 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 kept inside the dwelling and do not annoy or offend other residents due to barking or other conduct.

Section 4 - Outside Antennas. The Board of Directors of the Association may adopt rules and regulations regulating or prohibiting outside radio or television antennas on any Townhome Lot.

Section 5 - Grounds Maintenance. Each unit owner shall keep his lot in a neat and clean condition, not permitting the premises to be littered, unclean or unsightly. All trash and garbage receptacles shall be kept in such a manner and place as required by the Association, and shall be removed from the street as soon as possible after City pick-up.

Section 6 - Motor Vehicles, Recreational Vehicles, Trailers, Commercial Vehicles, Boats, Campers and Similar Vehicles. No immobile or junk vehicles of any type shall be permitted to remain on any lot, street or driveway in the townhome development. Likewise, no tractors, boats, campers, boat trailer or other type of trailer or other similar vehicle may be stored or regularly parked on any lot or street, unless within the confines of a closed garage area.

Section 7 - Rules and Regulations. The Board of Directors of the Association may adopt reasonable rules and regulations pertaining to the use, enjoyment and maintenance of common areas and yard areas of individual lots. Said rules and regulations may include, without limitation, restrictions on outside storage or construction, outdoor recreational activities and regulation of activities which might tend to be disruptive, excessively noisy or in any manner constitute a nuisance.

ARTICLE X EASEMENTS

Section 1 - Utilities. Easements for installation and maintenance of utilities and drainage facilities are reserved as may be shown on the recorded plat. Within these easements no structure, planting or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may

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change the direction or flow of drainage channels in the easements, or which may obstruct or retard the flow of water through drainage channels in the easements. Easements are likewise reserved for such utilities as may be actually installed in the Common Area or within the boundaries of any Lot prior to conveyance of the Common Area or of the affected Lot by the Declarant regardless of whether the same are shown on a recorded plat or referred to in a deed.

Section 2 - Easements for Parking, Roads, etc. Easements appurtenant to the Common Area are reserved over and upon the portion of each Lot shown on the recorded plat (or as shown on the recorded plats of areas annexed hereto as set forth hereinafter) which areas may be used for the common benefit of the Owners of all Lots for parking, walkways, ingress, egress and as otherwise determined by the Board of Directors of the Association. Included is a non-exclusive easement for private road(s) as may appear on the recorded plat or shown on the recorded plat (or as shown on the recorded plats of areas annexed hereto as set forth herein).

Section 3 - Unintentional Encroachments. In the event that any Living Unit on a Lot shall encroach upon any Common Area or upon any other Lot for any reason not caused by purposeful or negligent act of the Living Unit Owner or agents of such Owner, then an easement appurtenant to such Living Unit shall exist for the continuance of such encroachment upon the Common Area or other Lot for so long as such encroachment shall naturally exist; and, in the event that any portion of the Common Area shall encroach upon any Lot, then an easement shall exist for the continuance of such encroachment of the Common Area into any such Lot for so long as such encroachment shall naturally exist.

ARTICLE XI 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, covenants, reservations, liens and charges now or hereafter imposed by the provisions of the Declaration. Failure by the Association or by any 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 - Severability. Invalidity of any one of the 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 3 - Extension or Amendment. (a) These covenants and restrictions shall run with and bind the land for a period of thirty (30) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive additional periods of ten (10) years. (b) These covenants may be amended at any time if an instrument signed by the then owners of seventy five percent (75%) of the Lots is executed and recorded. No such 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 established herein, nor shall any such amendment affect the validity or priority of any mortgage, deed of trust or other lien against any Lot or of the rights of the holders of obligations secured thereby or any purchaser following foreclosure thereof unless the affected lien holder or purchaser following foreclosure shall agree thereto in writing; provided however, that such parties and their successors shall be bound by these covenants as originally declared, whether or not the same shall have been amended. Provided, however, the consent of at least fifty one percent (51%) of holders of first mortgages of units and lots subject to mortgages shall be required to amend any provision of the Declaration, Bylaws or Articles of Incorporation of the Association, or to add any material provisions thereto, which establish, provide for, govern or regulate any of the following: (i) voting; (ii) assessments, assessment liens or subordination of such liens; (iii) reserves for maintenance, repair and replacement of the common area; (iv) insurance or fidelity bonds; (v) rights to use of the common area; (vi) responsibility for maintenance and repair of the property; (vii) expansion or contraction of the properties or the addition, annexation or withdrawal of any property to or from the regime not otherwise provided for herein; (viii) boundaries of any lots; (ix) leasing of residential units; (x) imposition of any right of first refusal or similar restriction on the right of any owner to sell, transfer, or otherwise convey his or her lot; (xi) any provisions included in the Declaration, Bylaws or Articles of Incorporation which are for the express benefit of holders, guarantors or insurers of first mortgages on lots and residential units.

Section 4 - Annexation. Additional land may be annexed by the Declarant without the consent of the Owners or of the Members within ten (10) years of the date of this instrument, provided that the land is contiguous to land originally or subsequently subjected hereto. Such annexation may be accomplished by the recording of an instrument by the Declarant or its successors and assigns incorporating this instrument by reference therein, in which event: (a) all land within the area annexed shall be included within the term "Properties" as herein defined; (b) all Owners of Lots in the annexed area shall be Members of the Association; (c) the Common Areas of the annexed property shall be conveyed by the Declarant or its successors and assigns to the Association; (d) the provisions of these covenants, conditions and restrictions shall be binding upon the Owners of all Properties subject thereto, including annexed Properties, and may be enforced by all Owners of Lots therein against all other Lots and Owners thereof, whether within the original Property or annexed Properties; and (e) the Association shall have easements rights as set forth herein in Article X, Sections 1 and 2.

Section 5 - Insurance Requirements and Duty to Rebuild. Each lot Owner upon which a residence has been constructed shall procure and maintain in effect fire and extended coverage insurance on said improvements in an amount equal to the full insurable value thereof. In the event of a fire or other casualty, said insurance proceeds shall, to the extent required, be utilized to restore or repair the destroyed premises, provided such restoration or repair is economically feasible. The Association may require proof of insurance on an annual basis.

Section 6 - Notice of Default. Notwithstanding anything contained herein which may be otherwise construed to the contrary, a first mortgagee, upon written request, will

be entitled to written notification from the Association of any default in the performance by any Owner of a Lot or residential unit in which such mortgagee has an interest of any obligation under this Declaration, the Bylaws or the Articles of Incorporation which is not cured within sixty (60) days.

Section 7 - Notice to Mortgage Holders. Holders of all first mortgages on any lot or unit shall be given notice in writing of any condemnation or casualty loss that affects a material portion of the project, of the common area within the project, or of a unit securing their mortgage. Holders of first mortgages shall also be entitled to written notice of any lapse, cancellation or material modification of any insurance policy carried or required to be carried by the Homeowners' Association. Holders of first mortgages on any unit or building lot shall also be given written notice of any action proposed to be taken by the Homeowners' Association or the Declarant if such action would require the consent of holders of first mortgages or insurer of first mortgages.

ARTICLE XII CONDEMNATION

Whenever all or any part of the common area is taken (or conveyed in lieu or under threat of condemnation) by any authority having the power of condemnation or eminent domain, the award may for such taking be payable to the Homeowners' Association as Trustee for all Owners, to be disbursed as follows:

If the taking involves a portion of the common area on which improvements have been constructed, then, unless within sixty (60) days after such taking the Declarant and at least seventy five percent (75%) of the Class A Members of the Association shall otherwise agree, the Association shall restore or replace such improvement so taken on the remaining land including the common area, to the extent lands are available therefor, in accordance with the plans approved by the Board of Directors of the Association. If the taking does not involve any improvements on the common area, or if there is a decision not to restore or repair, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board of Directors of the Association shall determine.

ARTICLE XIII INSURANCE AND CASUALTY OR LIABILITY LOSSES

Section 1 - Insurance. The Board of Directors or its duly authorized agent shall have the authority to and shall obtain insurance for all insurable improvements on the common area against loss or damage by fire or other hazards, including extended coverage, vandalism and malicious mischief. This insurance shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction. The Board shall also obtain a public liability policy applicable to the common area covering the Association, its officers, directors, members and agents. The public liability policy shall

have at least a million dollar limit per occurrence for bodily injury and property damage. Unless otherwise provided by the Board of Directors, the cost of all such insurance coverage shall be paid from the common expense. All such insurance coverage obtained by the Board of Directors shall be written in the name of the Association, as Trustee for the respective benefited parties, including the owners and their mortgagees as their interests may appear. In addition to the other insurance required by this section, the Board shall also obtain, as a common expense, a fidelity bond or bonds on directors, officers, employees and other persons handling or responsible for the Association's funds. The amount of fidelity coverage shall be determined in the directors' best business judgment, but may not be less than three (3) months' assessments plus reserves on hand. Bonds shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation and may not be canceled or substantially modified without at least ten (10) days prior written notice to the Association.

Section 2 - Disbursements of Proceeds. Proceeds of insurance policies shall be disbursed as follows:

If the damage or destruction for which the proceeds are paid is to be repaired or reconstructed, the proceeds or such portion thereof as may be required for such purpose, shall be disbursed in payment of such repairs or reconstruction as hereinafter provided. Any proceeds remaining after defraying such cost of repairs or reconstruction, or in the event no repair or reconstruction is paid after making such settlement as is necessary or appropriate with the effective owner or owners and their mortgagees as their interests may appear, shall be retained by and for the benefit of the Association. This is a covenant for the benefit of any mortgagee of any part of the properties and may be enforced by such mortgagee.

Section 3 - Damage and Destruction.

a) Immediately after the damage or destruction by fire or other casualty to all or any part of the Properties covered by insurance written in the name of the Association, the Board of Directors or its duly authorized agent shall proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed property. Repair or reconstruction, as used in this paragraph, means repairing or restoring the property to substantially the same condition in which it existed prior to the fire or other casualty.

b) Any damage or destruction to the Common Area shall be repaired or reconstructed unless at least seventy five percent (75%) of the total vote of the Association and the Declarant shall decide within sixty (60) days after the casualty not to repair or reconstruct. If for any reason either the amount of the insurance proceeds to be paid as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not made available to the Association within said period, then the period shall be extended until such information shall be made available; provided, however, that such extension shall not exceed sixty (60) days. No

mortgagee shall have the right to participate in the determination of whether the damage or destruction shall be repaired or reconstructed.

c) In the event that it should be determined in the manner described above that the damage or destruction shall not be repaired or reconstructed and no alternative improvements are authorized, then and in that event the property shall be restored to its natural state and maintained as an undeveloped portion of the Property by its respective owner or owners in a neat and attractive condition.

Section 4 - Repair and Reconstruction. If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed and such proceeds are not sufficient to defray the cost thereof, the Board of Directors shall, without the necessity of a vote of the Association's members, levy a special assessment against all Owners ultimately responsible for the payment of the policy premium in the same proportion as an Owner's assessment bears to the Association's budget. Additional assessments may be made in like manner at any time during or following the completion of any repair or reconstruction. If the funds available from insurance exceed the cost of repair, such excess shall be deposited to the benefit of the Association.

Section 5 - Lot Owner's Responsibility. By virtue of taking title to a Lot, each Owner of a Lot covenants and agrees with all other Owners and with the Association to carry all risk casualty insurance in the event the Association does not carry blanket all-risk casualty insurance on Lots. Each Owner further covenants and agrees that in the event of a partial loss or damage and destruction resulting in less than total destruction of any structure located on a Lot, he or she shall proceed promptly to repair or reconstruct the damaged structure in a manner consistent with the original construction. In the event that a Residential Unit is totally destroyed or rendered uninhabitable or unusable and the Owner thereof determines not to rebuild or reconstruct, then that Owner shall clear that Lot of all debris and return it to substantially the natural state in which it existed prior to the beginning of construction. The obligation of a Lot Owner hereunder specified shall not be applicable to any Owner whose Lot is insured under a casualty insurance policy obtained by an association of owners on his behalf.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused this instrument to be executed the day and year first above written.

KBK of North Carolina, LLC

BY:

Kent S. Fox
member

(SEAL)

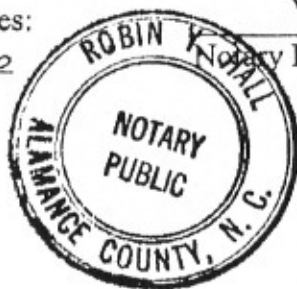
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NORTH CAROLINA, ALAMANCE COUNTY

I, a Notary Public of said County and State, hereby certify that Kent S. Fox, Member of KBK of North Carolina, LLC, a North Carolina Limited Liability Company, personally came before me this day and acknowledged the due execution of the foregoing instrument. WITNESS my hand and official seal this the 23rd day of December, 2002.

My Commission expires:

Jan 7 2006



State of North Carolina Alamance County
The foregoing certificate(s) of

Robin Y. Hall

A Notary (Notaries) Public of the Designated Governmental units is (are) certified to be correct.

This the 23 day of Dec, 2002

MURIEL W. TAPLEY

Register of Deeds

Deborah H. Loy
By Assistant/Deputy

Unofficial

EXHIBIT A

That certain tract or parcel of land lying and being in the City of Burlington, Burlington Township, Alamance County, North Carolina adjoining the 70' public right-of-way of Moran Street, Villa Mora Condominiums, John Irvin and Section One, Plantation Villa (Plat Book 32, Page 141) and being more particularly described as follows:

BEGINNING at an iron stake, a control corner with Villa Mora Condominiums and in the northern margin of the right-of-way of Moran Street, running thence to said point and place of beginning N. 29 deg. 23' 06" W. 340.05 feet to an iron stake, a control corner in the line of John Irvin (Deed Book 482, Page 722), running thence with the line of John Irvin N. 60 deg. 34' 04" E. 430.31 feet to an iron stake, a corner with Lot 1, Section One, Plantation Villa (Plat Book 32 at Page 141 of the Office of the Register of Deeds for Alamance County, North Carolina), running thence with the property lines of 1 through 5 of Section One, Plantation Villa S. 36 deg. 29' 15" E. 272.77 feet to an iron stake, running thence with the line of Lot 9 of Section One, Plantation Villa S. 61 deg. 51' 26" W. 29.23 feet to an iron stake, continuing S. 08 deg. 47' 10" E. 124.92 feet to an iron stake in the northern margin of the public right-of-way of Moran Street, running thence with the right-of-way of Moran Street along the arc of a curve to the left, said curve having a radius of 544.30 feet at a chord bearing of S. 72 deg. 33' 51" W. and a chord distance of 178.67 feet to an iron stake, continuing with the right-of-way line of Moran Street S. 63 deg. 09' 09" W. 216.27 feet to the point and place of BEGINNING. The foregoing description was derived from a plat entitled Trail Crossings Townhomes and is drawn by Alley, Williams, Carmen & King, Inc. and dated November 14, 2001.