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PREPARED BY RICHARD WIGGINS, ATTORNEY

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STATE OF NORTH CAROLINA  
COUNTY OF CUMBERLAND

DECLARATION OF COVENANTS  
CONDITIONS AND RESTRICTIONS  
OF KAREN LAKE TOWNHOMES

003045

THIS DECLARATION, made this 5th day of February, 1986, by PRESTIGE HOMES OF FAYETTEVILLE, INC., a North Carolina corporation, hereinafter referred to as "Declarant";

RECEIVED

WITNESSETH:

'86 FEB 7 PM 2 54

WHEREAS, Declarant is the owner of certain property in Cross Creek Township, Cumberland County, North Carolina, which is more particularly described on Exhibit "A", Phase 1, attached hereto and made a part hereof.

REGISTER OF DEEDS  
CUMBERLAND COUNTY NC

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 KAREN LAKE TOWNHOMES, INC., its successors and assigns.

Section 2. Owner shall mean and refer to the record owner, whether one of 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 that certain real property hereinbefore described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 4. Common Area shall mean all real property owned by the Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Association shall be designated on plats of KAREN LAKE TOWNHOMES, INC., recorded or to be recorded in the office of the Register of Deeds of Cumberland County, N.C. The Common Area shall be conveyed to the Association prior to the conveyance of the first Lot.

Section 5. (a) Lot shall mean and refer to any of the lots numbered Twenty-five through Forty-four (25 - 44) inclusive as shown on the plat of KAREN LAKE TOWNHOMES and as described on Exhibit "A", which shall consist of Phase 1 recorded as aforesaid in the Cumberland County Registry together with the structure or dwelling thereon which structure may be separately referred to as a "Townhouse", "Townhouse Unit", or "Unit"; lot shall also mean and refer to any other lots shown upon any recorded subdivision map of KAREN LAKE TOWNHOMES within the area described in Exhibit B, which might be hereafter recorded in the Cumberland County Registry, North Carolina.

(b) Additional land within the area described in Deed Book 3064, Page 769, and as more particularly set forth on Exhibit "B" attached hereto and made a part hereof are the lands of record of Prestige Homes of Fayetteville, Inc. may be annexed by the Declarant without the consent of members within five (5) years of the date of this instrument provided that the FHA and VA determine that the annexation is in accord with the general plan heretofore approved by them.

Section 6. Declarant shall mean and refer to Prestige Homes of Fayetteville, Inc., a North Carolina corporation, its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development. The address of the corporation is 6448 Yadkin Road, Fayetteville, NC 28303.

Section 7. Declaration shall mean this instrument as it may be from time to time amended or supplemented.

Section 8. Eligible Mortgage Holder or Eligible Holders is defined as a holder of a first mortgage or lien on a unit who has requested notice of certain matters from the Association.

Section 9. Limited Common Areas and Facilities shall mean and include those common areas and facilities which are reserved for the use of a certain unit or units to the exclusion of other units, as more specifically defined herein.

Section 10. Mortgagee shall mean a beneficiary under a mortgage or Deed of Trust.

Section 11. Phased Development. This project shall be developed in six (6) phases. Phase 1 shall consist of 20 lots, Phase 2 shall consist of 24 lots, Phase 3 shall consist of 24 lots, Phase 4 shall consist of 18 lots, Phase 5 shall consist of 16 lots and Phase 6 shall consist of 18 lots. These phases or sections may be developed simultaneously or consecutively, but the total number of lots to be developed shall not exceed one hundred and twenty (120).

#### 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 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 limit the number of guests of members;
- b. The right of the Association to suspend the voting rights and right to use of the recreational facilities 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 its published rules and regulations;
- c. The right of the Association to dedicate or transfer all or 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 two-thirds (2/3) of each class of members agreeing to such dedication or transfer has been recorded;
- 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.
- e. The common area shall not be subdivided or conveyed by the Association and the title to the common area shall be preserved to the perpetual benefit of the Association.

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

ARTICLE III  
EASEMENTS

Section 1. Easements are reserved as necessary in the Common Areas for installation and maintenance of underground utilities and drainage facilities.

Section 2. The Association, acting through its officers, agents, servants, and/or employees shall have the right of unobstructed access at all reasonable times to all properties as may be reasonably necessary to perform the exterior maintenance called for in ARTICLE IX of this Declaration.

Section 3. Easements are reserved over those portions of the Common Areas, Limited Common Areas and facilities that may be necessary or required to accommodate overhanging eaves or other cantilevered construction which may encroach upon the Common Areas or Limited Common Areas or the air and light space above such Common Areas.

Section 4. Each lot and all common areas and facilities and limited common areas and facilities are hereby subjected to an easement for the repair, maintenance, expansion, reduction, inspection, removal, relocation or other service of or to all gas, electricity, television, telephone, water, plumbing, sewer, utility, drainage, or other common areas and facilities, whether or not the cause of any or all of those activities originates on the unit in which the work must be performed.

Section 5. Each lot, and the property included in the Common Area, shall be subject to an easement for encroachments created by construction, settling and overhangs for all buildings constructed by Declarant. A valid easement for said encroachments and for the maintenance of same, so long as such encroachments stand, shall and does exist. In the event that any structure containing two or more townhouse is partially or totally destroyed and then rebuilt, the owners of the townhouses so affected agree that minor encroachments of parts of the adjacent townhouse units or Common Areas due to construction shall be permitted, and that a valid easement for said encroachment and the maintenance thereof shall exist.

Section 6. Easement over the common areas for access, ingress and egress from and to public streets and walkways and easements for enjoyment of the common areas shall be granted to each owner of a lot. Further, ingress and egress is reserved for pedestrian traffic over, through and across sidewalks, paths, walks, and lanes as the same from time to time may exist upon the common areas and facilities; and, for vehicular traffic over, through and across all streets as from time to time may be paved and intended for such purposes, for all lot owners in Karen Lakes Townhomes, Inc., their guests, families, invitees and lessees, the Association, the Declarant, its successors and assigns. Declarant hereby reserves alienable easements over all streets and common areas as necessary to provide access for future development by Declarant or its successors and assigns.

Section 7. 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 8. In case of any emergency originating in or threatening any unit or lot or the common areas and facilities, regardless whether the unit or lot owner is present at the time of such emergency, the Board of Directors or any other persons authorized by it, shall have the right to enter any unit for the purpose of remedying or abating the

causes of such emergency and make any other necessary repairs not performed by the unit owners, and such right of entry shall be immediate.

Section 9. 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 successors 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 of trust deed or other evidence of obligation, to the easements and rights described in this Declaration.

ARTICLE IV  
MEMBERSHIP AND VOTING RIGHTS

Section 1. Every Owner of a Lot which is subject to assessment shall be a member of the Association, Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. The Association shall have two classes of voting membership:

a. Class "A". Class A members shall be all Owners with the exception of the Declarant and shall be entitled to one vote 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 more than one (1) vote be cast with respect to any Lot.

b. Class "B". Class B member(s) shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A Membership on the happening of either of the following events, whichever occurs earlier:

- (1) when the total votes outstanding in Class A membership equals the total votes outstanding in the Class B Membership, or
- (2) On June 1, 1990.

ARTICLE V  
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 therefore, 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, and
  - b. Special assessments for capital improvements, such assessments to be established and collected as hereinafter provided; and
- The annual and special 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. As 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 improvements and maintenance of the Common Area, and of the townhouses situated upon the Properties.

Section 3. Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be Six Hundred and no/100 Dollars (\$600.00) per Lot.

a. For 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 per cent (5%) above the maximum assessment for the previous year without a vote of the membership.

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 per cent (5%) by vote of two-thirds (2/3) of each class of members who are voting in person or by proxy, at a meeting duly called for this purpose.

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 public or private 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 votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 5. Insurance. It shall be the duty of the Association to maintain in effect casualty and liability insurance as follows:

a. Amount and Scope of Insurance. All insurance policies upon the Properties (except personal property within a unit) shall be secured by the Board of Directors, or its designee on behalf of the Association with full authority which shall obtain such insurance against (1) loss or damage by fire or other hazards normally insured against, and (2) such other risks, including public liability insurance, as from time to time shall be customarily required by private institutional Mortgage Investors for projects similar in construction, location and use as the Properties and the improvements thereon all under such terms and conditions as the responsible authority shall determine. However, such liability coverage shall be for at least \$1,000,000.00 for bodily injury, including deaths of persons and property damage arising out of a single occurrence. Coverage under this policy shall include, without limitation, legal liability of the insureds for property damage, bodily injuries, and deaths of persons in connection with the operation, maintenance or use of the common areas and legal liability arising out of lawsuits relating to employment contracts of the Association. The foregoing shall not preclude the Board from obtaining insurance coverage on all or a portion of the limited common areas and facilities. In obtaining such coverage the responsible authority shall consider the reasonable requirements of holders of first liens on individual Lots.

b. 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 Lot 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 (30) days prior written notice to the name insured and all mortgagees.

(4) Coverage will not be prejudiced by act or neglect of the Lot 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 Lot 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 Lot owner or any mortgagee.

c. Premiums. All insurance policy premiums on the property 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.

d. Proceeds. All insurance policies purchased pursuant to these provisions shall provide that all proceeds thereof shall be payable to the Board as insurance trustee or to such attorney-at-law or institution with trust powers as may be approved by the Board of Directors.

e. Policies. All insurance policies purchased by the Board of Directors shall be with a company or companies permitted to do business in the State of North Carolina and holding a rating "A" or better by the current issue of Best's Insurance Reports. 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 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 Owners at least ten (10) 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.

Section 6. Distribution of Insurance Proceeds. Proceeds of insurance policies shall be distributed to or for the benefit of the beneficial owners in the following manner:

a. Expenses of Trust. All reasonable expenses of the insurance trustee shall be first paid or provision made therefor.

b. Reconstruction or Repair. The remaining proceeds shall be used to defray the costs of repairs for the damage or reconstruction for which the proceeds are paid. 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.

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 each class of membership shall constitute a quorum. If the required quorum at the subsequent meeting shall be one-half (½) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the proceeding 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. Date of Commencement of Annual Assessments and Due Dates. The annual assessments provided for herein shall commence as to all Lots on the first day of the month following the conveyance of the Common Area. The Common Area shall be conveyed to KAREN LAKE TOWNHOMES, INC. prior to the conveyance of the first lot to an owner. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates 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.

Section 10. Effect of Nonpayment of Assessments and Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of six per cent (6%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose in 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.

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Section 11. Subordination of the Lien to Mortgages 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. Working Capital Assessment. At the time title is conveyed to an owner, each owner shall contribute to the Association as a working capital reserve an amount equal to a two (2) months estimated common area assessment. Such funds shall be used solely for initial operating and capital expenses of the Association, such as pre-paid insurance, supplies, and the common area and facilities, 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.

Section 13. Responsibility of the Association for Liability Insurance and Taxes.

a. The Association shall be responsible for the provision of liability insurance, any taxes, maintenance of recreation and other facilities located on the common area, payment of assessments for public and private capital improvements made to or for the benefit of the common area located within the development.

In the event that the Association should default in the payment to the governmental authority entitled thereto of any ad valorem taxes levied against the common areas or assessment for private improvements to the common areas, which default shall continue for a period of six (6) months, each owner of a lot in Karen Lake Townhomes, Inc. shall become personally obligated to pay to the tax assessing governmental authority a portion of such taxes or assessments in an amount determined by dividing the total taxes and/or assessments due by the total number of lots in the Association. If such sum is not paid within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the lot of the then owner, his heirs, devisees, personal representatives and assigns, and the taxing or assessing governmental authority may either bring an action at law against the owner personally obligated to pay the sums or may elect to foreclose the lien against the property of the owner.

b. The Association shall be empowered to levy an assessment against the owner of any lot within Karen Lake Townhomes, Inc. for the payment of expenditures made by the Association for any of the items set forth in Section 13 (a). Any such assessment not paid by the lot owner against whom such assessment is made, shall constitute a lien on the lot of that owner.



ARTICLE VI  
FIDELITY BONDS

Section 1. General. The Association shall maintain blanket fidelity bonds for all officers, directors, employees and all other persons handling or responsible for funds of the Association. If the Association shall delegate some or all the responsibility for the handling of its funds to a management agent, such fidelity bonds shall be maintained by such management agent for its officers, employees and agents handling or responsible for funds of or administered on behalf of the Association.

Section 2. Amount of Coverage. The total amount of fidelity bond coverage required shall be based upon best business judgment and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the management agent, as the case may be, at any given time during the term of each bond. However, in no event may the aggregate amount of such bonds be less than a sum equal to three months aggregate assessments on all units plus reserve funds.

Section 3. Other Requirements. Fidelity bonds required herein must meet the following requirements:

- a. Fidelity bonds shall name the Association as an obligee.
- b. The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions.
- c. The premiums on all bonds required herein for the Association (except for premiums on fidelity bonds maintained by a management agent for its officers, employees and agents) shall be paid by the Association as a common expense.
- d. The bonds shall provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least ten (10) days prior written notice to the Association, to any insurance trustee and each Eligible Mortgage Holder.

ARTICLE VII  
ARCHITECTURAL CONTROL

No building, fence, wall or other structure shall be commenced, erected or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, heights, materials 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 Board of Directors of the Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board. In the event said 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.

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ARTICLE VIII  
PARTY WALLS

Section 1. General Rules of Law to Apply. Each wall which is built as a part of the original construction of the townhouses upon the Properties and placed on the dividing line between the 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 of 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, and 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, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts of omission.

Section 4. Weatherproofing. Notwithstanding any other provision 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 element.

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.

Section 6. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decisions shall be by a majority of all the arbitrators.

ARTICLE IX  
EXTERIOR MAINTENANCE

In addition to maintenance upon the Common Area, the Association shall provide exterior maintenance upon each Lot which is subject to assessment hereunder as follows: paint, repair, replace and care of roofs, gutters, downspouts, exterior building surfaces, decks, trees, shrubs, grass, 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, negligent act of the Owner, his family, guests or invitees, or is caused by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircrafts, vehicles, and smoke, as the foregoing are defined and explained in North Carolina Standard Fire and Extended Coverage Insurance Policies, 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 X  
USE RESTRICTIONS

Section 1. Land Use and Building Type. All lots shall be used for residential purposes except that so long as the 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

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renting lots within said project. When all lots have been sold, this right of commercial usage by the Declarant, shall immediately cease. Co-ownership of lots shall not be prohibited. No building shall be erected, altered, placed or permitted to remain on any lot other than one single family townhouse dwelling not to exceed three stories in height. Any building erected, altered, placed or permitted to remain on any lot shall be subject to the provisions of ARTICLE VII of this Declaration of Covenants, Conditions and Restrictions relating to architectural control.

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.

Section 3. Junk Vehicles. No inoperable vehicle or vehicle without current registration and insurance will be permitted on the premises. The Association shall have the right to have all such vehicles towed away at the Owner's/Tenants expenses.

Section 4. Outside Furniture. No furniture shall be permitted on the front porch of each unit except porch furniture and plants. Porch furniture shall be permitted on the rear deck of each unit. All grills and accessories must be kept in the storage areas provided when not in use.

Section 5. For Sale Signs Prohibited. No "For Sale" signs or any other signs shall be permitted on any lot or in the common areas and facilities.

Section 6. Temporary Structures. . No structure of a temporary character, trailer basement, tent, shack, garage, barn or other out-building shall be used on any lot any time as a residence either temporarily or permanently.

Section 7. 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 in parking spaces, at any time, unless by consent of the Association. All boats, trailers, and utility trailers shall be kept in the boat and trailer coral only.

Section 8. 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 and personally escorted.

Section 9. Outside Antennas. No outside radio or television antennas shall be erected on any lot or dwelling unit within the Properties unless and until permission for the same has been granted by the Board of Directors of the Association or its architectural control committee.

Section 10. Window Coverings. Each unit shall be equipped with miniblinds in the windows which shall be permanent fixtures and shall remain with each unit when sold and may not be removed. Any additional window treatments must be located inside the min-blind.

Section 11. 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.

ARTICLE XI  
ANNEXATION OF ADDITIONAL PROPERTIES

Section 1. Except as provided in Section 5 (b-1), annexation of additional property shall require the assent of two-thirds (2/3) of the Class A members and two-thirds (2/3) of the Class B members, if any, at

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a meeting duly 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. The rights of Declarant reserved in Section 2 above shall expire automatically on June 1, 1990.

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

Section 3. 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. 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 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.

Section 4. Amendment of Declaration. This Declaration of Covenants, Conditions and Restrictions of Karen Lake Townhomes may be amended in the following manner:

(a) An Amendment or Amendments to this Declaration of Townhomes may be proposed by the Board of Directors of the Association acting upon a vote of a majority of the Directors, or by the members of the Association owning a majority of the Townhome Units, whether meeting as members or by instrument in writing signed by them. Upon any Amendment or Amendments to this Declaration of Townhomes being proposed by said Board of Directors or members, such proposed Amendment or Amendments shall be transmitted to the President of the Association, or other officer of the Association in the absence of the President, who shall thereupon call a Special Meeting of the Members of the Association for a date not sooner than twenty (20) days nor later than sixty (60) days from receipt by him of the proposed Amendment or Amendments. It shall be the duty of the Secretary to give to each member written or printed notice of such Special Meeting, stating the time and place thereof, and reciting the proposed Amendment or Amendments in reasonably detailed form, which notice shall be mailed not less than ten (10) days nor more than thirty (30) days before the date set for such Special Meeting. If mailed, such notice shall be deemed to be properly given when deposited in the United States Mail addressed to the member at his Post Office address as it appears on the records of the Association, the postage thereon prepaid. Any member may, by written waiver of notice signed by such member, waive such notice, and such waiver, when filed in the records of the Association, whether before or after the holding of the meeting, shall be deemed equivalent to the giving of notice to such member. At the meeting, the Amendment or Amendments proposed must be approved by an affirmative vote of the members owning Units in the


Townhomes in order for such Amendment or Amendments to become effective. During the twenty-year period beginning with the date of this Declaration, an affirmative vote of Unit Owners owning ninety percent (90%) of the undivided interest in the Common Areas and Facilities shall be required to amend this Declaration. From and after the expiration of said twenty-year period, an affirmative vote of Unit Owners owning seventy-five percent (75%) of the undivided interest in the Common Areas and Facilities shall be required. Upon adoption such Amendment or Amendments of this Declaration of Townhomes shall be transcribed and certified by the President and Secretary of the Association as having been duly adopted. The original or an executed copy of such Amendment or Amendments, so certified and executed with the same formalities as a Deed, shall be recorded in the Public Records of Cumberland County, North Carolina, within ten (10) days from the date on which the same became effective, such Amendment or Amendments to specifically refer to the recording date identifying the Declaration or Townhomes. Thereafter, a copy of said Amendment or Amendments in the form in which the same were placed of record by the officers of the Association shall be delivered to the Owners of all Townhome Units, but delivery of a copy thereof shall not be a condition precedent to the effectiveness of such Amendment or Amendments. At any meeting held to consider such Amendment or Amendments, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association prior to such meeting or at such meeting.

(b) Declarant shall have the right to file an amendment to this Declaration at any time and from time to time prior to June 1, 1990, without the further consent of the Unit Owners, to incorporate into the Townhomes (i) any or all of the additional land described in Exhibit "A", Phases 1 through 6, and (ii) the one hundred (100) additional Townhomes United in Phases 2 through 6 to be constructed on the land described in Exhibit "A", Phases 2 through 6, respectively. In the event that this Declaration is so amended, the terms "Townhomes" and "property" as used herein shall be deemed to mean and include the property described in Exhibit "A", Phases 1 through 6, as the case may be, and all improvements and structures now or hereafter placed by Declarant thereon, all easements, rights and appurtenances thereto, and all articles of personal property provided by Declarant and intended for use in connection therewith.

Section 5. FHA/VA Approval. As long as there is a Class B membership, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration: Annexation of additional properties, dedication of Common Area, and amendment of this Declaration of Covenants, Conditions and Restrictions.

Section 6. Compliance with Fayetteville City Code. It is the intent of the Declarant to comply with those Sections of the North Carolina General Statutes 47A where applicable in those Sections as set forth in the Fayetteville City Code.

IN WITNESS WHEREOF, this Declaration has been executed on behalf of PRESTIGE HOMES OF FAYETTEVILLE, INC., by its officers which have caused this instrument to be executed in its corporate name, its corporate seal affixed by its duly authorized officers as of the day and year first above written.

ATTEST  
  
*[Signature]*  
 Secretary

PRESTIGE HOMES OF FAYETTEVILLE, INC.

BY: *[Signature]*

STATE OF NORTH CAROLINA

BOOK 3132 PAGE 123

COUNTY OF CUMBERLAND

I, DEIDRE C. HOUSTON BUNCE, a Notary Public in and for the aforesaid County and State do hereby certify that MARGARETE KOENIG personally appeared before me this day and acknowledged that he/she is the Secretary of PRESTIGE HOMES OF FAYETTEVILLE, INC., a North Carolina corporation and that by authority duly given and as the act of the said corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by himself/herself as its Secretary.

WITNESS my hand and notarial seal, this 5TH day of February 1986

My commission expires 7-24-88

*Deidre C. Houston Bunce*  
Notary Public

NORTH CAROLINA, CUMBERLAND COUNTY

The foregoing or annexed certificate of Deidre C. Houston (Bunce)

Notary Public/Notaries Public is/are certified to be correct.

This instrument was presented for registration and recorded in this Office at Book 3132 Page 110  
This 7 day of Feb 19 86 at 2:54 O'clock P M.

George E. Tatum  
Register of Deeds

By Cherry B. Harne  
Deputy Register of Deeds

To be attached to and made a part of the Declaration of Covenants, Conditions and Restrictions of Karen Lake Townhomes made by Prestige Homes of Fayetteville Inc. dated February 5, 1986.

EXHIBIT "A"

KAREN LAKE TOWNHOMES

PHASE 1

BEGINNING at an existing angle iron, the beginning corner of a 9.698 acre tract deeded to Koenig from Richard M. Wiggins recorded in Deed Book 3046, Page 487 Cumberland County, North Carolina Registry, said angle iron being Earp's northwest corner as described in a deed recorded in Deed Book 2832, Page 771 and running South 02 degrees 42 minutes West, 165.61 feet to a point in the right-of-way of a proposed public street;

thence with said right-of-way with a curve to the left on a radius of 50.00 feet, an arc distance of 27.36 feet to a point;

thence leaving said right-of-way and running North 72 degrees 32 minutes West, 214.92 feet to a point;

thence North 42 degrees 50 minutes West, 178.20 feet to a point;

thence North 42 degrees 15 minutes East, 148.83 feet to a point;

thence North 24 degrees 59 minutes East, 135.81 feet to an existing iron in Koenig's northern line;

thence with Koenig's northern line South 38 degrees 45 minutes East, 314.05 feet to the beginning.

Containing 1.903 acres, more or less, and being a portion of the 9.623 acre tract conveyed to Prestige Homes of Fayetteville, Inc. by Deed recorded in Book 3084, Page 769, Cumberland County Registry.

To be attached to and made a part of the Declaration of Covenants, Conditions and Restrictions of Karen Lake Townhomes made by Prestige Homes of Fayetteville, Inc. dated February 5, 19 86.

EXHIBIT "B"

PHASES 2 THROUGH 6

BEGINNING at an angle point in a common boundary line between Rebecca Thompson and Koenig, said point being the southeast corner of Koenig's tract of Karen Lake Townhomes, and running North 50 degrees 30 minutes West, 573.42 feet to an existing iron pipe;

thence South 42 degrees 03 minutes West, 189.86 feet to an existing iron;

thence North 48 degrees 02 minutes West, 223.93 feet to an existing iron pipe;

thence North 41 degrees 23 minutes East, 662.98 feet to an existing iron;

thence South 58 degrees 12 minutes East, 345.70 feet to an existing iron;

thence South 24 degrees 59 minutes West, 135.81 feet to a point;

thence South 42 degrees 15 minutes West, 148.83 feet to a point;

thence South 42 degrees 50 minutes East, 178.20 feet to a point;

thence South 72 degrees 32 minutes East, 214.92 feet to a point in the right-of-way of a proposed public street;

thence with said right-of-way with a curve to the left on a radius of 50.00 feet, an arc distance of 43.05 feet to a point;

thence leaving said right-of-way and running with a common boundary line between Rebecca Thompson and Koenig, said line being a new line 10 feet west of and parallel to the old boundary line, South 36 degrees 02 minutes West, 270.72 feet to the beginning.

Containing 7.698 acres, more or less.

And being the major portion of a 9.698 acre tract deeded to Koenig from Wiggins recorded in Deed Book 3046, Page 487 Cumberland County, North Carolina Registry.