COVENANTS, CONDITIONS AND RESTRICTIONS

ARBOR CREEK
(A Planned Unit Development)

Made March 7, 1996

Contents

COVENANTS, CONDITIONS AND RESTRICTIONS

ARBOR CREEK

THIS DECLARATION is made on the 7th day of March, 1996, by Arbor Creek Associates, a North Carolina limited partnership, hereinafter referred to as "Declarant".

W I T N E S E T H:

WHEREAS, Declarant is the Owner of certain properly located in Holly Springs Township, Wake County, North Carolina, which properly is more particularly described on Exhibit A attached hereto and incorporated herein by reference; and

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

WHEREAS, Declarant desires to create a planned unit development known as "Arbor Creek" which will integrate residential and nonresidential uses in a design that offers greater convenience (o the residents and surrounding area; and

WHEREAS, although Declarant contemplates that easements, covenants, conditions and restrictions may be imposed in regard to various sections or phases or Arbor Creek and that separate owners associations may be established therewith, Declarant desires to impose certain easements, covenants, conditions and restrictions as staled herein upon all of Arbor Creek with the understanding that, at Declarant's option, certain additional and/or supplementary easements, covenants, conditions and restrictions may be imposed;

NOW, THEREFORE, Declarant hereby declares that all of the property described herein 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, such real properly and be binding on all parties having any right. title or interest in the described properly or any part hereof, their heirs, successors and assigns. and shall inure to the benefit of each owner thereof.

ARTICLE I
DEFINITIONS

SECTION l. "Master Association" shall mean and refer to Arbor Creek Homeowners Association, its successors and assigns.

SECTION 2. "Sub-Association" shall mean and refer to any property owners' association formed or to be formed to oversee the devotement and maintenance of portions of Arbor Creek in accordance with the appropriate Supplementary Declaration.

SECTION 3. "Master Declaration" shall mean and refer to this Master Declaration of Covenants, Conditions and Restrictions of Arbor Creek, as the same may be amended from time to time as herein provided.

SECTION 4. "Supplementary Declaration" shall mean and refer io any Supplementary Declaration of Covenants, Conditions and Restrictions which are specific to certain sections or phases of Arbor Creek as defined therein.

It is to be expressly understood that a Supplementary Declaration may change or amend certain other provisions set forth in this Master Declaration as is necessary due to the different nature of the development of certain sections of the Properties.

SECTION 5. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to any Lot or Unit which is a part of the Properties, as hereinafter defined, including contract sellers, but excluding those having such interest only as security for the performance of an obligation.

SECTION 6. "Properties" shall mean and refer to that certain real property described herein, and such additions (hereto as may hereafter be brought within the jurisdiction of the Master Association.

SECTION 7. "Common Area" shall mean all real property owned by the Master Association for the common use and enjoyment of the Owners.

Property to be dedicated as Common Area shall be conveyed to the Master Association or applicable Sub-Association at such time as seen fit by the Declarant in its sole discretion but in any event, no later than such time as required by the Master Use Plan as approved by the town of Holly Springs, North Carolina, for the Properties Master Use Plan. Declarant reserves the right, in its sole discretion, to convey from time to time additional property to the Master Association, which property include all or any portion of the Properties, including any additional land annexed by Declarant pursuant to Article IX, Section 4 hereof and the Master Association shall accept any such conveyance or additional property and thereafter such additional property shall be held and maintained by the Master Association as Common Area. improvements, which may include, but shall not be limited to, roadways, retention or detention ponds or erosion control devices, a swimming pool, clubhouse and playground may be located on such Common Area.

SECTION 8. "Limited Common Area" shall mean those lands owned by a Sub-Association that serve only a limited number of Units and Lots and which may include, but specifically are not limited to, driveways and walkways serving townhouse sites, parking spaces, buildings or other areas serving only specified units and other such similar areas as may be designated by the Declarant. Limited Common Areas shall be maintained at the expense of the appropriate Sub-Association and not by the Master Association, subject to the rights held by the Master Association as hereinafter set out.

SECTION 9. "Member" shall mean and refer to every person or entity who holds membership with voting rights in the Master Association or any Sub-Association. as contextually appropriate herein.

SECTION 10. "Declarant" shall mean and refer to Arbor Creek Associates, a North Carolina limited partnership, as well as its successors and assigns, if Declarant shall make an express conveyance of its rights as developer hereunder to such successor or assign.

SECTION 11. "Lot" shall mean and refer to any separately numbered plot of land shown upon any now or subsequently recorded subdivision map of the Properties with the exception of the Common Area, Limited Common Area and any dedicated public streets. Declarant hereby reserves the right to reconfigure from time to time and without the consent of the Owners or the Members of the Master Association. the boundaries of any Lot or Lots owned by Declarant and to thereby create additional Lots, eliminate existing Lots or create additional Common or Limited Common Area. If Declarant elects to exercise its right to revise the boundaries of one or more Lots owned by Declarant, Declarant shall record a revised plat of the affected Lot or Lots. Upon the recording by Declarant of such a revised plat, each lot shown on the previously recorded plat or plats, the boundaries of which are revised by the revised plat, shall cease to be a "Lot" as defined in this Declaration and each newly configured lot shown on the revised plat shall be a "Lot" as defined in this Declaration.

SECTION 12. "Undeveloped Lot" shall mean and refer to a Lot that does not have a paved street abutting the Lot.

SECTION 13. "Vacant Lot" shall mean and refer to a Lot that has a paved street abutting the Lot but no Certificate of Occupancy has been issued for the improvements upon the Lot.

SECTION 14. "Unit" shall mean and refer to any improved property or any property formally classified, in whole or in part, as a Lot for which a Certificate of Occupancy has been issued by the appropriate governmental authorities, which property is located within the Properties.

SECTION 15. "Planned Unit" means and refers to any structure or part of a structure designed for occupancy as a single-family dwelling and shall include single family residences, condominium units, townhouses, villas, apartments, or any other single family dwelling unit located on the Properties, including attached and detached units, as planned under the Master Use Plan as it may be intended from time to time.

SECTION 16. "Entry Features" shall mean and refer to those portions of Common Area upon which permanent identification signs or monuments shall be initially installed and erected by Declarant at various entrances of Arbor Creek and upon conveyance of such portions of the Common Area to the Master Association, the Entry Features shall be maintained by the Master Association in accordance with this Master Declaration.

ARTICLE II
PROPERTY RIGHTS

SECTION l. Owners' Easement 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 and Unit, subject to the following provisions:

(a) the right of the Master Association to permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;

(b) the right of the Master Association to suspend the voting rights of an Owner for any period during which any assessment against his Lot or Unit 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 Master 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;

(d) the right of the Master 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; and

(e) the right of the Master Association, in accordance with its Articles and By-Laws, to borrow money for the purpose of improving the Common Area and facilities thereon.

SECTION 2. Delegation of Use. Any Owner may delegate, in accordance with the By-Laws, his rights of enjoyment of the Common Area and facilities to the members of his family, his tenants or contract purchasers who reside in the Unit of such Owner.

SECTION 3 Leases of Units. Any Lease Agreement between an Owner and a lessee for the lease of such Owner's Unit shall provide that the terms of the Lease shall be subject in all respects to the provisions of this Master Declaration, the Articles of Incorporation, By-Laws and the rules and regulations of the Master Association and that any failure by the lessee to comply with the terms of such document shall be a default under the terms of the lease. All leases of Units shall be in writing. Other than the foregoing and any restrictions set forth in any applicable Supplementary Declaration, there is no restriction on the right of any Owner to lease his or her Unit. An unimproved Lot may not be leased.

SECTION 4. Temporary Construction Access and Disturbance Easement. An easement over, through and to the Common Arca and Limited Common Arca is hereby reserved, conveyed and established in favor of Declarant and Owners of any Lot or Unit to be used for purposes of ingress, egress, regress, conduct of construction activity, storage of construction materials, the necessary disturbance of land for construction on any Lot or Unit, and installation of driveways, sidewalks, underground drainage and utility conduits and hookups. This easement shall be used only as and when necessary to facilitate the construction of improvements at any time on a Lot or Unit of Declarant or Owner as well as the extension of driveways, sidewalks, underground drainage and utility conduit and hookups to any dwelling structure situated on a Lot. In using and taking the benefits of said easement, Declarant or its designate and Owners shall use their best efforts to minimize any soil or land disturbance activities, and shall restore the land to a condition which is graded smooth and in harmony with surrounding areas. Should Declarant, its designate or an Owner fail to restore the disturbed land as required above, the Master Association or applicable Sub-Association may restore the land to the required condition and Declarant, its designate or Owner, as the case may be, shall indemnify the Master Association or applicable Sub-Association for the reasonable expense incurred in performing such restoration. Where any Owner shall seek to take advantage of the easement herein conveyed, such Owner's rights of use shall be restricted to that Common Area and Limited Common Area which shall be reasonably servient and proximate to his Lot or Unit.

SECTION 5. Easement for Minor Encroachments. All Lots, the Common Area and Limited Common Area shall be subject to a perpetual easement for the encroachment of initial improvements constructed on Lots by the Declarant to the extent that such initial improvements actually encroach, including, without limitation, such items as overhanging eaves, roofs, gutters, downspout, exterior storage rooms, bay windows, stoops, decks, patios, porches, steps and walls. If any encroachment shall occur subsequent to subjecting the Properties to the Declaration as a result of settling or shifting of any improvement or as a result of any permissible repair, construction. reconstruction, or alteration, there is hereby created and there shall be a valid easement for such encroachment and for the perpetual maintenance of the same.

SECTION 6. Emergencies and Entrance. Every Lot shall be subject to an easement for entry by the Declarant or the Master Association for the purposes of correcting, repairing, or alleviating any emergency condition which arises upon any Lot and that endangers any improvement or portion of the Common Area or Limited Common Area.

ARTICLE III
MEMBERSHIP AND VOTINC, RIGHTS

SECTION l. The voting Members of the Master Association shall be the Class A Members and the Class B Members defined below.

SECTION 2. Two Classes. The Master Association shall have two classes of voting membership:

Class A. The Class A Members shall be every person or entity who or which is a record owner of a fee or undivided fee interest in any Unit or Lot which is subject by covenants of record to assessment by the Master Association, except Declarant during the period Declarant is a Class B Member as defined below. The foregoing is not intended to include persons or entities who hold an interest in a Unit or Lot merely as security for the performance of an obligation. Such membership shall be appurtenant to and may not be separated from ownership of any Unit or Lot which is subject to assessment by the Master Association. Class A Members shall be entitled to one (1) vote for each Unit or Lot owned. When more than one person holds an interest in any Unit or Lot, all such persons shall be Members. The vote for such Unit or Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Unit or Lot. Provided, however, Class A Members shall not have a vote until such time as the Class B membership shall cease as provided herein.

Class B. The Class B Member shall be the Declarant, and Declarant shall be entitled to five (5) votes for each Planned Unit on each lot owned by Declarant within the Properties, if fully developed to maximum density under the Master Use Plan. The Class B membership shall cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earlier:

(i) when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B Membership; however, the Class B membership shall be reinstated if thereafter, additions are made to the Properties sufficient to give the Class B membership a total number of votes (with the Class B membership entitled to five votes for each Planned Unit owned) to exceed those of the Class A membership; or

(ii) seven (7) years from the date this Master Declaration is recorded in the Office of the Register of Deeds, Wake County, North Carolina; or

(iii) at such time as the Declarant elects in writing to end the Class B membership; however, the Class B membership may be reinstated if additions are made to the Properties sufficient to give the Class B membership a total number of votes (with the Class B membership entitled to five voles for each Planned unit owned) to exceed those of the Class A Membership.

SECTION 3. Membership in a Sub-Association. Whenever a Sub-Association shall have been established with respect to any portion of Arbor Creek, each and every Owner of a Lot or Unit within that portion, including contract sellers, shall additionally be a Member of the Sub-Association which has jurisdiction over the phase or section of Arbor Creek in which such Owner's Lot or Unit is located. The foregoing does not include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and shall not be separated from any Lot or Unit which is subject to assessment by the Master Association or any Sub-Association.

SECTION 4. Sub-Association Member Classes and Voting Rights. The designation of classes of Members in a Sub-Association and provisions regarding voting, quorum, notice requirements, and other applicable terms relating to such membership shall be included in the Supplementary Declaration for the portion of Arbor Creek over which that Sub-Association has jurisdiction and/or in the Articles of Incorporation and/or Bylaws of that Sub-Association.

SECTION 5. Right of Declarant to Representation on Board of Directors of Master Association and any Sub-Association. Notwithstanding anything contained herein to the contrary, until December 31, 2016, or until Declarant shall have conveyed all of the Lots contained within Arbor Creek, Declarant or its express assignee shall have the right to designate a two-thirds (2/3) majority of the Board of Directors of the Master Association and any Sub-Association. Whenever Declarant shall be entitled to designate and select any person(s) to serve on any Board of Directors, the manner in which such person(s) shall be designated shall be as provided in the appropriate Declaration, Articles of Incorporation, and/or Bylaws for the Master Association or Sub-Association. Declarant shall have the right to remove any person so selected by it and to replace such person so removed with another person selected as herein provided. Any Director designated by Declarant need not be an Owner. Declarant, as a Member of the Master Association or Sub-Association, or any representative of Declarant serving on a Board or Directors, shall not be required to disqualify himself from the vote upon or entrance into any contract or matter between Declarant and the Master Association or Sub-Association in which Declarant may have a pecuniary or other interest.

ARTICLE IV
COVENANT FOR MA INTENANCE AND ASSESSMENTS

SECTION l. Creation of the Lien and Personal Obligation or Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants and each Owner, for any Lot or Unit, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, are deemed to covenant and agree to pay: (a) to the Master Association: (i) annual assessments of charges; (ii) special assessments for capital improvements and/or other purposes, such assessments to be established and collected as hereinafter provided; and (iii) individual special assessments levied against individual Owners to reimburse the Master Association for extra costs for maintenance or repairs as set out in Article IV, Section 5, or this Master Declaration; (b) to the Sub-Association. if any, of which an individual Owner is a Member: (i) annual assessments or charges; (ii) special assessments for capital improvements and/or other purposes, such assessments to be established and collected as hereinafter provided; and (iii) individual special assessments levied against individual Owners to reimburse the Sub-Association for extra costs for maintenance or repairs as set out in the applicable Supplementary Declaration; and (c) to the appropriate governmental taxing authority: (i) a pro rata share of ad valorem taxes levied against the Common Area; (ii) a pro rata share of ad valorem taxes levied against the Limited Common Area if Owner is a Member of the Sub-Association owning that Limited Common Area; and (iii) a pro rata share of assessments for public improvements to or for the benefit of the Common Area and Limited Common Area if the Master Association shall default in the payment of either or both for a period of six (6) months. The annual, special, and individual 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 such assessment is made. Each such assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner or such property at the time when the assessment fell due. The personal obligation for the delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

SECTION 2. Purpose of Assessments.

(a) The assessments levied by the Master Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Properties and in particular for the acquisition, improvement, and maintenance of properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Area including but not limited to: the cost of repairs, replacements and additions; the cost of maintenance and expansion of the pool. jogging trail, playground, clubhouse and any other recreational facilities owned by the Master Association; the cost of labor, equipment, materials, management and supervision including the bagging of leaves if required by the Town of Holly Springs to be undertaken by the Master Association unless such responsibility is allocated to the appropriate Sub-Association per the Supplementary Declaration for said Sub-Association; the payment of taxes assessed against the Common Area; the payment of assessments for public improvements to or for the benefit of the Common Area or Limited Common Area, the maintenance of water and sewer mains in and upon the Common Area and Limited Common Area; the maintenance of open spaces and streets which have not been accepted for dedication to a public authority, roadway, medians and islands (including medians and islands located in dedicated rights-of-way, within the Properties), drives and parking areas within the Common Area; the procurement and maintenance of insurance in accordance with the Bylaws; the maintenance of dams and ponds or other bodies of water, if any, located within the Common Area or Limited Common Area; the maintenance of entrance ways, Entry Features, landscaping and lighting of the Common Area, Limited Common Area, road medians and islands and entrance ways; the cost of operating, maintaining and repairing any street lights erected by the Master Association, any Sub-Association or the Declarant in the rights-of-way of streets (whether public or private) or in any other easement provided therefor within the Properties with the exception of alleys, which shall be maintained by the appropriate Sub-Association; the payment of charges for garbage collection and municipal water and sewer services furnished to the Common Area and Limited Common Area; the employment of attorneys and other agents to represent the Master Association when necessary; the provisions of adequate reserves for the replacement of capital improvements including, without limiting the generality of the foregoing, paving, and any other major expense for which the Master Association is responsible; and such other needs as may arise. At all times during the term of this Master Declaration, the Master Association shall maintain and/or improve the Common Areas and Entry Features in a manner at least comparable to the initial creation and construction thereof.

(b) The Master Association shall establish and maintain a reserve fund which in its sole judgment is sufficient for the periodic maintenance, repair and replacement of improvements to the Common Area and those other portions of the Properties which the Master Association may be obligated to maintain. Such reserve fund is to be established out of regular assessments for common expenses.

(c) Each Sub-Association shall establish and maintain a reserve fund which in its sole judgment is sufficient for the periodic maintenance, repair and replacement of improvemenrs to the Limited Common Area and those other portions of the Properties which the Sub-Association may be obligated to maintain. Such reserve fund is to be established out of regular assessments for common expenses.

(d) All monies collected by the Master Association shall be treated as the separate property of the Master Association, and such monies may be applied by the Master Association to the payment of any expense of operating and managing the Properties, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Master Declaration, the Articles of Incorporation and the By-Laws of the Master Association. As monies for any assessment are paid to the Master Association by any Owner, the same may be commingled with monies paid to the Master Association by the other Owners. Although all funds and common surplus, including other assets of the Master Association, and any increments thereto or profits derived therefrom shall be held for the benefit of the Members of the Master Association, no Member of the Master Association shall have the right to assign, hypothecate. pledge or in any manner transfer his Membership interest therein, except as an appurtenance to his Lot or Unit. When any Owner shall cease to be a Member of the Master Association by reason of his divestment of ownership of his Lot or Unit, by whatever means, the Master Association shall not be required to account to such Owner for any share of the fund or assets of the Master Association, or which may have been paid to the Master Association by such Owner, as all monies which any Owner has paid to the Master Association shall be and constitute an asset of the Master Association which may be used in the undertaking of the duties of the Master Association.

(e) All monies collected by the Sub-Association shall be treated as the separate property of the Sub-Association and such monies may be applied by the Sub-Association to the payment of any expense of the proper undertaking of all acts and duties imposed upon it by virtue of this Master Declaration, the applicable Supplementary Declaration, and the Articles of Incorporation and the By-Laws of the Sub-Association. As monies for any assessment are paid to the Sub-Association by any Owner, the same may be commingled with monies paid to the Sub-Association by the other Owners. Although all funds and common surplus, including other assets of the Sub-Association, and any increments thereto or profits derived therefrom shall be held for the benefit or the Members of the Sub-Association, no Member of the Sub-Association shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Lot or Unit. When any Owner shall cease to be a Member of the Sub-Association by reason of his divestment of ownership of his Lot or Unit, by whatever means, the Sub-Association shall not be required to account to such Owner for any share of the fund or assets of the Sub-Association, or which may have been paid to the Sub-Association by such Owner, as all monies which any Owner has paid to the Sub-Association shall be and constitute an asset of the Sub-Association which may be used in the undertaking of the duties of the Sub-Association.

SECTION 3. Maximum Annual Assessment. Until December 31 of the year of the conveyance of the first Lot to an Owner, the maximum annual assessment by the Master Association shall be as set forth on Exhibit B attached hereto and incorporated herein by reference.

(a) The maximum annual assessment by the Master Association for the calendar year immediately following the year in which conveyance of the first Lot to an Owner is made and for each calendar year thereafter shall be automatically increased each year by the greater of the amount of ten percent (10%) of the maximum annual assessment of the previous year or a percentage equal to the percentage increase reflected by the U. S. city average, Consumer Price Index-United States (published by the U. S. Bureau of Labor Statistics, Washington, D.C.), or such other index as may succeed the Consumer Price Index, for the twelve month period ending immediately preceding July l. However, except as otherwise specifically set forth in this Master Declaration, no increase of the maximum annual assessment by the Master Association shall be greater than twelve percent (12%) in any one year. In the event the Board of Directors of the Master Association, determines by majority vote, that the important and essential functions of the Master Association may be properly funded by an assessment less than the regular maximum annual assessment, the Master Association Board of Directors may reduce the assessments, however, they may not reduce the assessments below those set out on Exhibit B without the written consent of the Declarant while Declarant still owns Lots, since the Declarant will be still engaged in the development of Properties that are subject to the terms of this Master Declaration.

(b) The maximum annual assessment by the Master Association for the calendar year immediately following the year in which conveyance or the first Lot to an Owner is made and for each calendar year thereafter may be increased without limit by a vote of the Members entitled to cast at least 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 4. Special Assessments for Capital Improvement. In addition to the annual assessments authorized above, the Master Association may levy, in any calendar year, a special assessment for the purpose of defraying in whole or in part the costs of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area including fixtures and personal property related thereto, provided that any such assessment shall have the assent of the Members entitled to cast at least 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. All special assessments shall be fixed at a uniform rate for all Lots and/or Units. In addition, a Sub-Association may levy special assessments on its Members as set forth in the applicable Supplementary Declaration.

SECTION 5. Individual Special Assessments. The Board of Directors of the Master Association or any Sub-Association may levy special assessments against individual Owners for reimbursement to the Master Association or Sub-Association for repairs to their respective Common Areas, Limited Common Areas, Landscape Easements or Maintenance Easements or any improvements thereto which are occasioned by the willful or negligent acts of such Owner(s) and not the result of ordinary wear and tear, or for payment of fines, penalties, or other charges imposed against an Owner relative to such Owner's failure to comply with the terms of this Master Declaration, any Supplementary Declaration, or the Master Association or Sub-Association Articles of Incorporation and/or Bylaws, including without limitation, reimbursement to the Master Association for expenses incurred in connection with the enforcement of the provisions of Article V and VI of this Master Declaration.

SECTION 6, Notice and Quorum for any Action Authorized Under Section 3 and 4. Written notice of any meeting called for the purpose of taking any action by the Members authorized under Section 3(b) and 4 of this Article shall be sent to all Members not less than fifteen (15) 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 is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (I/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

SECTION 7. Working Capital Fund. At the time of closing of the sale of each Unit from the builder to the third-party Owner, a sum equal to two (2) months assessment for each Unit (based on the monthly portion of the maximum annual assessment in effect at the time of the sale) shall be collected from the third-party Owner and transferred to the Master Association to be held as a working capital fund and any applicable Sub-Association assessment shall be collected from the third-party Owner and transferred to the appropriate Sub-Association to be held as a working capital fund. The purpose of said Fund is to ensure that the Board of Directors of the Master Association and Sub-Association will have adequate cash available to meet unforeseen expenses and to acquire additional equipment or services deemed necessary or desirable. Amounts paid into the Fund shall not be considered advance payment of regular Master Association or regular Sub-Association Assessments.

SECTION 8. Rate of Annual Assessment. Both annual and special assessments shall be fixed at a uniform rate for Units within Arbor Creek as designated by the Declarant at the time of recording of plats; provided, however, there shall be no assessment on Undeveloped Lots, and annual and special assessments on Vacant Lots shall be 50% of such assessments for other Units. The assessments may be collected on a monthly, quarterly, or annual basis as deemed appropriate by the Board of Directors of the Masler Association.

SECTION 9. Date and Commencement of Annual Assessments: Due Dates. The annual assessments provided for herein shall commence as to a Lot on the first day of the month following the conveyance of the Lot from the Declarant to any builder. The annual assessments for any Unit shall commence on the first day of the month following conveyance of the Lot from the builder to any third-party other than the Declarant. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. At least thirty (30) days in advance of each annual assessment period, the Board of Directors shall establish an annual budget and determine whether the annual assessments for the following year shall be less than the regular maximum annual assessment as provided in Section 3 of this Article IV. In the event the Board of Directors does not determine that the annual assessments shall be reduced, then the annual assessments shall be as provided in Section 3, Article IV. Upon adoption by the Board of the budget and annual assessment amount, the Board shall deliver copies of the same to every Owner subject thereto; provided, however, that failure to deliver a copy of the budget and annual assessment amount shall not affect the liability of Owners for assessments. The due dates shall be established by the Board of Directors. The Master Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Master Association setting forth whether the assessments by the Master Association on a specified Lot or Unit have been paid.

SECTION 10. Effect of Nonpayment of Assessments: 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 eighteen percent (18%) per annum and shall be subject to a late charge of Twenty-Five Dollars ($25.00). The costs of any action the Master Association and/or Sub-Association must take to obtain payment of any past due assessment, including reasonable attorney's fees, shall be added to the amount of the assessment and paid by the Owner. The Masler Association and/or Sub-Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien created herein against the property in the same manner as prescribed by the laws of the State of North Carolina for the foreclosures of Deeds of Trust, and interest, costs and reasonable attorney's fees for representation of the Master Association and/or Sub-Association in such action or foreclosure shall be added to the amount of such assessment, For purposes of this Section 10, the amount of delinquent assessment plus accrued interest shall be considered evidence by this Section 10 and, therefore

evidence of indebtedness shall exist hereby. No Owner may waive or otherwise escape liability for the assessment provided for herein by nonuse of the Common Area or Limited Common Area or abandonment of his Lot or Unit nor shall damage to or destruction of any improvements on any Lot by fire or other casualty result in any abatement or diminution or the assessments provided for herein.

SECTION 11. Effect of Default in Payment of Ad Valorem Taxes or Assessments for Public Improvements by Master Association. Upon default by the Master Association in the payment to the governmental authority entitled thereto or any ad valorem taxes levied against the Common Area or assessments for public improvements to the Common Area or Limited Common Area, which default shall continue for a period of six (6) months, each Owner of a Lot within the Properties shall become personally obligated to pay to the taxing or assessing governmental authority a portion of such unpaid taxes or assessments in an amount determined by dividing the total taxes and/or assessments due the governmental authority by the total number of Units, Vacant Lots and Undeveloped Lots within the Properties. If such sum is not paid by the Owner within fifteen (15) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the Lot and/or Unit 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 or may elect to foreclose the lien against the Lot and/or Unit of the Owner.

SECTION 12. Subordination of the Lien to Mortgages. The liens provided for herein shall be subordinate to the lien of any first mortgage or deed of trust. Sale or transfer of any Lot or Unit shall not affect the assessment lien or liens provided for in the preceding section. However, the sale or transfer of any Lot or Unit which is subject to any such first mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to the payment thereof which become due prior to such sale or transfer. No such sale or transfer shall relieve such Lot or Unit from liability for any assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any first mortgage or deed of trust.

SECTION 13. Exempt Property. All property dedicated to, and accepted by a local public authority and all properties owned by a charitable or non-profit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

ARTICLE V
ARCHITECTURAL CONTROL

SECTION 1. Purpose. The primary purpose of these covenants and restrictions and the foremost consideration in the origin of same has been the creation of a community which is aesthetically pleasing and functionally convenient. The establishment of certain objective standards relating to design, size and location of dwellings and other structures makes it impossible to take full advantage of the individual characteristics of each parcel of Properties and of technological advances and environmental values. In order to implement the purposes of these covenants, the Declarant may establish and amend from time to time objective standards and guidelines, including, but not limited to, Architectural Standards and Construction Specifications, Uniform Sign Regulations, Uniform Mailbox Regulations, and Landscape Guidelines as defined hereinafter, and such shall be binding on all Owners within the Properties.

SECTION 2. Controls.

(a) No building, fence, outside lighting, hedge, wall, walk, pool, clothesline, dog house, deck, trellis, or other structure shall be erected, placed, or altered, nor shall a building permit application for such improvement be made on any Lot in Properties until the proposed building location, specifications, exterior materials and color or finish, plot plan (showing the proposed location of such building or structure, drives, and parking areas. exterior shape, size, and height) shall have been approved in writing by the Declarant, or by the Architectural Review Committee of the Master Association ("ARC") if such review responsibility has been delegated to the Master Association by the Declarant. In addition, the Declarant may require prior written approval of a landscape plan. The Declarant further reserves the right to promulgate and amend from time to time architectural standards and construction specifications (hereinafter referred to as the "Architectural Standards and Construction Specifications") for specific neighborhoods and areas or for all properties within the

Properties and such Architectural Standards and Construction Specifications shall establish, define, and expressly limit those standards and specifications which will be approved in said neighborhoods and areas or within the Properties, including, but not limited to, architectural style. exterior color or finish, roofing material, siding material, driveway material, landscape design, and construction technique. Refusal or approval of plans, location, exterior color or finish, or specifications may be based by the Declarant upon any ground, including purely aesthetic considerations, which in the sole and uncontrolled discretion of the Declarant shall seem sufficient. No alteration in the exterior appearance of any building or structure, including exterior color or finish, shall be made without like prior written approval by the Declarant or the ARC if so delegated by the Declarant. One (1) copy of all plans and related data shall be furnished the Declarant (or ARC if applicable) for its records. In the event approval of such plans is neither granted nor denied within sixty (60) days following receipt by the Declarant (or ARC if applicable) of written demand for approval, the provisions of this paragraph shall be thereby waived. Neither the ARC nor the Members thereof nor Declarant shall be liable in damages or otherwise to anyone submitting plans and specifications and other submittals for approval or to any Owner by reason of mistake of judgment, negligence except for gross negligence, nonfeasance arising out of or in connection with the approval or disapproval of failure to approve or disapprove any plans or specifications.

(b) In order to assure that buildings and other structures will be located and staggered so that the maximum view, privacy, sunlight, and breeze will be available to each building or structure within the confines of the Lot, and to assure that structures will be located with regard to the topography of the Properties, taking into consideration the location of large trees and other aesthetic and environmental considerations, the Declarant reserves the right to control absolutely and solely to decide (subject to the provisions of the Zoning Ordinances of Wake County, North Carolina and the Town of Holly Springs, North Carolina) the precise site and location of any building or structure on any Lot in the Properties for reasons which in the sole and uncontrolled discretion and judgment of the Declarant seem sufficient. Such location shall be determined only after reasonable opportunity is afforded the Owner to recommend a specific site.

The provisions of this paragraph shall in no way be construed as a guarantee that the view, privacy, sunlight, or breeze available to a building or structure on a given Lot shall not be affected by the location of a building or structure on any adjacent Lot.

(c) Each Owner shall provide paved (concrete or asphalt) space for the parking of automobiles or other vehicles off public Street prior to the occupancy of any building or structure constructed on said Lot in accordance with reasonable standards established by the Declarant. On-street parking shall only be as allowed in an applicable Supplementary Declaration, or as designated by Declarant or the Town of Holly Springs.

(d) Except as may be required by legal proceedings, no sign shall be erected or maintained on any Lot by anyone including, but not limited to, an Owner, a tenant, a realtor, a contractor, or a subcontractor, until the proposed sign size, color, content, number of signs, and location of sign(s) shall have been approved in writing by the Declarant. Refusal or approval of size, color, content, number of signs, or location of sign(s) may be based by the Declarant upon any ground, including purely aesthetic considerations, which in the sole and uncontrolled discretion of the Declarant seems sufficient. The Declarant further reserves the right to promulgate and amend from time to time uniform sign regulations (the "Uniform Sign Regulations") which shall establish standard design criteria for all signs, including, but not limited to, real estate sales signs, erected upon any Lot in the Properties.

The Declarant and its agent shall have the right, whenever there shall have been placed or constructed on any Lot in the Properties any sign which is in violation of these restrictions, to enter immediately upon such Properties where such violation exists and summarily remove the same at the expense of the Owner.

(e) It shall be the responsibility of each Owner, tenant, contractor, or subcontractor to keep the lawn or landscaped areas of a Lot mowed and trimmed, and to prevent the development of any unclear, unsightly. unkempt, unhealthy, or unsafe conditions or buildings or grounds on any Lot which shall tend to substantially decrease the beauty or safety of the Properties, the neighborhood as a whole, or the specific area. The Declarant and its agents shall have the right to enter upon any Lot for the purpose of correcting such conditions, including, but not limited to, the removal of trash which has collected on the Lot. and the cost of such corrective action shall be paid by the Owner. Such entry shall not be made until fifteen (15) days after the Owner of the Lot has been notified in writing of the need to take corrective action and unless such Owner fails to perform the corrective action within said fifteen (15) day period; provided, however, that should such conditions pose a health or safety hazard, such entry shall not be made until the Owner has been notified in writing of the need to take immediate corrective action and unless such Owner fails to perform the corrective action immediately. The provisions of this paragraph shall not create any obligation on the part of the Declarant to take any such corrective action.

(f) No mailbox shall be erected or maintained on any Lot until the proposed mailbox design, color, and location have been approved in writing by the Declarant. Refusal or approval of design, color, or location may be based by the Declarant upon any ground, including purely aesthetic considerations, which in the sole and uncontrolled discretion of the Declarant seems sufficient. No alteration in the exterior appearance of any mailbox shall be made without like prior written approval by the Declarant. The Declarant further reserves the right to establish uniform mailbox regulations (the "Uniform Mailbox Regulations") which shall define standard design criteria for all mailboxes erected upon any Lol in the Properties.

(g) Outside clotheslines shall not be permitted upon any Lot at locations where they can be viewed from any street.

(h) All garbage receptacles, containers and enclosures shall be located at the rear of the primary structure on a Lot, out of view from any streel abutting the Lot.

(i) No fence, wall, hedge or mass planting shall be permitted to extend beyond the minimum building setback line except upon approval by the Declarant or the Architectural Review Committee.

(j) Decorative lawn ornaments shall be approved in writing by the Declarant or the Architectural Review Committee prior to installation on any Lot.

(k) 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 further provided that they are kept and maintained in compliance with (i) all laws and ordinances in the State of North Carolina, the County of Wake and the Town of Holly Springs or its successors, relating thereto; and (ii) such rules and regulations pertaining thereto as the Master Association may adopt from time to time. No animal shall be kept or secured by being chained, tied or otherwise attached to an inanimate object. If an animal creates offensive sounds such as barking so as to disturb the peaceful enjoyment of the Owner's neighbors, said animal shall not be allowed outside the confines of the improvements located on the Lot except under the physical control of its owner or other person.

(l) Prior to the occupancy of a building or structure on any Lot, proper and suitable provisions for water shall be made by connection with a system approved by Wake County or the appropriate governmental authority.

(m) The Declarant reserves unto itself, its successors and assigns, and its agents, a perpetual, alienable, and releasable easement and right, on, over, and under the Properties to erect, maintain, and use electric, Community Antenna Television, and telephone poles, wires, cables, conduits, drainage ways, sewers, water mains, and other suitable equipment for the conveyance and use of electricity, telephone equipment, gas, sewer, water, drainage, or other public conveniences or utilities on, in, or over those portions of such Properties as may be reasonably required for utility line purposes; provided. however, that no such utility easement shall be applicable to any portion of a Lot as may (a) have been used prior to the installation of such utilities for construction of a building whose plans were approved pursuant to these covenants by the Declarant, or (b) such portion of a Lot as may be designated as the site for a building on a plot plan for erection of a building which has been filed with the Declarant and which has been approved in writing by said Declarant. These easements and rights expressly include the right to cut any trees, bushes, or shrubbery, make any grading of the soil, or to lake any other similar action reasonably necessary to provide economical and safe utility installation to maintain reasonable standards of health, safety, and appearance. The Declarant further reserves the right to locate wells, pumping stations, siltation basins, and tanks within any Common Area, Limited Common Area, or on any Lot designated for such use on the applicable plat of said Properties, or to locate same upon any Lot with the permission of the Owners of such Lot. Such rights may be exercised by any assignee or licensee of the Declarant, but this reservation shall not create any obligation on the part of the Declarant to provide or maintain any such utility or service.

(n) The Declarant reserves the right to promulgate and amend from time to time landscape guidelines (referred to hereinafter as the “Landscape Guidelines”) which shall establish approved standards, methods, and procedures for landscape management on specific Properties and such authorized standards, methods, and procedures may be utilized by the Owners of such specified Properties without prior written approval by the Declarant; provided, however, no trees measuring six (6) inches or more in diameter at a point two (2) feet above ground level may be removed without the prior written approval of the Declarant. Approval for the removal of trees located within ten (10) feet of the approved site for such building will be granted unless such removal will substantially decrease the beauty of the Properties. Notwithstanding the foregoing, Declarant reserves unto itself, its successors and assigns, a five (5) foot wide landscape easement abutting each side of all rights-of-way for installation, improvement, and maintenance of landscaping, including but not limited to the planting and removal of shrubs and trees and the installation of walls and planters.

SECTION 3. Review Board. The Architectural Review Committee shall be composed of at least three (3) but not more than eleven (11) Members, all of whom shall be appointed by the Board of Directors. At least one (1) Member of the Master Association other than the Declarant shall be a Member of the Architectural Review Committee at all times. The Architectural Review Committee will be formed at such time as architectural approval authority is delegated to the Master Association by the Declarant. The Declarant shall delegate the approval authority to the Architectural Review Committee no later than the time at which the Declarant conveys all of its interest in all of the Lots within the Properties. The Declarant, and/or the Board of Directors of the Master Association shall have the specific, nonexclusive right (but not obligation) to enforce the provisions contained in this Article of the Master Declaration and/or to prevent any violation of the provisions contained in this Article or the Master Declaration by proceeding at law or in equity against the person or persons violating or attempting to violate any such provisions contained in this Article of the Master Declaration.

ARTICLE VI
RESTRICTIONS

$ECTION 1. Land Use and Building_Type. No Lot shall be used except as set forth in the Master Use Plan, provided, however, Declarant may use any Lot owned by Declarant as a temporary sales office and/or model for the purposes of carrying on business related to the development, improvement, and sale of property in the Properties. The temporary sales office may be a trailer and shall not be required to have a foundation.

SECTION 2. Nuisance. No noxious or offensive activity shall be conducted upon any Lot nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood including, without limitation, the storing or parking of inoperative motor vehicles or the maintenance of or repair to motor vehicles except within completely enclosed garages constructed in conformity with these covenants and applicable laws and ordinances. The operation of guns and hunting equipment of any type on any portion of the Property is prohibited.

SECTION 3. Outside Antennas. No outside radio or television antennas or discs and no free-standing transmission or receiving towers or satellite dishes or disks (“Equipment”) shall be erected on the Common Area, Limited Common Area or on any Lot or structure within the Properties unless prior written permission for the same has been granted by the Board of Directors of the Master Association or by the Declarant if Declarant owns any Lots. Any approval granted shall include approval of the type of equipment and the location of the equipment on the Lot.

SECTION 4. Building Setback. No building shall be located on any Lot nearer to the front or rear Lot line, or to any side Lot line, than shall be permitted under the Master Use Plan or under the applicable subdivision ordinances of Wake County or any other governmental entity in effect at the time such building is to be constructed.

SECTION 5. Mobile Homes, Manufactured Homes, Etc. No mobile home, trailer, or other like structure shall be located or installed on any Lot, nor shall any manufactured home be allowed on any Lot unless it is determined in the sole discretion of the Declarant or the Master Association that the manufactured home is of a quality and appearance which is in harmony with the development or intended development of the section or phase of Arbor Creek in which the manufactured home is to be located. Notwithstanding the preceding, a temporary sales trailer without foundation may be used on any Lol by the Declarant during the development and marketing of the Properties.

SECTION 6. Parking. No automobile, truck, or vehicle of any kind shall be parked on any public street abutting the Properties after receiving notification from the Declarant or from the Town of Holly Springs or from Wake County to remove the automobile, truck, or vehicle, nor shall they be parked on any alley within the Properties. Owners shall not be permitted to park boats, trailers, campers, or any other similar property on the streets or alleys of the Properties and all such items shall be parked in a garage or areas screened from the street and adjoining Lot view and approved by the Declarant or the Architectural Review Committee. No vehicle of any type that is unregistered or does not have a valid current state or federal inspection certificate shall be parked or stored on any Lot, street, or any other portions of the Properties.

Adequate off-street parking shall be provided by the Owner of each Lot for the parking of motor vehicles owned by such Owner, and Owner of such Lot shall not be permitted to park his motor vehicles on the streets of the Properties except as designated in the applicable Supplementary Declaration or as approved by the Declarant or the Town of Holly Springs.

SEC.TI'ON 7. Use of Common Area. The Master Association shall promulgate rules and regulations regarding use and enjoyment of the Common Area by all persons. No gardening or plantings are permitted in the Common Area without the prior approval of the Declarant or the Architectural Review Committee. Motor bikes, motorized go-carts and all-terrain vehicles are expressly prohibited in any Common Area, Limited Common Area, and Alleys.

SECTION 8. Variances. The Declarant or the Board of Directors of the Master Association in their discretion may allow reasonable variances and adjustments of the restrictions set forth in this Article VI in order to alleviate practical difficulties and hardship in the enforcement and operation of these restrictions. Any such variances shall not violate the spirit or the intent of this Master Declaration to create a subdivision or Lots owned in fee by various persons with each such Owner having an easement upon Common Areas owned by the Master Association. To be effective, a variance hereunder shall be recorded in the Wake County Register of Deeds office, shall be executed on behalf of the Master Association or Declarant, as applicable, and shall refer specifically to this Master Declaration.

ARTICLE VII
EASEMENTS

SECTION l. Utilities. Easements for installation and maintenance of utilities (including cable television service) and drainage facilities are reserved as indicated on recorded plats. In addition, Declarant reserves an additional easement and right-of-way for installation and maintenance of utilities (including cable television service) and drainage facilities over the rear five (5) feet of any Lot and over the side three (3) feet of any Lot. Within these easements no structures, planting or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities or which may change the direction of flow of drainage channels in the drainage easements, or which may obstruct or retard the flow of water through drainage channels in the easements. Furthermore, Declarant shall have a temporary construction easement in order to implement effective and adequate erosion control upon any portion of the Properties before and after improvements have been constructed thereon for the purpose of performing any grading or landscaping work or constructing and maintaining erosion control devices; provided, however, no such activity shall interfere with any permanent buildings constructed on the Properties. An easement is also hereby established for the benefit the Town of Holly Springs, North Carolina, (and any other person or firm providing services to the Properties under agreement with or at the direction of the Master Association or applicable Sub-Association) over all Common Area, Limited Common Area, and alleys, including access and entrance into, as may be reasonably necessary for the selling, removal, and reading of water meters, and the maintenance and replacement of water, sewer, and drainage facilities, and for the fighting of fires and collection of garbage. The record owner of each alley shall be responsible for any and all damage to the alley (or to the entrances or curb cuts into the alley) caused by such reasonable use, and shall indemnify or otherwise hold the Town of Holly Springs, North Carolina, harmless for such damages unless the damage is a result of gross negligence or careless and reckless indifference by the Town of Holly Springs, North Carolina, or agents or employees thereof. The Master Association shall have the power and authority to grant and establish upon, over, and across the Common Area such additional easements as are necessary or desirable for the providing of service or utilities to the Common Area, Limited Common Area, or Lots. The Sub-Association shall have the power and authority to grant and establish upon, over, and across the Limited Common Area and Alleys such additional easements as are necessary or desirable for the providing of service or utilities to the Common Area, Limited Common Area or Lots.

SECTION 2. Signs by the Master Association. The Master Association may maintain within the Common Area and Limited Common Area subdivision signs and landscaping and lighting surrounding same. The costs of all such maintenance, repair and replacement of such signs, landscaping and lighting shall be part of the common expenses of the Master Association, payable by the Owners as set out in Article IV hereof.

SECTION 3. Easement Reserved by Declarant. Declarant hereby reserves such easements on, across, and over the Common Area, Limited Common Area, and Alleys as shall be reasonably necessary for the exercise by Declarant of any rights herein reserved, including, without limitation, Declarant's right, should Declarant elect, to annex Additional Property, as hereinafter defined.

SECTION 4. Declarant's Easement to Correct Drainage. For a period of twenty-five (25) years from the date of conveyance of the first Lot in a parcel, phase, or section, the Declarant reserves a blanket easement and right on, over, and under the ground within that parcel, phase or section to maintain and to correct drainage or surface water in order to maintain reasonable standards of health, safety and appearance. Such right expressly includes the right to cut any trees, bushes, or shrubbery, make any grading of the soil, or take any other similar action reasonably necessary. Declarant shall give reasonable notice of intent to take such action to all affected Owners. These rights and reservations are assignable by the Declarant.

ARTICLE VIII
RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS

SECTION 1. Entities Constituting Institutional Lenders. “Institutional Lender” as the term is used herein shall mean and refer to banks, savings and loan associations, insurance companies, or other firms or entities customarily affording loans secured by first liens on residences. Buildings, or other improvements and eligible insurers and governmental guarantors.

SECTION 2. Obligation of Master Association to Institutional Lenders. So long as any Institutional Lender shall hold any first lien upon any Lot, or shall be the Owner of any Lot. such Institutional Lender shall have the following rights:

(a) To inspect the books and records of the Mastcr Association and applicable Sub-Association during normal business hours and to be furnished upon written request with at least one (1) copy of the annual financial statement and report of the Master Association and applicable Sub-Association.

(b) To be given notice by the Master Association or applicable Sub-Association of the call of any meeting of the membership to be held for the purpose of considering any proposed amendment to the Master Declaration or applicable Supplementary Declaration or the Articles of Incorporation or By-Laws of the Master Association or applicable Sub-Association or of any proposed abandonment or termination of the Master Association and applicable Sub-Association or the effectuation of any decision to terminate professional management of the Master Association or applicable Sub-Association and assume self-management by the Master Association or applicable Sub-Association.

(c) To receive notice of any condemnation or casualty loss affecting the Common Areas, Limited Common Area, or any portion thereof.

(d) To be notified of any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Master Association or applicable Sub-Association.

(e) To have the right to approve of any alienation, release, transfer, hypothecation, or other encumbrance of the Common Areas and Limited Common Area other than those specific rights vested in the Master Association and applicable Sub-Association, under Article II hereof.

(f) To be given notice of any delinquency in the payment of any assessment or charge (which delinquency remains uncured for a period of sixty (60) days) by any Owner owning a Lot encumbered by a mortgage held by the Institutional Lender, such notice to be given in writing and to be sent to the principal office of such Institutional Lender, or to the place which it may designate in writing.

SECTION 3. Requirements of Institutional Lender. Whenever any Institutional Lender desires to avail itself of the provisions of this Article, it shall furnish written notice thereof to the Master Association and applicable Sub-Association by CERTIFIED MAIL identifying the Lot or Lots upon which any such Institutional Lender holds any first lien, or identifying any Lot or Lots owned by such Institutional Lender, and such notice shall designate the place to which notices, reports, or information are to be given by the Master Association and applicable Sub-Association to such Institutional Lender.

ARTICLE IX
GENERAL PROVISIONS

SECTION l. Enforcement. The Master Association, Declarant, 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 the Master Declaration, the Articles of Incorporation, or By-Laws of the Master Association. Failure by the Master 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. The Master Association shall have the right to request that law enforcement, public safety, and animal control officers come on the Properties to facilitate the enforcement of the laws, codes and ordinances of any governmental authority.

SECTION 2 Severability. Invalidation of any one of the covenants or restrictions by judgment or court order shall in no wise affect any other provision which shall remain in full force and effect.

SECTION 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Master Declaration may be amended by an instrument signed by the Owners of not less than seventy-five percent (75%) of the total number of Units, Vacant Lots, and Undeveloped Lots, provided that no amendment shall alter any obligation to pay ad valorem taxes or assessments for public improvements, as herein provided, or affect any lien for the payment thereof established herein. Any amendment must be properly recorded. So long as the Declarant is entitled to appoint the majority of the Members of the Board of Directors of the Master Association, no amendment of this Master Declaration shall be made without the consent of the Declarant. Notwithstanding the foregoing, (the Declarant, for so long as it shall retain control of the Board of Directors of the Master Association, and, thereafter, the Board of Directors, may amend this Master Declaration as shall be necessary, in its opinion, to correct obvious errors and omissions herein, or to make any amendments requested by the Veterans Administration ("VA"), the Department of Housing and Urban Development ("HUD") or the Federal National Mortgage Association ("FNMA") and further may amend this Master Declaration with the consent and approval of the VA, HUD, or FNMA, in order to qualify the Master Association for tax exempt status or to meet approval so that loans can be made under VA or HUD. All amendments shall be effective from the date of recordation in the Wake County Registry. Upon such recordation and certification by the Master Association Board of Directors, it shall be conclusively presumed that such instrument constitutes a valid amendment as to the Owners of all Lots of the Properties.

SECTION 4. Annexation.

(a) Except as provided in Subsection (b) of this Section 4, Article IX, additional real property and Common Arca may be annexed to the Properties only with the consent of (a) the Board of Directors so long as Class B Membership is in existence, and (b) the Members entitled to cast two-thirds (2/3) of the votes, after Class B membership is terminated.

(b) Additional land which is located within a five (5) mile radius of the boundary of the Properties (the "Additional Property") may be annexed by the Declarant within ten (10) years from the date of this instrument without the consent of Members or the Board of Directors. Declarant shall have no obligation of any kind to annex any Additional Properly, and, should Declarant elect to annex any Additional Properly, Declarant shall have no obligation of any kind to annex Additional Properly in any particular sequential order. Should Declarant elect to annex any Additional Properly and accordingly to subject such property to the terms and conditions of this Master Declaration, Declarant reserves the right to alter the restrictions contained in Sections 5 of Article VI of this Declaration with regard to any Additional Property annexed by Declarant. The addition of property authorized under this paragraph may increase the cumulative maximum number of Lots authorized in the Properties, and, therefore, may alter the relative maximum potential voting strength of the various types of Membership of the Master Association.

The addition authorized under this Section 4(b) and under Section 4(a) may be made by recording an Additional Property Supplementary Declaration of Covenants, Conditions, and Restrictions with respect to the Additional Property which shall extend the operation and effect of this Master Declaration to such Additional Property. Such Additional Property Supplementary Declarations may contain such complementary additions and/or modifications as may be necessary or convenient, in the sole judgment of the Declarant, to reflect the difference in character, if any, of the Additional Property and as are not inconsistent with the plan of this Master Declaration, but such modification shall have no effect upon the Properties described herein.

SECTION 5. Construction Provisions. Whenever necessary herein and where the context admits, the singular term and the related pronoun shall include the plural, and the masculine the feminine.

IN WITNESS WHEREOF, undersigned, CENTRAL CAROLINA BANK AND TRUST COMPANY and SOUTHLAND ASSOCIATES, INC., Trustee, join in the execution of this document to give consent to this instrument and the undersigned, being the Declarant herein, has caused this instrument to be executed in its name and its seal hereto affixed as of the date set forth above.

ARBOR CREEK ASSOCIATES
A North Carolina Limited Partnership (SEAL)

TILLETT DEVELOPMENT COMPANY, INC.
By: Managing General Partner

BY: E. Tillett
Eric C. Tillett, President

ATTEST:
Carol G. Byrne
Asst. Secretary

BY-LAWS OF

ARBOR CREEK

HOMEOWNERS ASSOCIATION

ARTICLE I: Offices

Section 1. Registered Office. The Corporation shall have and continuously maintain in this State a registered office and a registered agent whose office is identical with such registered office. Such registered office shall be located at 4000 Westchase Boulevard, Suite 400, Wake County, Raleigh, North Carolina, or at such other place within the State of North Carolina as may from time to time be fixed and determined by the Board of Directors.

Section 2. Principal Office. The principal office of the Corporation shall be located at 6729 Falls of Neuse Road, Suite 200, Raleigh, North Carolina 27615 until such time as it is changed by the proper filing of the required notice with the office of the Secretary of State of North Carolina.

ARTICLE II: Definitions

Section 1. "Association" shall mean and refer to Arbor Creek Homeowners Association, its successors and assigns.

Section 2. "Properties" shall mean and refer to that certain real property described in the Master Declaration of Covenants, Conditions and Restrictions of Arbor Creek, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

ARTICLE III: Membership

Section 1. Annual Meeting. The annual meeting of the Members shall be held at such time and at such place as is fixed by the Board of Directors. The Board may change the date of the annual meeting from time to time.

Section 2. Special Meeting. Special Meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote one-tenth (1/10) of all of the votes of the Class A membership.

Section 3. Notice of Meeting. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least 15 days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. Furthermore, notice shall also be sent to Institutional Lenders as may be required pursuant to Article VIII of the Declaration.

Section 4. Quorum. The presence at the meeting of the Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his or her Lot or Unit.

ARTICLE IV: Board of Directors

Section 1. General Powers. The property, affairs and business of the Association shall be managed by the Board of Directors.

Section 2. Number, Term and Qualifications. The Association shall be governed by a Board of Directors. The number of persons on such Board of Directors shall be a minimum of 3 and a maximum of 7 members. The number of directors shall be determined at each annual meeting before directors are elected. Of those Directors initially appointed by the Incorporator, one shall serve until the annual meeting in 1997, one shall serve until the annual meeting in 1998 and the third shall serve until the annual meeting in 1999. Thereafter, at each annual meeting, one-third (1/3) of the total number of Directors to serve shall be elected (or appointed, as the case may be) for a three-year term, it being the intention that the Directors serve in rotating three-year terms. A Director may serve for consecutive terms.

Section 3. Election and Appointment of Directors. Except as otherwise provided, Directors shall be elected at the annual meeting of Members, and those persons receiving the highest number of votes shall be deemed to have been elected. If any Member so demands, election of Directors shall be by written ballot. Notwithstanding the foregoing, until December 31, 2016 or