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Prepared by and hold for: Barringer & Barringer, LLP (Box 16)

NORTH CAROLINA

**Declaration of Master Covenants,
Conditions and Restrictions for the
Crooked Creek South communities**

WAKE COUNTY

This DECLARATION OF MASTER COVENANTS, CONDITIONS AND RESTRICTIONS FOR the CROOKED CREEK SOUTH communities (hereinafter called the "Declaration [or] the Master Covenants") is made this 21st day of October, 1999, by MacGREGOR DEVELOPMENT COMPANY, a North Carolina corporation with its principal office and place of business in Wake County, North Carolina (hereinafter called "the Declarant"):

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in Middle Creek Township, County of Wake, State of North Carolina, which property is more particularly described as follows: BEING all of Tracts 1A (14.138 acres) and 1B (21.690 acres) as described on that certain plat entitled "Subdivision Plat of Tract 1 for MacGregor Development Company" prepared by McKim & Creed Engineers, Surveyors, and Planners, dated October 5, 1999, and recorded in Book of Maps 1999, Page 1894, Wake County Registry (hereinafter called "the properties").

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

WHEREAS, Declarant desires to create thereon a planned community with single-family homes (and perhaps multi-family homes); and

WHEREAS, Declarant desires to provide for the preservation and enhancement of the property values and opportunities in said community for the maintenance of the properties and improvements thereon, and to this end desires to subject the properties described above to the covenants, conditions, restrictions, easements, charges, and liens hereinafter set forth, each and all of which is and are for the benefit of said property and each owner thereof; and

WHEREAS, Declarant has deemed it desirable for the efficient preservation of the property values in said community to create an agency to which should be delegated and assigned the powers of owning, maintaining, and administering the community properties, administering and enforcing the covenants and restrictions, collecting and disbursing the assessments and charges hereinafter created, and promoting the health, safety, and welfare of the residents, all in conjunction and contractual privity with the existing Crooked Creek Homeowners Association; and

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WHEREAS, the Crooked Creek South Homeowners Association will be incorporated under the laws of the State of North Carolina as a non-profit corporation for the purpose of exercising the functions described above, among others;

NOW, THEREFORE, Declarant and other persons and/or entities joined herein, hereby declare all of the properties described herein to be held, sold, and conveyed subject to the following easements, restrictions, covenants, and conditions, all of which shall run with the real property, shall be binding on all parties having or acquiring any right, title, or interest in the described properties or any part thereof, and shall inure to the benefit of each owner thereof.

ARTICLE I DEFINITIONS

Section 1. "Crooked Creek South Homeowners Association [or] the Association" shall mean and refer to the Crooked Creek South Homeowners Association, a North Carolina non-profit corporation, its successors and assigns.

Section 2. "Crooked Creek South [or] the community" shall mean the Crooked Creek South communities, including Forest Ridge at Crooked Creek and Meadowview at Crooked Creek, and shall refer to that certain real property subject to this Declaration and such additions thereto as may hereafter be brought within the jurisdiction of the Crooked Creek South Homeowners Association.

Section 3. "Common Area" shall mean and refer to all real property, and any improvements thereon, within Crooked Creek South owned by the Crooked Creek South Homeowners Association, or by the Crooked Creek Homeowners Association for the common use and enjoyment of all Members.

Section 4. "Member" shall mean and refer to every person or entity entitled to membership in the Crooked Creek South Homeowners Association as provided in this Declaration.

Section 5. "Lot" shall mean and refer to any numbered plot of land shown upon any recorded subdivision map of Crooked Creek South with the exception of Common Area and dedicated or public streets.

Section 6. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of Crooked Creek South, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 7. "Board of Directors [or] Board" means those persons elected or appointed to act collectively as the directors of the Crooked Creek South Homeowners Association.

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Section 8. "Book of Resolutions" shall mean and refer to the document containing rules and regulations and policies adopted by the Board of Directors for the management, governance and administration of the Crooked Creek South Homeowners Association and its Members.

Section 9. "VA" shall mean Veterans Administration, or its successor, and "HUD" shall mean Department of Housing and Urban Development, or its successor.

Section 10. "Bylaws" mean the bylaws of Crooked Creek South Homeowners Association as they now or hereafter exist.

ARTICLE II COMMON AREA OWNERSHIP AND MAINTENANCE

Section 1. Owners' Easements of Enjoyment. Every owner shall have a right of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot.

Section 2. Delegation of Use. Any Owner may delegate his rights of enjoyment of the Common Area to the members of his family, his tenants, contract purchasers who reside on the property, or his guests.

Section 3. Rules and Regulations. The Board of Directors shall have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Common Area and/or the Crooked Creek South community. Such rules and regulations, along with all policy resolutions and policy actions taken by the Board of Directors, shall be recorded in a Book of Resolutions, which shall be maintained in a place reasonably convenient to the Members and available to them for inspection during normal business hours.

Section 4. Suspensions. The Board of Directors shall have the power to suspend the voting rights of a Class A Member or any person to whom that Member has delegated his right of enjoyment for any period during which any assessment against his Lot remains unpaid.

Section 5. Declarant's Covenant to Convey Title to Common Area. The Declarant hereby covenants for itself, its successors and assigns, that it will convey fee simple title to the property that will be designated Common Area and portions thereof to Crooked Creek South Homeowners Association, at such time as it conveys the first Lot to some person other than Declarant within the specific area to be developed, as contained in a recorded subdivision plat or map, subject to easements of record for utilities, television antenna or cable, drainage, access or other services.

Section 6. Mortgaging Common Area. The Association shall have the power to borrow money for the purpose of improving the Common Area and pursuant thereto to mortgage the Common Area, or any portion thereof; provided, however, that the execution of such mortgage shall require the same approval of the membership which is required for special

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assessments for capital improvements as set forth in Article VI, Section 5 of this Declaration. The rights of such mortgagee in said Common Area properties shall not be subordinate to the rights of the members.

Section 7. Common Area Dedication or Transfer. The Association shall have the right to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless written notice of the proposed action is sent to every Member not less than thirty (30) days and not more than sixty (60) days in advance and unless an instrument signed by Members entitled to cast two-thirds (2/3) of the votes of the membership has been recorded, agreeing to such dedication or transfer.

ARTICLE III LAND USE

Section 1. Restrictions. Each Lot and the Common Area shall be subject to the restrictions herein, to those set forth in the Bylaws, and to any sub-covenants restricting Lots in Crooked Creek South including but not necessarily limited to that certain Declaration of Covenants, Conditions and Restrictions for Lots in the Crooked Creek South communities as recorded in the Wake County Registry.

Section 2. Designated Residential Property Restrictions. All property designated for residential use shall be used, improved and devoted exclusively to residential use.

Section 3. Common Area Restriction. All Common Area shall be used, improved and devoted exclusively for the benefit of the Owners and as provided in that certain Perpetual Covenants, Conditions and Agreements between the Association and the Crooked Creek Community Association, Inc. recorded in the Wake County Registry, for the owners of lots in the original Crooked Creek development which is adjacent to Crooked Creek South.

Section 4. Common Area Offensive Use. No individual or entity shall make or do any immoral, improper, offensive or unlawful use of Crooked Creek South and/or any of the Common Area. In addition, all rules and regulations of the Association and of all governmental agencies having jurisdiction over Crooked Creek South shall be observed.

Section 5. Common Area Construction or Alteration. No person shall undertake, cause, or allow any alteration or construction in or upon any portion of the Common Area except at the direction of and/or with the express prior written consent of the Association.

Section 6. Nuisance or Annoying Activity. No obnoxious or offensive activity shall be carried on, in or upon Crooked Creek South, nor shall anything be done which may be or may become a nuisance or annoyance to any resident within Crooked Creek South.

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Section 7. Parking; Satellite Dishes and Antennas. The Association shall regulate or prohibit the parking of boats, campers, trailers, and the placing of tents and other such items on the Common Area and/or on any Lot except in a fully-enclosed garage. No automobiles, trucks, tractors, boats, campers, trailers or any other vehicles shall be regularly parked within the right-of-way of any street in or adjacent to Crooked Creek South except for any construction trailers or vehicles used by a building contractor during the initial construction of a residence on a Lot. In addition, each Lot shall contain sufficient off-street paved parking space for at least two automobiles or pick-up trucks. Finally, no owner of a Lot shall store or keep a trailbike, motorcycle, motorized tri-wheel bike, tractor, truck or other such motorized riding vehicle on the premises without specific written approval by the Association; provided, however, that each Member shall be entitled to store or keep one or more operational automobile(s) and/or pick-up truck(s) on the premises so long as such automobile(s) or truck(s) are parked in the aforesaid off-street paved parking space. In granting approval for any other vehicle(s), the Association may attach specific conditions which shall be binding on the Owner and occupants of the home built on the Lot.

To the extent allowed by law, the Association may regulate or prohibit the erection of antennas and/or satellite dishes on any Lot or the home built on any Lot.

ARTICLE IV ARCHITECTURAL CONTROL

Section 1. Architectural Committee. An Architectural Committee consisting of three (3) persons shall be appointed by or before the sale and transfer of title to the first Lot by the Declarant. The Declarant shall have the right to appoint a majority of the members of the Architectural Committee until all new or initial construction of all homes on all Lots in Crooked Creek South are completed. After the time when all said new or initial construction of all homes on all Lots in Crooked Creek South is completed, the Architectural Committee shall be appointed by the Board of Directors of the Association.

The Declarant shall have the right but not the obligation to appoint an Architectural Advisory Committee, a majority of which advisory committee shall be comprised of Owners in Crooked Creek South, which shall advise the Architectural Committee on all changes, modifications or additions to the initial construction of all homes in Crooked Creek South which are proposed to be done by a homeowner. However, the Architectural Committee shall have the final authority on all architectural decisions.

At such time as the Architectural Committee is appointed by the Board of Directors of the Association rather than by the Declarant, the Architectural Advisory Committee shall cease to exist and all architectural decisions shall be made by the Architectural Committee.

Section 2. Plan or Design Approval. No site preparation or initial construction, erection, or installation of any improvements, including, but not limited to houses, outbuildings, fences, walls, signs, antennas, clotheslines, and other structures, excavation, or changes in grade

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shall be undertaken upon any Lot unless the plans and specifications therefor, showing the nature, kind, shape, height, materials, and location of the proposed improvements shall have been submitted to the Architectural Committee and expressly approved in writing. No subsequent alteration or modification of any existing improvements or construction, erection or installation of additional improvements may be undertaken or allowed to remain on any of the Lots without the review and express written approval of the Architectural Committee, which, as described above, may be advised on such subsequent alterations or modifications by an Architectural Advisory Committee.

Section 3. Effect of Failure to Approve or Disapprove. In the event that the Architectural Committee fails to approve or disapprove the design of any proposed improvements within forty-five (45) days after plans and specifications therefor have been submitted and received, approval will not be required, and the requirements of this Article will be deemed to have been fully satisfied; provided, that the plans and specifications required to be submitted shall not be deemed to have been received by the Architectural Committee if they contain erroneous data or fail to present adequate information upon which the Architectural Committee can arrive at a decision.

Section 4. Right of Inspection. The Architectural Committee or its designee shall have the right, at its election, to enter upon any of the Lots in Crooked Creek South during preparation, construction, erection, or installation of any improvements to determine that such work is being performed in conformity with the approved plans and specifications.

Section 5. Exterior Maintenance. The exterior maintenance of Lots and all improvements constructed thereon shall be the duty of the Owners of such Lots (except where specifically provided otherwise) and shall not normally be interfered with by the Association or any person. If, however, in the opinion of the Association any Owner shall fail to maintain any Lot or any improvements thereon in a manner which is reasonably neat and orderly, or shall fail to keep improvements constructed thereon in a state of repair so as not to be unsightly, the Association at its discretion, and following ten (10) days advance written notice to the Owner, may enter upon and make or cause to be made repairs to such improvement and perform such maintenance on the Lot such as, but not limited to the removal of trash, cutting grass, pruning of shrubbery, and seeding for erosion control. The Association, or its agents, shall have an easement for the purpose of accomplishing the foregoing. All costs actually incurred by the Association in rendering such services plus a service charge of twenty percent (20%) of such costs, shall be added to and become a part of such other assessments to which the Lot is subject.

ARTICLE V MEMBERSHIP AND VOTING RIGHTS

Section 1. Members. The Declarant, for so long as it shall be an Owner, and every person or entity who is an Owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessments by the Association, including contract sellers, shall be a member of the Association. The foregoing does not include persons or entities who hold an

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interest merely as security for the performance of an obligation. Ownership of such Lot shall be the sole qualification for membership, and no Owner shall have more than one membership, except as expressly provided hereinafter. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. The Board of Directors may make reasonable rules relating to the proof of ownership of a Lot in Crooked Creek South.

Section 2. Member classes and Voting Rights. The Association shall have two (2) classes of voting members:

Class A Members. Class A Members shall be all those Owners with the exception of the Declarant. Class A Members shall be entitled to one (1) vote for each Lot in which they hold the required ownership interest. When more than one person or entity holds such interest in any Lot all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot and no fractional vote may be cast with respect to any Lot.

Class B Member. The Class B Member shall be the Declarant. The Class B Member shall be entitled to three (3) votes for each Lot in which it holds the required ownership interest, provided that the Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs first:

- (a) The total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or,
- (b) December 31, 2010.

Section 3. Voting Rights Suspension. The right of any Class A member to vote may be suspended by the Board of Directors of the Association for just cause pursuant to its rules and regulations.

Section 4. Right of Declarant to Representation on Board of Directors of the Association. Notwithstanding anything to the contrary contained herein or in the By-Laws of the Association, until December 31, 2010, or until MacGREGOR DEVELOPMENT COMPANY shall have conveyed seventy-five percent (75%) of the properties shown on the general plan of Crooked Creek South heretofore submitted to the County of Wake, North Carolina, and submitted to VA and HUD, whichever first occurs, MacGREGOR DEVELOPMENT COMPANY (or its express assignee of the rights granted in this Section) shall have the right to designate and select a seventy-five percent (75%) majority of the Board of Directors of the Association. Whenever MacGREGOR DEVELOPMENT COMPANY shall be entitled to designate and select any person or persons to serve on any Board of Directors, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or Bylaws of the Association. MacGREGOR DEVELOPMENT COMPANY shall have the right to remove any person or persons selected by it to act and serve on said Board of Directors and to replace such person or persons with another person or other

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persons to act and serve in the place of any Director or Directors so removed. Any Director designated and selected by MacGREGOR DEVELOPMENT COMPANY need not be an Owner. Any representative of MacGREGOR DEVELOPMENT COMPANY serving on the Board of Directors of the Association shall not be required to disqualify himself from any vote upon any contract or matter between MacGREGOR DEVELOPMENT COMPANY and the Association where MacGREGOR DEVELOPMENT COMPANY may have a pecuniary or other interest. Similarly, MacGREGOR DEVELOPMENT COMPANY, as a member of the Association, shall not be required to disqualify itself upon any vote upon or entrance into any contract or matter between MacGREGOR DEVELOPMENT COMPANY and the Association where MacGREGOR DEVELOPMENT COMPANY may have a pecuniary or other interest.

ARTICLE VI ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessment. The Declarant, for each Lot owned, hereby covenants, and every other Owner of any Lot covered by this Declaration, by acceptance of a deed therefor, whether or not expressed in any such deed or other covenant, is deemed to covenant and agrees to pay to the Association:

- (a) Annual assessment or charges;
- (b) Special assessments for capital improvements, such assessments to be fixed, established, and collected from time to time as hereinafter provided.

The annual and special assessments on a Lot together with interest thereon and costs of collection thereof, as hereinafter provided, 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 and costs, and reasonable attorney's fees, as provided by law, incurred by the Association in collecting delinquent assessments shall also be the personal obligation of the person or entity who was the Owner of such Lot at the time when the assessment became due. The obligation of an Owner for delinquent assessments shall not pass to his successors or assigns in title.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purposes of promoting the beautification of Crooked Creek South and in the original Crooked Creek community (as contemplated in that certain Perpetual Covenants, Conditions and Agreements between Crooked Creek Community Association, Inc. and Crooked Creek South Homeowners Association recorded in the Wake County Registry), the health, safety and welfare of the Owners in Crooked Creek South, the enforcement of the covenants and the rules of the Association, and in particular, the improvement and maintenance of the Common Area (both in Crooked Creek South and Crooked Creek as described above).

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Section 3. Annual Assessment. To and including December 31, 2000, the annual assessment shall be shared equally and shall not be in excess of Four Hundred Dollars (\$400.00) per Lot, except as otherwise provided herein, the exact amount of which shall be determined from time to time by the Board of Directors in accordance with the following provisions:

(a) From and after December 31, 2000, the basic annual assessment may be increased by the Board of Directors of the Crooked Creek South Homeowners Association effective January 1, of each calendar year, without the vote of the Members, by a percentage which may be up to but shall not exceed Ten Per Cent (10%) over the amount of the basic annual assessment for the immediately preceding year;

(b) After December 31, 2000, the basic annual assessment may be increased by a percentage which may exceed Ten Per Cent (10%) over the amount of the basic annual assessment for the immediately preceding year but only by the assent of two-thirds (2/3) of the votes of each class of the Members who are voting in person or by proxy at a meeting called for such purpose. For this purpose, the Class B Member shall be entitled only to one vote for each Lot as to which it holds the required ownership interest. Written notice of the meeting shall be given to all Members not less than thirty (30) days and not more than sixty (60) days in advance of the meeting. The provisions of this section shall not apply to nor be a limitation upon any change in the basic annual assessment undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

Section 4. Special Assessment for Repairs. In the event any portion of any Common Area is damaged or destroyed by an Owner or any of his guests, tenants, licensees, agents, or family members, such Owner does hereby authorize the Association to repair said damaged area in a good and workmanlike manner. The amount necessary for such repairs, labor and material, shall become a special assessment upon the Lot of said Owner.

Section 5. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy one or more special assessments applicable to that year only for the purpose of defraying the costs of construction or reconstruction, unexpected repair, or replacement of a described capital improvement upon the Common Area, including the necessary 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 the Members (as defined and determined above in Section 3(b) who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all Members not less than thirty (30) days and not more than sixty (60) days in advance of the meeting.

Section 6. Uniform Rate of Assessment. Both Annual and Special Assessments, (with the exception of the Special Assessment authorized by Article VI, Section 4 above) must be fixed at a uniform rate for all Lots and may be collected on a quarterly, semi-annual or annual basis in advance.

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Section 7. Date of Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence as to all Lots on the first day of the month following the point in time when the Lot is both: (a) included on a recorded plat map filed for registration with the Wake County Registry; and, (b) conveyed to a record Owner other than the Declarant. (For example, assessment liability shall not commence on any Lots which though they may have been approved and/or authorized by the County of Wake have not yet been designated or placed on a plat map recorded in the Wake County Registry). Notwithstanding anything herein to the contrary, Declarant's assessments for any Lot(s) for which it holds record title shall be twenty-five per cent (25%) of the annual assessment on all other Lots, and professional home builders who purchase Lots from Declarant for the purpose of constructing a house for an ultimate homeowner and who hold record title to the Lot, whether on a pre-sale or speculative basis, shall not pay any annual or special assessments for the first six (6) months after they acquire record title to a Lot.

The Declarant may make voluntary contributions to or payments on behalf of the Association, as determined in the sole and exclusive discretion of the Declarant, for the purpose of defraying maintenance and repair costs until such time as the annual assessments are sufficient to fund all of the operations, expenses and liabilities of the Association.

The first annual assessment on any Lot shall be adjusted according to the number of months remaining in the calendar year. Thereafter, 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 and appropriate charges or fines for late payment shall be established by the Board of Directors. The Crooked Creek South Homeowners Association, upon request at any time, shall furnish written confirmation of whether the assessments on a specified Lot have been paid. A reasonable charge may be made by the Board for the issuance of such written confirmation. Such written confirmation shall be conclusive evidence of payment status.

Section 8. Remedies for Non-Payment of Assessments. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date the assessment shall bear interest from the due date at a rate not to exceed 12%. The Association may levy late charges in addition to the interest specified above, may bring an action at law against the Owner personally obligated to pay any assessments, late charges, and/or interest, or may foreclose the lien created herein in the same manner as prescribed by the laws of the State of North Carolina for the foreclosure of Deeds of Trust. Costs and reasonable attorney's fees as provided by law of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by the nonuse of the Common Area or abandonment of his Lot.

In the event of such action at law and in the further event that such action results in a judgment being entered against the Owner and in favor of the Association, then, and in that event, the Association shall be further empowered to execute on that judgment in such manner and to the full extent provided and permitted by the laws of the State of North Carolina.

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Section 9. Subordination of the Lien to Mortgages and Ad Valorem Taxes. The lien of the assessments provided for herein on any Lot shall be subordinate to the lien of any first mortgage, deed of trust or first purchase money deed of trust representing a first lien on said property and shall be subordinate to ad valorem taxes. Sale or transfer of any Lot shall not affect the assessment lien; provided, however, that the sale or transfer of any Lot pursuant to a decree of foreclosure on a mortgage thereon or any proceeding or transfer in lieu of foreclosure 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 or liens arising from assessments thereafter becoming due.

Section 10. Exempt Property. Any portion of Crooked Creek South dedicated to, and accepted by, a local public authority shall be exempt from the assessments created herein; provided, however no land or improvements devoted to the current or future development of Lots shall be exempt from said assessments.

Section 11. Annual Budget. By a majority vote of the directors, the Board shall adopt an annual budget for the subsequent year of operation, which shall provide for allocation of expenses in such a manner that the obligations imposed by this Declaration and any and all Supplementary Declarations will be met.

ARTICLE VII EASEMENTS

Section 1. Walks, Drives, Parking Areas, Utilities, and other Similar Aspects of Crooked Creek South. All areas of Crooked Creek South shall be subject to such easements for driveways, walkways, parking areas, water lines, sanitary sewers, storm drainage facilities and for the maintenance of and general access to all stormwater control structures, gas lines, telephone and electric power lines, television antenna lines, other utilities, ingress, egress and regress and otherwise as shall be established by the Declarant or by its predecessor in title, prior to the conveyance of the property designated to be the Common Area to the Association; and the Association shall have the power and authority to grant and establish further easements upon, over, under, and across the Common Area.

Section 2. Encroachments and Declarant's Easement to Correct Drainage. All Lots and the Common Area shall be subject to easements for the encroachment of initial improvements constructed on any Lots or Common Area by the Declarant to the extent that such initial improvements actually encroach, including, without limitation, such items as overhanging eaves, gutters, downspouts, exterior storage rooms, bay windows, steps and walls. 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 gradings of the soil, or take any other

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similar action reasonably necessary. After such action has been completed, the Declarant shall restore the affected property to its original condition to the extent practicable. Declarant shall give reasonable notice of intent to take such action to all affected owners. These rights and reservations are assignable by the Declarant.

Section 3. Governmental Easement for Utility Monitoring. An easement is hereby established for municipal, state or public utilities serving the area, their agents and employees, over all Common Area hereby or hereafter established for setting, removing and reading utility meters, maintaining and replacing utility or drainage connections, and acting with other purposes consistent with the public safety and welfare, including, without limitation, police and fire protection and general access to all stormwater control structures in Crooked Creek South.

ARTICLE VIII ANNEXATION OF ADDITIONAL PROPERTIES

Section 1. Annexation by Members. Additional lands may be added and annexed to Crooked Creek South by Members only if two-thirds (2/3) of each class of all the votes entitled to be cast, in the aggregate, by Members are cast in favor of annexation. In such event the holder of Class B voting rights shall be entitled only to one vote for each Lot owned. A meeting shall be duly called for this purpose, written notice of which shall be sent to all Members not less than thirty (30) days and not more than sixty (60) days in advance of the meeting. If a quorum is present and a majority of the votes are cast in favor of the annexation, but the majority is less than the two-thirds (2/3) majority of each class required for approval of the annexation, and it appears that the required two-thirds (2/3) of each class may be achieved if the Members not present or voting by proxy assent to the annexation, then and in that event, the Members not present or voting by proxy may assent to or dissent from the proposed annexation in writing within one hundred twenty (120) days following the date of the meeting at which the Member was entitled under this Declaration to vote either in favor of or against the annexation. If the number of votes cast at the meeting in favor of the annexation, together with the votes deemed to have been cast by the Members assenting to the annexation, shall constitute the requisite two-thirds (2/3) majority of each class of all votes entitled to be cast, the annexation shall stand approved.

Section 2. Annexation by Declarant. If, prior to December 31, 2010, the Declarant, or its designated successor, should develop, from time to time, one or more additional tract(s) of land consisting of any properties contiguous or in close proximity to Crooked Creek South, such additional land may be annexed to Crooked Creek South without the assent of the Members; provided, however, that such annexation shall be approved by the Town of Fuquay-Varina or other pertinent governmental authority having planning jurisdiction over the said property.

Section 3. Declaration(s) of Annexation(s). Persons annexing additional lands into Crooked Creek South pursuant to this Article shall record in the Wake County Registry a Declaration of Annexation, duly executed by all necessary property owner(s), describing the

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lands annexed and incorporating the provisions of this Declaration, and the additional land shall be deemed annexed into Crooked Creek South on the date of such recordation.

Section 4. Conveyance of Common Areas Located Within Newly Annexed Lands.

Title to Common Areas located in newly annexed lands shall be conveyed to the Association in the same manner as set forth in Article II, Section 5 herein, prior to the sale of the first Lot within the said newly annexed lands.

**ARTICLE IX
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 any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Rights of Lenders and Insurers of First Mortgages. Lenders and insurers of first mortgages shall have the following rights:

- (a) In the event that any Member is in default in any obligation hereunder which default remains uncured for a period of sixty (60) days, every lender who is a mortgagee as to the Lot of the defaulting Member and the insurer of any such first mortgage, shall be immediately notified of such default, provided that such lender and/or insurer shall have given written certified notice to the Association that it is a mortgagee or insurer as to the Lot of such Member and shall have requested the notice of default as herein set forth.
- (b) Every first mortgagee and/or insurer of the first mortgage of the Lot of a Member of the Association shall have the right, during regular business hours, to examine the books and records of the Association.

Section 3. Amendment by Owners. The covenants, conditions and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, or the Owner of any Lot subject to this Declaration, their respective legal representatives, heirs, successors and assigns for a term of thirty (30) years from the date this Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years. The covenants, conditions and restrictions of the Declaration may be amended during the first thirty (30) year period or thereafter by an instrument signed by the Owners of not less than two-thirds (2/3) of the Lots, provided, however, that the Board of Directors of the Association (with prior approval of VA or HUD) may amend this Declaration to correct any obvious error or inconsistency in drafting, typing or reproduction or to approve any amendment requested by VA, HUD or the Federal National Mortgage

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Association, without action or consent of the Owners, and such amendment shall be certified as an official act of the Board and the Association and recorded in the Wake County Registry.

Section 4. Amendment to Achieve Tax-Exempt Status. The Declarant, MacGREGOR DEVELOPMENT COMPANY, for so long as it shall retain control of the Board of Directors of the Association, and thereafter, the Board of Directors, may amend this Declaration as shall be necessary, in its opinion, with the consent and approval of VA or HUD, and without the consent of any Owner, in order to qualify the Association or Crooked Creek South, or any portion thereof, for tax-exempt status. Such amendment shall become effective upon the date of its recordation in the Wake County Registry.

Section 5. Certification and Recordation of Amendment. Any instrument amending these covenants, conditions and restrictions, (other than an amendment by the Board to correct an error or inconsistency in drafting, typing, or reproduction) shall be delivered, following approval by the Owners, to the Board of Directors. Thereupon, the Board of Directors, shall, within thirty (30) days after delivery, do the following:

- (a) Reasonably assure itself that the amendment has been duly approved by the Owners as provided in Section 3 of this Article. (For this purpose, the Board may rely on its roster of Members and shall not be required to cause any title to be examined.)
- (b) Attach to the amendment a certification as to its validity, which certification shall be executed by the Association.
- (c) Within the thirty (30) day period aforesaid, cause the amendment to be recorded in the Wake County Registry.

Section 6. Effect and Validity of Amendments. All amendments shall be effective from the date of proper recordation in the Wake County Registry. When any instrument purporting to amend the covenants, conditions and restrictions has been certified by the Board of Directors and recorded as provided in this Section, it shall be conclusively presumed that such instrument constitutes a valid amendment as to the Owners of all Lots in Crooked Creek South.

Section 7. Exchange of Common Area. Notwithstanding any provision herein to the contrary other than Section 4 of this Article IX, it is expressly provided that the Association may convey to the Declarant, as well as any other Member, for fair market value any portion of the Common Area previously conveyed to the Association, as provided in the Articles of Incorporation of the Association. Any such conveyance shall be subject to prior VA or HUD approval. Upon such conveyance, the area conveyed shall cease to be Common Area and shall cease to be subject to the provisions of these covenants relating to the Common Area. Any area purchased by the Association pursuant to the foregoing language shall become Common Area and subject to the provisions of these covenants relating to the Common Area. (The following hypothetical situation is by way of illustration, but not of limitation: Due to a surveying error an

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undesirable drainage area is designated for the location of Lots. Under this provision, the Declarant and the Association exchange deeds so that the Lots may be relocated within the Common Area and the area previously designated for Lots may be converted to Common Area.)

Section 8. Protective Covenants for Single-Family Dwellings. Nothing herein shall affect the Declarant's right to establish, from time to time, appropriate specific additional covenants for the development and use of Lots for single-family home sites in Crooked Creek South.

Section 9. Conflicts. In the event of any irreconcilable conflict between the Declaration and the Bylaws of the Association, the provisions of this Declaration shall control. In the event of an irreconcilable conflict between this Declaration or the Bylaws of the Association and Articles of Incorporation of the Association, the provisions of this Declaration shall control.

Section 10. Severability. Invalidity 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.

**ARTICLE X
DISSOLUTION OR INSOLVENCY OF THE
CROOKED CREEK SOUTH HOMEOWNERS ASSOCIATION**

The Crooked Creek South Homeowners Association may be dissolved with the assent given in writing and signed by not less than two-thirds (2/3) of each class of members. Upon the dissolution of the Association, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Association, dispose of all of the assets of the Association exclusively for the purposes of the Association in such manner, or to a pertinent municipal or county governmental authority, or to such organization(s) organized and operated exclusively for charitable, educational, religious, or scientific purposes as shall at the time qualify as an exempt organization(s) under Section 501(c) of the Internal Revenue Code of 1986 (or corresponding provision of any future United States Internal Revenue Law), as the Board of Directors shall determine. Any such assets not so disposed of shall be disposed of by the Court in the county in which the principal office of the Association is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

No part of the net earnings of the Association shall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons, except that the Association shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in the Association's Articles of Incorporation. No substantial part of the activities of the Association shall be carrying on of propaganda, or otherwise attempting to influence legislation and the Association shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding

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any other provision of these articles, the Association shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from general income tax under Section 501(c) of the Internal Revenue Code of 1986 (or corresponding provision of any future United States Internal Revenue Law) or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1986 (or corresponding provision of any future United States Internal Revenue Law).

**ARTICLE XI
VA AND HUD APPROVAL**

As long as there is a Class B Member, the following acts will require the prior approval for compliance with established VA or HUD guidelines: Annexation of additional properties, mergers and consolidations, mortgaging or dedication of common area, dissolution and amendment of these Master Covenants.

IN WITNESS WHEREOF, MacGregor Development Company, as the Declarant hereunder, has caused this instrument to be executed by its duly authorized President and that signature to be attested and its corporate seal to be affixed by its assistant or corporate secretary, all by order and authority duly granted by its corporate board of directors and all other persons joining in the execution of these Master Covenants have hereunto set their individual hands and have adopted the word "SEAL" set opposite their hands as and for their personal seals, all as of the date and year first above written.



MacGregor Development Company,
a North Carolina corporation,

By: [Signature]
Michael F. Whitehead, President

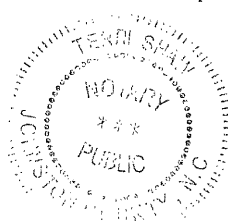
Attest: [Signature]
Asst./Corporate Secretary

STATE OF NORTH CAROLINA, COUNTY OF WAKE

I, a Notary Public of the said County and State, hereby certify that Lela S. Compton personally appeared before me this day and acknowledged that she is the _____ Corporate Secretary of MacGregor Development Company, a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing document was signed in its name by its President, sealed with its corporate seal and attested by her as its _____ Corporate Secretary.

Witness my hand and official stamp or seal, this 27th day of October, 1999.

Notary Stamp/Seal



[Signature]
Notary Public
My Commission Expires: 11-7-2003

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Laura M Riddick
Register of Deeds
Wake County, NC



Book : 008447 Page : 01436 - 01452



Wake County Register of Deeds
Laura M. Riddick
Register of Deeds

North Carolina - Wake County

The foregoing certificate ___ of _____

____ Notary(ies) Public is (are) certified to be correct. This instrument and this certificate are duly registered at the date and time and in the book and page shown on the first page hereof.

Laura M. Riddick, Register of Deeds

By: _____
Assistant/Deputy Register of Deeds

This Customer Group
____ # of Time Stamps Needed

This Document
____ # of Pages
____ New Time Stamp